ANNUAL REPORT 2010

GUINNESS PEAT GROUP PLC

Contents

Chairman's statement

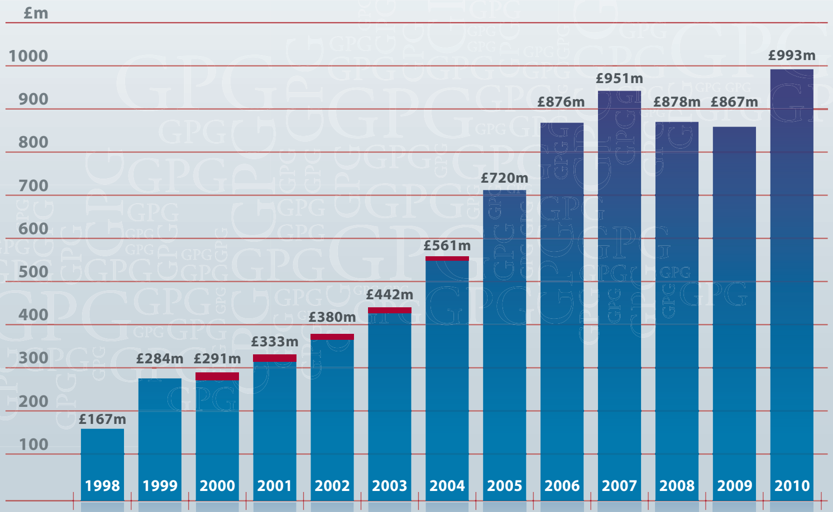
The Board and management can now dedicate their primary focus to maximising returns on GPG's investments as we implement the orderly value realisation strategy.

The 2010 financial year has been an important and challenging one for GPG and its shareholders. The Board has reviewed and addressed key issues concerning the Company's governance and future strategic direction and on 11 February 2011 announced a strategy to realise value. This will be executed in a manner and timeframe which is intended to maximise value for shareholders.

The management team have been able to achieve some strong results from the investment portfolio over the financial year. GPG's net profit attributable to members in the year was £46m compared to a loss of £36m in 2009. Net assets increased by £118m to £1,062m at 31 December 2010, partly as a result of the profit contribution and also partly from foreign exchange gains of £58m recognised in reserves.

As a consequence of these factors, the net asset backing per share increased during the year by 12.3% from a capitalisation adjusted 48.64p to 54.63p. The net profit for the year represented a return of 5.0% (2009: (4.1%)) on average shareholders' funds.

Shareholders' funds



The figures for CLNs are £19m (2000), £16m (2001), £12m (2002), £12m (2003), £6m (2004), £Nil (2005 and subsequently).

Figures for 2004 and later years are prepared under International Accounting Standards whereas previous figures have been prepared under UK GAAP. For comparability the 2004 figures have been adjusted to reflect the IAS 32/39 transitional adjustments of £120m.

Return on average shareholders' funds

	Average shareholders' funds *£000s*	Attributable profit/ (loss) *£000s*	Return on average shareholders' funds
2006	**798,193**	35,820	**4.5%**
2007	**913,870**	129,292	**14.1%**
2008	**914,572**	(50,273)	**(5.5)%**
2009	**872,400**	(35,864)	**(4.1)%**
2010	**930,374**	46,361	**5.0%**

Investment highlights

Some of the key investment highlights from the year are set out below:

- Excellent Coats performance with strong sales recovery year on year in the Industrial business and modest growth in Crafts. Attributable GPG profit of £39m from a £3m loss in 2009. (Coats results announcement is published on the GPG website, www.gpgplc.com)
- £16m contribution to profit from the disposal of GPG's investment in Maryborough Sugar Factory and a trading contribution from Capral of £2m despite the background of poor market conditions in its sector
- Increase during the year of £72m in the unrealised surplus of market value to cost in the GPG listed investment portfolio (excluding listed subsidiaries and associates)
- Good progress in disposal of non-core investments in the year and also in positioning certain investments for disposal in 2011

Strategy to realise value

On 11 February 2011, GPG announced a recommended strategy to realise value. Key elements of the strategy include:

- GPG to discontinue new investment, although it will contribute capital to existing investments if this is viewed as value enhancing
- GPG to pursue an orderly value realisation of its investment portfolio
- As part of the orderly value realisation, GPG's investment portfolio may be reduced to the point where an investment in GPG becomes a pure exposure to Coats. In the interim, GPG will continue to evaluate other alternatives for realising value for Coats
- Cash proceeds from the orderly realisation of investments to be used to return capital to shareholders as expeditiously as possible, having regard to the actual and contingent liabilities of the GPG group ("Group")
- Initial capital return to shareholders of at least £75m (NZ$158m / A$120m) subject to shareholder and other approvals (see page 4)

The Board will work closely with management to implement the strategy and will continue to inform shareholders of any material developments.

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 2010

% 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

NZX = New Zealand Stock Exchange Top 40 (from January 2004 NZX-50)

A performance graph providing a comparison of GPG total shareholder return against the FTSE All Share Equity Investment Instrument Index over 5 years appears on page 73 of this Annual Report.

Chairman's statement continued

Capital return and dividend

As announced on 11 February 2011, GPG intends to make a capital return to shareholders of at least £75m (NZ$158m / A$120m). The capital return is expected to be implemented via a Scheme of Arrangement. Under the Scheme of Arrangement, each GPG shareholder will receive a cash payment in return for a cancellation of a proportion of their GPG shareholding. The capital return will be subject to the usual regulatory approvals including from the UK Court, Shareholders and taxation authorities.

GPG intends to send a Scheme Circular to shareholders, in advance of its AGM, subject to receiving prior UK Court approval. Shareholder approval will then be sought at the time of its AGM. GPG is working towards completion of the capital return by July 2011, subject to all requisite approvals being obtained, and will advise of further details in due course, including the cash payment per share, the number of shares proposed to be cancelled and the treatment of the expected capital return for tax purposes for shareholders.

No dividend has been declared at the present time, but the Board intends to maintain the standard 1p dividend and the share election scheme will continue to operate in lieu of cash. Further details will be included in the communication regarding the capital return.

Simplified income statement

GPG's financial performance in 2010 is shown below in the Simplified Group Income Statement. GPG's profit before taxation from continuing operations in the year was £73m, compared to £7m in 2009.

	2010 £ million	2009 £ million
Gross profit		
Parent Group	**1**	1
Coats	**370**	298
Other Subsidiaries	**92**	74
Total	**463**	373
Profit on disposal of investments and other net investment income*		
Parent Group	**31**	23
Coats	**4**	2
Other Subsidiaries	**6**	1
Total	**41**	26
Exchange gains/(losses)		
Parent Group	**(7)**	(7)
Coats	**–**	1
Other Subsidiaries	**–**	(2)
Total	**(7)**	(8)
Net operating expenses*		
Parent Group	**(24)**	(20)
Coats	**(295)**	(265)
Other Subsidiaries	**(84)**	(71)
Total	**(403)**	(356)
Share of profit/(loss) of joint ventures and associated undertakings		
Parent Group	**5**	10
CIC Australia	**7**	(7)
Total	**12**	3
Profit/(loss) on ordinary activities before interest		
Parent Group	**6**	7
Coats	**79**	36
Other Subsidiaries	**21**	(5)
Total	**106**	38
Finance costs (net)		
Parent Group	**(18)**	(15)
Coats	**(10)**	(12)
Other Subsidiaries	**(5)**	(4)
Total	**(33)**	(31)
Profit/(loss) before taxation from continuing operations		
Parent Group	**(12)**	(8)
Coats	**69**	24
Other Subsidiaries	**16**	(9)
TOTAL	**73**	**7**

* 2010 analysis restated from that presented in the Preliminary Results Announcement

AGM

The AGM is expected to be held in Auckland, New Zealand on Wednesday 8 June 2011. Further details of the location and timing of the meeting will be provided in the Notice of Meeting which GPG intends to send to shareholders in May 2011.

Summary

The 2010 financial year was both a challenging and important one for GPG shareholders and a lot has been achieved.

The Board believes that the strategy to realise value provides a clear path for optimisation of value for all shareholders. The Board and management can now dedicate their primary focus to maximising returns on GPG's investments as we implement the orderly value realisation strategy.

Mark Johnson
Chairman
Guinness Peat Group plc
30 March 2011

Simplified balance sheet as at 31 December 2010

GPG remains in a strong financial position as shown below:

	2010	2009
	£ million	£ million
Cash at Bank	**203**	265
Debtors	**15**	13
Coats	**319**	295
Tower	**97**	85
Turners & Growers	**78**	69
ClearView	**76**	37
Capral	**48**	37
CIC Australia	**39**	28
Other Trading Subsidiaries & Associates	**38**	50
CSR	**72**	65
Youngs	**61**	43
Ridley	**52**	26
Other portfolio investments	**181**	118
Gross Assets	**1,279**	1,131
Creditors & provisions	**(74)**	(73)
Capital Notes	**(212)**	(191)
SHAREHOLDERS' FUNDS	**993**	**867**

Financial Profile of Operations

Operating Subsidiaries	GPG holding 31 December 2010 %	Net profit before non-controlling interests £m	Group turnover £m	Total assets £m	Shareholders' funds (GPG share) £m
		Consolidated figures – Year ended 31 December 2010		Consolidated figures – At 31 December 2010	
UNITED KINGDOM					
Coats Group Ltd *Thread manufacturer*	100.0%	39	1,023	993	319
NEW ZEALAND					
Turners & Growers Ltd *Fresh produce wholesaler*	65.7%	2	279	192	78
AUSTRALIA					
Gosford Quarry Holdings Ltd *Quarry operator*	100.0%	3	11	18	15
CIC Australia Ltd *Property developer*	73.4%	4	18	139	39
Touch Holdings Ltd *Electronic products and services*	56.0%	1	7	7	3

Associated Undertakings and Joint Ventures*	GPG holding 31 December 2010 %	GPG share of profit/(loss) year ended 31 December 2010 £m	GPG book value at 31 December 2010 £m	Latest published shareholders' funds £m
UNITED KINGDOM				
Autologic Holdings plc	26.2%	–	6	27
AUSTRALIA				
Green's General Foods Pty Ltd	72.5%	1	23	25
Australian Country Spinners Ltd	50.0%	1	–	(10)
Capral Ltd	47.4%	4	48	106
Rattoon Holdings Ltd	44.4%	–	1	1
ClearView Wealth Ltd	49.0%	1	76	158
Peanut Company of Australia Ltd	24.8%	(2)	–	14
NEW ZEALAND				
Tower Ltd	34.7%	7	97	205

* Held by GPG and its investment subsidiaries (the "Parent Group").

Summary of Principal Quoted Investments

Disclosed Shareholdings as at 17 March 2011

	Shareholding
SUBSIDIARIES	
Australia	
CIC Australia Ltd	73.2%
New Zealand	
Turners & Growers Ltd	65.1%
ASSOCIATED UNDERTAKINGS	
United Kingdom	
Autologic Holdings plc	26.2%
Australia	
ClearView Wealth Ltd	49.0%
Capral Ltd	47.4%
New Zealand	
Tower Ltd	35.0%
OTHER SHAREHOLDINGS	
United Kingdom	
Newbury Racecourse plc	29.9%
Young & Co.'s Brewery P.L.C. ('A' Shares)	15.1%
Daniel Thwaites plc	9.0%
Nationwide Accident Repair Services plc	7.3%
MJ Gleeson Group PLC	6.7%
Ashley House plc	5.2%
Augean plc	4.4%
Superglass Holdings plc	4.1%
Shepherd Neame Ltd ('A' Shares)	3.1%
Australia	
Tandou Ltd	28.4%
Ridley Corporation Ltd	22.1%
Alinta Energy Ltd*	19.9%
eServglobal Ltd	19.0%
PrimeAg Australia Ltd	16.9%
Capilano Honey Ltd	13.4%
Farm Pride Foods Ltd	13.2%
NSX Ltd	8.7%
AV Jennings Ltd	7.9%
Metals X Ltd	6.6%
GME Resources Ltd	5.6%
New Zealand	
Turners Auctions Ltd	19.4%
Singapore	
Pertama Holdings Ltd	17.3%
United States of America	
Santa Fe Financial Corporation	6.4%

Analysis of Shareholdings above	Cost** £m	Market value £m
Subsidiaries	57	77
Associated undertakings	243	168
Other	132	194
TOTAL	**432**	**439**

*On 18 March 2011, Alinta Energy Limited changed its name to Redbank Energy Limited
**Net of impairments

Board of Directors

M. R. G. Johnson AO, Chairman

Mark Johnson, who is a non-executive director, was appointed Chairman of the Company on 9 December 2010. He has extensive experience in investment banking and more recently as a director of several Australian public listed companies. He was previously chairman of AGL Energy and deputy chairman of Macquarie Bank. He is currently serving as a non-executive director of Westfield Group. In addition, he is the chairman of the Australian Financial Centre Forum.

Appointed to the Board 22 September 2010

M. N. Allen, Non-Executive Director

Mike Allen has over 25 years experience in investment banking and general management, both in New Zealand and the UK. He is a director of Coats plc and of Breakwater Consulting Ltd, Godfrey Hirst NZ Ltd, Retirement Villages Group NZ, Tainui Group Holdings Ltd and NZ Windfarms Ltd. Mike is also the current chairman of PGG Wrightson Finance Ltd.

Appointed to the Board 22 September 2010. Member of the Audit, Finance & Risk Committee. Member of the Remuneration & Nominations Committee.

Sir Ron Brierley, Non-Executive Director

Sir Ron Brierley founded Brierley Investments Ltd in 1961. He was appointed to the Board of Guinness Peat Group plc in March 1990 and continued to apply and develop his established approach within the Company. On 9 December 2010 he retired as Chairman of the Company but remains on the Board as a non-executive director.

Appointed to the Board March 1990*

R. J. Campbell, Non-Executive Director

Rob Campbell has over 20 years experience in investment management and corporate governance. He is a director and investment committee chair of Accident Compensation Corporation and director and audit and risk committee member of Aquasure Pty Ltd. Rob is also a board or advisory board member of several private equity and hedge funds globally. He has previously directed the investments of a large family office, and held board appointments in numerous private sector and public sector organisations in New Zealand. In October 2010 he was appointed a director of Turners & Growers Ltd.

Appointed to the Board 22 September 2010. Chairman of the Remuneration & Nominations Committee

B. A. Nixon, Executive Director

Blake Nixon has wide corporate experience in the UK and overseas. He is a director of Coats plc and acts as a trustee on each of the Group's UK pension schemes.

Appointed to the Board March 1990*

G. R. Walker, Non-Executive Director

Gavin Walker has over 30 years experience in the financial services industry both at executive and board level. He is currently a director of the Guardians of New Zealand Superannuation Fund, ASB Bank and Lion Nathan National Foods Pty Limited. Previously Gavin has been a director of ASB Life, BT Investment Management, Goodman Fielder, Veda Advantage, AMP New Zealand Advisory Board and Chairman of the Foreign Direct Investment Advisory Board. His previous executive experience includes being Chief Executive Officer of Bankers Trust New Zealand and BT Australia Investment Bank.

Appointed to the Board 22 September 2010. Chairman of the Audit, Finance & Risk Committee

Dr G. H. Weiss, Executive Director

Gary Weiss has considerable experience in the international business scene. He is chairman of Coats plc and a director of various public companies.

Appointed to the Board November 1990*

*Sir Ron Brierley, Blake Nixon and Gary Weiss were originally appointed to the Board of Guinness Peat Group plc in 1990. On 13 December 2002 that company undertook a reverse takeover of Brunel Holdings plc, which then adopted the name of Guinness Peat Group plc. These directors were appointed to the Board of the Company on 13 December 2002.

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2010.

Business Review

The Company is a strategic investment holding company. Comments on the Group's activities during 2010 and also on the outlook for 2011 are set out on pages 2 and 3 in the Chairman's Statement, which forms part of this Directors' Report.

The Group's major operating subsidiaries (being CIC Australia, Coats and Turners & Growers) produce their own Annual Reports in which can be found reports on their business operations.

The Company's key performance indicators ("KPIs"), comprising the chart showing the movement in shareholders' funds since 1998, the chart showing compound movement in GPG's net asset value per share, together with the tables showing the return on average shareholders' funds in the 5 years to 31 December 2010, a simplified income statement and simplified balance sheet as at 31 December 2010 appear within the Chairman's Statement. In addition, net asset backing per share is shown on page 14.

Further information can be found in the Corporate Governance report which forms part of this Directors' Report on pages 65 to 74 under the headings 'Internal Controls', 'Business Review' and 'Principal Risks and Uncertainties', including commentary on the way the Group manages the risks inherent in its activities and those of its operating subsidiaries.

Going Concern

The directors' consideration of the going concern assumption is discussed on page 70.

Significant Events

During the year ClearView Wealth (formerly MMC Contrarian) ceased to be an operating subsidiary and reverted to being an associated undertaking.

Since the year end, on 11 February 2011 the Company announced a strategy to realise value. This involves an orderly value realisation of GPG's investment portfolio over time. GPG proposes to undertake an initial capital return to shareholders of at least £75 million (A$120 million/NZ$158 million) in the 2011 calendar year. Further details may be found on pages 3 to 4 in the Chairman's Statement.

Results and Dividends

The results of the Group are shown on page 11 and movements on reserves are set out in note 31 to the financial statements. The profit for the year of £46 million (2009: loss of £36 million) includes a non-cash tax credit of £14 million (2009: non-cash tax charge of £9 million) in respect of movements recognised in respect of deferred tax assets relating to tax losses. This credit (2009: charge) arises directly from a similar size increase (2009: decrease) in deferred tax liabilities in the unrealised gains reserve. In respect of the year ended 31 December 2009, GPG paid in May 2010 an interim dividend of 0.91p, as adjusted for the 2010 Capitalisation Issue. This was the only dividend for that year. Reference to the intended payment of a 1p dividend in 2011 is made on page 4 in the Chairman's Statement.

Share Capital

Details of the Company's authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 30. The Company has one class of Ordinary Shares, which do not carry the right to receive a fixed income. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions on the size of a holding, on the transfer of shares, nor on voting rights, all of which are governed by the provisions of the Articles of Association and prevailing legislation. Shareholder authority for the Company to purchase up to 243,301,658 of its own shares existed on 31 December 2010.

The Company's Ordinary Shares are listed on the London and New Zealand Stock Exchanges and on the Australian Securities Exchange. The main register is held in the UK. Branch registers are maintained in Australia and New Zealand.

Directors' Report – continued

Substantial Interests

The Company has received notification of interests of greater than 3% of the issued Ordinary Shares of the Company as follows:

Holder	Interest in Ordinary Shares	Date of Declaration/ Confirmation	Percentage of Issued Share Capital
Tan Chin Tuan Limited	116,003,804	10 March 2011	6.30%
Accident Compensation Corporation	88,219,441	11 February 2011	4.85%
Franklin Resources Inc	80,250,095	10 March 2011	4.41%
BlackRock Inc	62,716,926	11 March 2011	3.45%
AMP Capital Investors	57,842,433	9 March 2011	3.18%
Sir Ron Brierley	56,458,897	23 March 2011	3.10%

Property, Plant and Equipment

Details of property, plant and equipment are set out in note 15 to the financial statements.

Financial Instruments

Disclosure of the use of financial instruments by the Group can be found in note 39.

Creditor Payment Policy

The majority of the Group's investment activity takes place on regulated stock exchanges and the Group 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 Group does not follow a specific code or standard in respect of such creditors. As at 31 December 2010, the Company's trade creditors (excluding amounts attributable to investments) represented 8 days' purchases (2009: 12 days).

Donations

In the year ended 31 December 2010, the Group made charitable donations of £130,976 (2009: £130,574), principally to local charities serving the communities in which the Group operates. Contributions of £6,073 were made to non-EU political parties during the year (2009: £1,413).

Directors and their Responsibilities

The current directors who served during the year are detailed on page 8. In accordance with the Articles of Association, Blake Nixon will retire by rotation at the 2011 Annual General Meeting ("AGM") and, being eligible, he intends to offer himself for re-election. Gary Weiss will resign as a director with effect from 30 April 2011. Mark Johnson, Mike Allen, Rob Campbell and Gavin Walker were appointed as directors since the 2010 AGM. As a result, they too will retire and, being eligible, all except Mark Johnson intend to offer themselves for re-election. A further announcement will be made in due course regarding the appointment of a new Chairman of GPG. Tony Gibbs ceased to be a director on 28 June 2010, and Ron Langley ceased to be a director on 22 September 2010.

A report on Directors' Responsibilities and a statement regarding the disclosure of information to the auditor appear on page 76.

Further discussion of the Board's activities, powers and responsibilities, and information on compensation for loss of office, appear within the Corporate Governance report on pages 65 to 74.

Auditor

A resolution to re-appoint Deloitte LLP as auditor will be proposed at the 2011 AGM. A statement in respect of the auditor, in accordance with Section 418 of the Companies Act 2006, has been included in the Directors' Responsibilities Statement on page 76.

By order of the Board
Chris Healy
Company Secretary
30 March 2011

Consolidated Income Statement

Year ended 31 December	Notes	2010 IFRS £m	2009 Restated* IFRS £m
Continuing operations			
Revenue	2, 3	**1,345**	1,172
Cost of sales	5	**(882)**	(799)
Gross profit	5	**463**	373
Profit on disposal of investments and other net investment income	4	**41**	26
Distribution costs	5	**(176)**	(164)
Administrative expenses	5	**(234)**	(200)
Operating profit	5	**94**	35
Share of profit/(loss) of joint ventures	16	**8**	(6)
Share of profit of associated undertakings	16	**4**	9
Finance costs (net)	7	**(33)**	(31)
Profit before taxation from continuing operations	6	**73**	7
Tax on profit from continuing operations	9	**(21)**	(28)
Profit/(loss) for the year from continuing operations		**52**	(21)
Discontinued operations			
Profit/(loss) from discontinued operations	36	**1**	(17)
PROFIT/(LOSS) FOR THE YEAR		**53**	(38)
Attributable to:			
EQUITY HOLDERS OF THE PARENT		**46**	**(36)**
Non-controlling interests		**7**	(2)
		53	(38)
EARNINGS/(LOSS) PER ORDINARY SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS:			
Basic	11	**2.57p**	(2.04)p**
Diluted	11	**2.41p**	(2.04)p**
EARNINGS/(LOSS) PER ORDINARY SHARE FROM CONTINUING OPERATIONS:			
Basic	11	**2.54p**	(1.32)p**
Diluted	11	**2.39p**	(1.32)p**

* Restated to reflect the results of ClearView Wealth Ltd and Staveley Inc. as discontinued operations (note 36).
** Adjusted for the 2010 Capitalisation Issue.

Consolidated Statement of Comprehensive Income

Year ended 31 December	2010 IFRS £m	2009 IFRS £m
Profit/(loss) for the year	**53**	(38)
Gains on revaluation of fixed asset investments	**87**	32
Losses on cash flow hedges	**(5)**	(4)
Exchange gains on translation of foreign operations	**58**	20
Actuarial losses on retirement benefit schemes (note 10)	**(17)**	(13)
Tax on items taken directly to equity	**(14)**	9
Net income recognised directly in equity	**109**	44
Transfers		
Transferred to profit or loss on sale of fixed asset investments	**(17)**	(13)
Transferred to profit or loss on sale of businesses	**(7)**	(6)
Transferred to profit or loss on cash flow hedges	**8**	4
	(16)	(15)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**146**	(9)
Attributable to:		
EQUITY HOLDERS OF THE PARENT	**130**	**(12)**
Non-controlling interests	**16**	3
	146	(9)

Consolidated Statement of Financial Position

31 December	Notes	2010 IFRS £m	2009 IFRS £m
NON-CURRENT ASSETS			
Intangible assets	14	**180**	192
Property, plant and equipment	15	**427**	424
Investments in associated undertakings	16	**236**	157
Investments in joint ventures	16	**56**	47
Fixed asset investments	16	**333**	220
Deferred tax assets	18	**13**	20
Pension surpluses	10	**31**	27
Trade and other receivables	20	**27**	24
		1,303	1,111
CURRENT ASSETS			
Inventories	19	**265**	179
Trade and other receivables	20	**276**	239
Current asset investments	21	**14**	15
Derivative financial instruments	22	**5**	3
Cash and cash equivalents		**313**	402
		873	838
Non-current assets classified as held for sale	36	**2**	3
TOTAL ASSETS		**2,178**	1,952
CURRENT LIABILITIES			
Trade and other payables	23	**288**	256
Current income tax liabilities		**8**	8
Other borrowings	26	**121**	80
Derivative financial instruments	24	**20**	16
Provisions	28	**72**	65
		509	425
NET CURRENT ASSETS		**364**	413
NON-CURRENT LIABILITIES			
Trade and other payables	23	**11**	13
Deferred tax liabilities	27	**29**	22
Capital Notes	25	**212**	191
Other borrowings	26	**231**	235
Derivative financial instruments	24	**5**	3
Retirement benefit obligations:			
Funded schemes	10	**37**	39
Unfunded schemes	10	**56**	56
Provisions	28	**26**	24
		607	583
TOTAL LIABILITIES		**1,116**	1,008
NET ASSETS		**1,062**	944

Notes on pages 18 to 64 form part of these financial statements

Consolidated Statement of Financial Position – continued

31 December EQUITY	Notes	2010 IFRS £m	2009 IFRS £m
Share capital	30	**91**	81
Share premium account	31	**62**	63
Translation reserve	31	**165**	123
Unrealised gains reserve	31	**124**	68
Other reserves	31	**270**	274
Retained earnings	31	**281**	258
EQUITY SHAREHOLDERS' FUNDS		**993**	**867**
Non-controlling interests	31	**69**	77
TOTAL EQUITY		**1,062**	944
Net asset backing per share*		**54.63p**	48.64p

* The net asset backing (based on equity shareholders' funds) per share at 31 December 2009 has been adjusted for the 2010 Capitalisation issue.

Blake Nixon and Gary Weiss, Directors
Approved by the Board on 30 March 2011

Company Registration No. 103548

Notes on pages 18 to 64 form part of these financial statements

Company Balance Sheet

31 December FIXED ASSETS	Notes	2010 UK GAAP £m	2009 UK GAAP £m
Investments	16	**927**	872
TOTAL FIXED ASSETS		**927**	872
CURRENT ASSETS			
Loans to subsidiary undertakings		**177**	176
Other receivables	20	**22**	21
TOTAL CURRENT ASSETS		**199**	197
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Derivative financial instruments	24	**(15)**	(12)
Loans from subsidiary undertakings		**(172)**	(106)
TOTAL CURRENT LIABILITIES		**(187)**	(118)
NET CURRENT ASSETS		**12**	79
TOTAL ASSETS LESS CURRENT LIABILITIES		**939**	951
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Loans from subsidiary undertakings		**(583)**	(563)
PROVISIONS FOR LIABILITIES	28	**(1)**	(1)
NET ASSETS		**355**	**387**
CAPITAL AND RESERVES			
Share capital	30	**91**	81
Share premium account	31	**62**	63
Unrealised gains reserve	31	**27**	14
Share options reserve	31	**8**	8
Other reserves	31	**163**	171
Profit and loss account	31	**4**	50
EQUITY SHAREHOLDERS' FUNDS		**355**	**387**

Blake Nixon and Gary Weiss, Directors
Approved by the Board on 30 March 2011

Company Registration No. 103548

Notes on pages 18 to 64 form part of these financial statements

Consolidated Statement of Changes in Equity

Year ended 31 December	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 2009	71	61	118	36	281	311	878	71
Total comprehensive income and (expense) for the year	–	–	5	32	(1)	(48)	(12)	3
Dividends	–	–	–	–	–	(14)	(14)	(6)
Capitalisation issue of shares	7	–	–	–	(7)	–	–	–
Scrip dividend alternative	2	(2)	–	–	–	7	7	–
Other share issues	1	4	–	–	–	–	5	–
Share based payments	–	–	–	–	1	–	1	–
Dilution of investment in subsidiaries	–	–	–	–	–	–	–	18
Disposal of subsidiaries	–	–	–	–	–	–	–	(7)
Acquisition of non-controlling interests	–	–	–	–	–	2	2	(2)
Balance as at 31 December 2009	**81**	**63**	**123**	**68**	**274**	**258**	**867**	**77**
Total comprehensive income for the year	**–**	**–**	**42**	**56**	**3**	**29**	**130**	**16**
Dividends	**–**	**–**	**–**	**–**	**–**	**(16)**	**(16)**	**(5)**
Capitalisation issue of shares (note 30)	**8**	**–**	**–**	**–**	**(8)**	**–**	**–**	**–**
Scrip dividend alternative (note 30)	**1**	**(1)**	**–**	**–**	**–**	**10**	**10**	**–**
Other share issues (note 30)	**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**

Notes on pages 18 to 64 form part of these financial statements

Consolidated Statement of Cash Flows

Year ended 31 December	Notes	2010 IFRS £m	2009 IFRS £m
Cash (outflow)/inflow from operating activities			
Net cash inflow from operating activities	34a)	**61**	121
Interest paid		**(42)**	(46)
Taxation paid	34b)	**(25)**	(20)
Net cash (absorbed in)/generated by operating activities		**(6)**	55
Cash (outflow)/inflow from investing activities			
Dividends received from joint ventures	34c)	**9**	10
Capital expenditure and financial investment	34d)	**(29)**	(16)
Acquisitions and disposals	34e)	**(90)**	27
Net cash (absorbed in)/generated by investing activities		**(110)**	21
Cash outflow from financing activities			
Issue of Ordinary Shares	34f)	**1**	5
Equity dividends paid to the Company's shareholders	34g)	**(6)**	(6)
Dividends paid to non-controlling interests		**(5)**	(6)
Net increase/(decrease) in borrowings	34h)	**8**	(30)
Net cash absorbed in financing activities		**(2)**	(37)
Net (decrease)/increase in cash and cash equivalents		**(118)**	39
Cash and cash equivalents at beginning of the year		**388**	347
Exchange gains on cash and cash equivalents		**17**	2
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**287**	**388**
Cash and cash equivalents per the Consolidated Statement of Financial Position		**313**	402
Bank overdrafts (note 26)		**(26)**	(14)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**287**	**388**
Summary of net debt			
– Parent Group cash		**203**	265
– Capital Notes (note 25)		**(212)**	(191)
– Parent Group net (debt)/cash		**(9)**	74
– Other group cash		**110**	137
– Other group debt (note 26)		**(352)**	(315)
Total group net debt		**(251)**	(104)

Notes on pages 18 to 64 form part of these financial statements

Notes to Financial Statements

1. Principal Accounting Policies

The following are the principal accounting policies adopted in preparing the financial statements.

GROUP

CRITICAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out in this note to the financial statements. Certain of the Group's accounting policies inherently rely on subjective assumptions and judgements, such that it is possible that over time the actual results upon which the assumptions and judgements are based could differ from the estimates used by the Group. Due to the size of the amounts involved, whilst not particularly sensitive to any one factor, changes in the assumptions relating to the following policies could potentially have a significant impact on the result for the period and/or the carrying values of assets and liabilities in the consolidated financial statements:

Pension obligations

The retirement benefit obligations recognised in the statement of financial position in respect of defined benefit pension plans are the present values of the defined benefit obligations at the year end less the fair value of any plan assets. Key assumptions involved in the determination of the present values of the defined benefit obligations include discount rates, mortality and pensions in payment inflation rates. Changes in any or all of these assumptions could materially change the retirement benefit obligations recognised in the statement of financial position.

A sensitivity analysis relating to the Group's major defined benefit pension arrangements is included in note 10.

Carrying value of brands

The carrying value of brands is dependent on the calculation of discounted cash flows arising from the cash-generating units to which those assets relate. Changes in either the discount rates applied or the estimated cash flows could materially change the carrying values of these intangible assets.

Carrying value of fixed asset investments, associated undertakings and joint ventures

Fixed asset investments are carried at fair value, and temporary fluctuations in value are dealt with through the unrealised gains reserve. Where a reduction in value of a particular fixed asset investment is determined to be permanent, the write-down is dealt with as an impairment through the income statement.

Associated undertakings and joint ventures are carried at cost plus the Group's share of post-acquisition changes in the associated undertakings' and joint ventures' net assets. To the extent that the fair value of any particular associated undertaking or joint venture is less than its book value, any shortfall determined to be permanent is written down as an impairment through the income statement.

a) ACCOUNTING CONVENTION AND FORMAT

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently authorised by the IASB and remain in effect.

Other than the adoption of IFRS 3 (2008) ("Business Combinations") and IAS 27 (2008) ("Consolidated and Separate Financial Statements"), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

b) BASIS OF PREPARATION

Subsidiaries

The principal subsidiaries are listed in note 17. Subsidiaries are consolidated from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in determining the existence or otherwise of control. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those used by the Group.

Where subsidiaries are not 100% owned by the Group, the share attributable to outside shareholders is reflected in non-controlling interests. Non-controlling interests are identified separately from the Group's equity, and may initially be measured at either fair value or at the non-controlling interests' share of the fair value of the subsidiary's identifiable net assets. The choice of measurement is made on an acquistion-by-acquisition basis. Changes in the Group's interests in subsidiaries, that do not result in a loss of control, are accounted for as equity transactions. Where control is lost, a gain or loss on disposal is recognised through the income statement, calculated as the difference between the fair value of consideration received (plus the fair value of any retained interest) and the Group's previous share of the former subsidiary's net assets. Amounts previously recognised in other comprehensive income in relation to that subsidiary are reclassified and recognised through the income statement as part of the gain or loss on disposal.

ClearView Wealth (formerly MMC Contrarian) has been reclassified as a discontinued operation following the reduction during the year in the Group's investment in that company to that of an associated undertaking (see note 36). Staveley Inc. has likewise been reclassified as a discontinued operation, following the sale during the year of the remainder of its trading businesses (see note 36). No opening statement of financial position has been presented for the prior year in these financial statements as it is unchanged from that previously reported.

Associated Undertakings

The Group's investment in associated undertakings is accounted for under the equity method of accounting. These are entities in which the Group has the ability to exert significant influence and which are neither subsidiaries nor joint ventures. The investment in associated undertakings is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associated undertakings, less any impairment in value. The income statement reflects the share of the results of operations of associated undertakings, together with any negative goodwill arising on acquisition and any impairment recorded by the Group.

If the Group's share of losses exceeds the carrying amount of an associated undertaking, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the undertaking.

Where there has been a change recognised directly in the associated undertaking's equity, the Group recognises its share of any changes and discloses this, where applicable, in the statement of comprehensive income.

Joint Ventures

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are accounted for using the equity method as allowed under the 'alternative accounting rules' set out in IAS 31 – Interests in Joint Ventures.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with the other venturers are recognised in the financial statements. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be reliably measured.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Corporate Governance report on page 70.

c) FOREIGN CURRENCIES

Foreign currency translation

The Company's functional and the Group's presentation currency is the Pound Sterling. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the period end. All currency differences are taken to the income statement with the exception of differences on receivables and payables that represent a net investment in a foreign operation, which are taken directly to equity until disposal of the net investment, at which time they are recycled through the income statement.

Notes to Financial Statements – continued

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

Group companies

Assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the rate of exchange ruling at the period end and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation since 1 January 2004 are taken to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity since 1 January 2004 relating to that particular foreign operation is recycled through the income statement. Translation differences that arose before the date of transition to IFRS in respect of all foreign entities are not presented as a separate component of equity.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation, expressed in the functional currency of the foreign operation and recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

d) SEGMENT REPORTING

Operating segments are the components of the Group about which separate financial information is available that is evaluated regularly by the GPG directors in deciding how to allocate resources and in assessing performance. The information presented within the operating segment analysis is reported on the same basis as that used internally by the GPG directors in evaluating operating segment performance.

e) PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairments.

Leased assets

Finance leases, which transfer to the Group substantially all the risks and benefits of ownership of the leased items, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	– 50 years to 100 years
Leasehold buildings	– 10 years to 50 years or over the term of the lease if shorter
Plant and equipment	– 3 years to 20 years
Vehicles and office equipment	– 2 years to 10 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each period end.

The cost of mineral rights is amortised over the expected extraction period.

f) INTANGIBLE ASSETS

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associated undertaking or joint venture at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement. On disposal of a subsidiary, associated undertaking or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. CGUs represent the Group's investment in each of its business segments.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded previously under UK GAAP.

Negative goodwill is recognised immediately in the income statement.

Brands

Brands with finite useful lives are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their useful lives of up to 10 years. Brands with indefinite useful lives are carried at cost less any accumulated impairment charges.

Other intangibles

Acquired computer software licences and computer software development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of up to 5 years.

Intellectual property, comprising trademarks, designs, patents and product development which have a finite useful life, are carried at cost less accumulated amortisation and impairment charges. Amortisation is calculated using the straight-line method to allocate the cost over the assets' useful lives, which vary from 5 to 10 years.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purposes of assessing impairment, assets are measured at the CGU level.

Research and development

All research and development costs are expensed as incurred.

g) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant financial instrument.

Financial assets

(i) Investments

Investments are recognised and derecognised on a trade date basis and are initially measured at fair value, plus directly attributable transaction costs for fixed asset investments. Investments are classified as either current assets (held-for-trading) or fixed assets (available-for-sale), dependent upon the Group's intention at the time of purchase, and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value of current asset investments are included in the income statement for the period. For fixed asset investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Impairment charges recognised for equity investments classified as fixed asset investments are not subsequently reversed through the income statement until such time as the equity investment is disposed of.

Net gains and losses recognised in profit or loss on disposal of investments do not incorporate dividends or interest receivable on those assets.

Listed investments held as part of the Group's investment portfolio are stated at market value.

Unlisted investments are stated at fair value.

(ii) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to Financial Statements – continued

(iii) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Financial liabilities

(i) Trade payables

Trade payables are not interest-bearing and are stated at nominal value.

(ii) Borrowings

Interest-bearing loans and overdrafts are initially measured at fair value, net of direct issue costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised over the period of the relevant liabilities.

(iii) Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument, and this amount is recorded as a liability at amortised cost. The equity component is the fair value of the compound instrument as a whole less the amount of the liability component, and is recognised in equity, net of income tax effect, without subsequent remeasurement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value with changes in fair value being recognised in the income statement.

(iv) Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is regulated by the Board of GPG or that of the relevant operating subsidiary in accordance with their respective risk management strategies. Changes in values of all derivatives of a financing nature are included within investment income and finance costs in the income statement.

Derivative financial instruments are initially measured at fair value at contract date and are remeasured at each reporting date.

The Group designates hedging instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of currency risk on fixed commitments are accounted for as cash flow hedges.

At the inception of each hedge transaction the issuing entity documents the relationship between the hedging instrument and the hedged item and the anticipated effectiveness of the hedge transaction, and monitors the ongoing effectiveness over the period of the hedge. Hedge accounting is discontinued when the issuing entity revokes the hedging relationship, the hedge instrument expires, is sold, exercised or otherwise terminated, and the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the income statement from that date.

(v) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recognised immediately through the income statement, together with any changes in the fair value of the related hedged items due to changes in the hedged risks. On discontinuation of the hedge the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the income statement from that date.

(vi) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. Once the related hedged item is recognised in the income statement, the amounts deferred in equity are recycled through the income statement. The gain or loss arising from any ineffective portion of the hedge is recognised immediately through the income statement.

(vii) Hedges of net investments in foreign operations

Gains and losses on hedging instruments relating to the effective portion of such hedges are recognised through the translation reserve, and recycled through the income statement on disposal of the respective foreign operations. The gain or loss arising from any ineffective portion of such hedges is recognised immediately through the income statement.

h) REVENUE

Revenue comprises the fair value of the sale of goods and services, net of sales tax and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised in revenue when the associated risks and rewards of ownership of the goods have been transferred to the buyer.

(ii) Sales of services

Sales of services are recognised in the period in which the services are rendered, by reference to the stage of completion of those services at the period end.

(iii) Income from sales of property

Income from sales of property is recognised on completion when legal title of the property passes to the buyer.

(iv) Investment revenue

Investment revenue comprises proceeds receivable from the sale (trade date) of current asset investments during the year.

i) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials are valued at cost on a first-in, first-out basis.

Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving and defective inventories.

Land for resale, which is included in 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) EMPLOYEE BENEFITS

Pension obligations

The retirement benefit obligation recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the period end less the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate based on the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged directly to equity in the year in which they arise. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based compensation

The Group operates equity-settled compensation plans for the granting of non-transferable options to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant dates of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding increase in equity. For shares granted to employees, the fair value of the shares is measured as the market price of the shares, adjusted to take into account the terms and conditions upon which the shares were granted. The fair value of share options is measured using an adjusted version of the Black-Scholes pricing model to reflect the terms and conditions of the options granted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to Financial Statements – continued

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the period end are discounted to present value.

k) TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is measured on a non-discounted basis. The following temporary differences are not provided for: goodwill not deducted for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period end. A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The carrying values of deferred tax assets are reviewed at each period end.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

l) INVESTMENT INCOME

Income from equity investments is recognised when the legal entitlement vests. 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 income statement and, where appropriate, an impairment provision is recognised against the investment.

m) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment or specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs, except where otherwise stated, are recognised in the income statement in the period in which they are incurred.

n) PROVISIONS

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

o) ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

p) RESTRUCTURING

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

q) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and businesses which are to be sold ("disposal groups") classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when such a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met, and such assets are no longer depreciated.

Discontinued operations are classified as held for sale and are either a separate business segment or a geographical area of operations that is part of a single coordinated plan to sell. Once an operation has been identified as discontinued, or is reclassified as discontinued, the comparative information is restated.

r) CASH FLOW

The statement of cash flows reflects cash flows arising in the normal course of the Parent Group's investment business as part of operating cash flows. The directors believe that all cash flows arising in the ordinary course of the Parent Group's investment business should be reflected within net cash flow from operating activities.

Acquisitions and disposals of fixed asset investments, associated undertakings and joint ventures, together with dividends received from associated undertakings and joint ventures, in respect of the Group's operating subsidiaries, remain within cash flows from investing activities, as these are strategic investments by those subsidiaries rather than being held for investment gains.

NEW IFRS ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED IN THE YEAR

In addition to IFRS 3 (2008) and IAS 27 (2008), the Group has adopted IAS 23 (revised) ("Borrowing Costs"), IAS 28 (2008) ("Investments in Associates"), IAS 32 (as amended) ("Financial Instruments: Presentation"), IAS 39 (as amended) ("Financial Instruments: Recognition and Measurement"), IFRS 2 (as amended) ("Group Cash-settled Share-based Payment Transactions") and IFRIC 17 ("Distributions of Non-cash Assets to Owners") during the year. The adoption of these additional standards and interpretations has had no material impact on the amounts shown in these financial statements, but may impact on future transactions and arrangements.

NEW IFRS ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following published standards and interpretations to existing standards, which are not yet in effect, are not expected to have any significant future impact on the Group's accounts:

IAS 24 (amended) ("Related Party Disclosures"), IFRIC 14 (amended) ("Prepayments of a Minimum Funding Requirement") and IFRIC 19 ("Extinguishing Financial Liabilities with Equity Instruments").

IFRS 9 ("Financial Instruments") is in issue but not yet effective and hence has not been applied in these financial statements. Adoption of IFRS 9, scheduled for the year beginning 1 January 2013, will impact both the measurement and disclosures of financial instruments.

COMPANY

The financial statements comply with applicable UK law and accounting standards, modified where appropriate to present a true and fair view, and have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Notes to Financial Statements – continued

a) FIXED ASSETS – INVESTMENTS

Investments acquired with the intention of being held for the long term (excluding investments in subsidiaries and associated undertakings) are recorded as fixed asset investments and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Investments in subsidiary and associated undertakings are reflected at cost less provisions for any impairment.

b) DERIVATIVE FINANCIAL INSTRUMENTS

The use of financial derivatives is regulated by the Board in accordance with its risk management strategy.

Changes in values of all derivatives of a financing nature are included within investment income and finance costs in the profit and loss account.

Derivative financial instruments are initially measured at fair value at contract date and are remeasured at each reporting date.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value with changes in fair value being recognised in the profit and loss account.

c) INVESTMENT INCOME

Income from equity investments is recognised when the legal entitlement vests. 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 Company's investments are included as income in the profit and loss account and, where appropriate, an impairment provision is recognised against the investment.

d) SHARE-BASED PAYMENTS

The Company operates an equity-settled compensation plan for the granting of non-transferable options to directors and other employees. For share options granted, the fair value of the shares is measured at the market price of GPG shares, adjusted to take into account the terms and conditions upon which the share options were granted, using an adjusted version of the Black-Scholes model, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The charge to the profit and loss account has no impact on net assets since the credit is reflected in equity.

e) TAXATION

Provision is made for taxation assessable on the profit or loss for the year as adjusted for disallowable and non-taxable items. Deferred taxation is provided in full in respect of timing differences which have arisen but not reversed at the balance sheet date, except that deferred tax assets (including those attributable to tax losses carried forward) are only recognised if it is considered more likely than not that they will be recovered. Deferred taxation is measured on a non-discounted basis.

f) DIVIDENDS PAYABLE

Dividends proposed are recognised in the period in which they are formally approved for payment.

2. Segmental Analysis

OPERATING SEGMENTS

2010	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Aluminium extrusion £m	Unallocated £m	Non-operating (see note (i)) £m	Total £m
a) Revenue							
External sales	7	1,023	279	–	36	–	1,345
Interest receivable	2	–	–	–	–	4	6
Other (see note (ii) below)	18	–	–	–	–	–	18
	27	1,023	279	–	36	4	1,369
b) Results							
Share of associated undertakings' and joint ventures' results	11	–	(1)	–	2	–	12
Finance costs (net)	(18)	(10)	(3)	–	(2)	–	(33)
Tax (charge)/credit	10	(27)	(5)	–	1	–	(21)
Profit/(loss) after tax:							
Continuing operations	(3)	42	3	–	10	–	52
Discontinued operations	(1)	–	–	–	2	–	1
c) Assets and Liabilities							
Assets	578	873	169	–	127	431	2,178
includes share of associated undertakings' and joint ventures' net assets	250	9	9	–	24	–	292
Liabilities	(55)	(375)	(30)	–	(19)	(637)	(1,116)
d) Other disclosures							
Tangible fixed assets – additions	–	25	7	–	–	–	32
Intangible assets – additions	–	2	1	–	–	–	3
Depreciation charge	–	(32)	(7)	–	(2)	–	(41)
Amortisation charge	–	(6)	(1)	–	–	–	(7)
Investment impairment write-back	4	–	–	–	–	–	4

2009 (restated to reflect ClearView Wealth and Staveley Inc. as discontinued operations)

	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Aluminium extrusion £m	Unallocated £m	Non-operating (see note (i)) £m	Total £m
a) Revenue							
External sales	2	903	237	–	30	–	1,172
Interest receivable	5	–	–	–	–	2	7
Other (see note (ii) below)	11	–	–	–	–	–	11
	18	903	237	–	30	2	1,190
b) Results							
Share of associated undertakings' and joint ventures' results	10	–	–	–	(7)	–	3
Finance costs (net)	(15)	(12)	(2)	–	(2)	–	(31)
Tax (charge)/credit	(9)	(21)	(2)	–	4	–	(28)
(Loss)/profit after tax:							
Continuing operations	(23)	3	4	–	(5)	–	(21)
Discontinued operations	4	(2)	–	(19)	–	–	(17)
c) Assets and Liabilities							
Assets	524	815	148	–	83	382	1,952
includes share of associated undertakings' and joint ventures' net assets	166	9	8	–	21	–	204
Liabilities	(59)	(340)	(25)	–	(17)	(567)	(1,008)

Notes to Financial Statements – continued

2. Segmental Analysis - continued

OPERATING SEGMENTS - continued

2009 - continued	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Aluminium extrusion £m	Unallocated £m	Non-operating (see note (i)) £m	Total £m
d) Other disclosures							
Tangible fixed assets – additions	–	12	6	1	14	–	33
Intangible assets – additions	–	4	1	–	–	–	5
Impairment of tangible fixed assets	–	–	–	(5)	–	–	(5)
Depreciation charge	–	(34)	(6)	(5)	(3)	–	(48)
Impairment of intangible assets	–	–	–	(5)	–	–	(5)
Amortisation charge	–	(5)	(1)	(2)	(1)	–	(9)
Investment impairment	(4)	–	–	–	–	–	(4)

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in note 1. Profit/(loss) after tax is the measure reported to the GPG directors for the purpose of resource allocation and assessment of segment performance.

GEOGRAPHIC SEGMENTS

	2010			2009*		
	External revenue		**Non-current assets**	External revenue		Non-current assets
	By origin £m	**By destination £m**	**(see note (iii)) £m**	By origin £m	By destination £m	(see note (iii)) £m
United Kingdom	**17**	**31**	**166**	23	21	174
Europe						
– Germany	**66**	**56**	**16**	59	63	18
– Rest of Europe	**162**	**188**	**53**	156	187	58
North America						
– USA	**162**	**163**	**25**	151	167	25
– Rest of North America	**30**	**36**	**6**	26	29	9
Asia & Rest of world						
– New Zealand	**231**	**140**	**142**	196	112	190
– Brazil	**115**	**114**	**31**	90	89	32
– India	**106**	**103**	**36**	85	82	32
– China	**101**	**110**	**40**	83	84	44
– Australia	**77**	**75**	**185**	67	60	153
– Other	**278**	**329**	**200**	236	278	90
Total	**1,345**	**1,345**	**900**	1,172	1,172	825

Notes:

(i) Non-operating items comprise:
Profit on disposal of non-current investments, and investment impairment provisions – in operating subsidiaries, which are not considered to be financial operations;
Interest receivable – in operating subsidiaries, which are not considered to be financial operations;
Operating results – interest and investment income in operating subsidiaries, which are not considered to be financial operations;
Assets – cash and cash equivalents, derivatives and investments held by operating subsidiaries, which are not considered to be financial operations, plus taxation assets and non-current assets classified as held for sale; and
Liabilities – borrowings, taxation liabilities and liabilities directly associated with non-current assets classified as held for sale.

(ii) Other revenue includes profit on disposal of non-current investments (note 4).

(iii) Non-current assets exclude financial instruments, deferred tax, pension assets and rights under insurance contracts.

*Restated to reflect Staveley Inc. as a discontinued operation

3. Revenue

Year ended 31 December	2010 £m	2009* £m
Sale of investments	**7**	2
Sale of thread	**1,023**	903
Fruit/produce distribution	**279**	237
Other	**36**	30
	1,345	1,172

4. Profit on Disposal of Investments and Other Net Investment Income

Year ended 31 December	2010 £m	2009* £m
Interest receivable	**6**	7
Profit on disposal of non-current investments	**18**	11
Dividend income from listed and unlisted investments	**15**	9
Net non-current investment impairment write-back/(provision)**	**4**	(7)
Net current investment impairment write-back	**–**	3
(Loss)/profit on derivatives	**(7)**	1
Other income	**5**	2
	41	26

**The net non-current investment impairment write-back of £4 million includes a £6 million reversal of impairments on disposal of investments.

5. Operating Profit

Year ended 31 December	2010 £m	2009* £m
Cost of sales[1]	**(882)**	(799)
Gross profit	**463**	373
Distribution costs[2]	**(176)**	(164)
Administrative expenses[3]	**(234)**	(200)
Net operating expenses	**(410)**	(364)
Profit on disposal of investments and other net investment income	**41**	26
Operating profit	**94**	35

1 Includes amortisation of other intangibles	**–**	(1)
2 Includes amortisation of other intangibles	**–**	(1)
3 Includes amortisation of other intangibles	**(7)**	(5)

*Restated to reflect the results of ClearView Wealth and Staveley Inc. as discontinued operations (note 36).

Notes to Financial Statements – continued

6. Profit Before Taxation from Continuing Operations

Year ended 31 December	2010 £m	2009* £m
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets	**7**	7
Release of negative goodwill	**–**	(1)
Depreciation of property, plant and equipment	**41**	42
Group audit fees:		
Fees payable for the audit of the Company's annual accounts**	**–**	–
Fees payable for the audit of the Company's subsidiaries	**2**	2
Other Deloitte LLP services:		
Taxation services	**1**	1
Other non-audit services	**–**	–
Operating lease rentals:		
Plant and equipment	**5**	5
Other	**16**	16
Share-based payments	**1**	1
Research and development expenditure	**1**	1
Bad and doubtful debts	**1**	2
Net foreign exchange losses	**7**	8
Rental income from land and buildings	**(2)**	(1)
Inventory as a material component of cost of sales	**507**	439
Inventory write-downs to net realisable value	**3**	3

**The audit fee payable to the Company's auditors for the audit of the Company's annual accounts is £186,000 (2009: £186,000).

The Company-only charge for share-based payments is £420,000 (2009: £1,009,000).

7. Finance Costs (net)

Year ended 31 December	2010 £m	2009* £m
Interest payable on bank loans and overdrafts	**(28)**	(28)
Net finance income on pension scheme net assets (note 10)	**10**	11
Unwinding of discount on provisions (note 28)	**(1)**	(1)
Interest payable on Capital Notes (note 25)	**(17)**	(15)
	(36)	(33)
Interest capitalised	**3**	2
	(33)	(31)

The cumulative amount of capitalised interest included in development land held at 31 December 2010 was £6 million (2009: £3 million).

8. Employee Information

Year ended 31 December	2010	2009*
The average monthly number of employees (including executive directors) in the Group during the year was:		
Continuing operations:		
Investment/corporate	**29**	38
Fruit/produce distribution	**1,371**	1,705
Thread manufacture	**21,751**	20,603
Other	**205**	219
	23,356	22,565
Discontinued operations	**30**	1,065
TOTAL NUMBER OF EMPLOYEES	**23,386**	23,630
The average monthly number of employees (including executive directors) in the Company during the year was:		
Investment/corporate	**14**	17

*Restated to reflect ClearView Wealth and Staveley Inc. as discontinued operations (note 36).

8. Employee Information - continued

Employment costs – all employees including directors:

Year ended 31 December	2010 £m	Group* 2009 £m	2010 £m	Company 2009 £m
Continuing operations				
Aggregate gross wages and salaries	**259**	229	**2**	2
Employer's national insurance contributions or foreign equivalents	**29**	26	**–**	–
Employer's pension cost**	**13**	11	**–**	–
	301	266	**2**	2
Discontinued operations				
Aggregate gross wages and salaries	**1**	32		
Employer's pension contributions	**–**	3		
	1	35		
	302	301		

** Excludes net finance income on pension plan net assets and actuarial gains and losses.

The Parent Group has an accrued liability for holiday pay and long service leave, for staff excluding directors, of £2 million (2009: £1 million).

Directors' emoluments		
Aggregate emoluments	**3**	2
Gains made on exercise of share options	**–**	2
Compensation for loss of office	**1**	–
Pension contributions	**–**	–
	4	4

9. Tax on Profit from Continuing Operations

Year ended 31 December	2010 £m	2009* £m
Current tax:		
UK corporation tax at 28% (2009: 28%)	**–**	–
Overseas tax	**(27)**	(21)
	(27)	(21)
Deferred tax	**6**	(7)
TOTAL TAX CHARGE	**(21)**	(28)
The tax charge for the year can be reconciled as follows:		
Profit before taxation from continuing operations	**73**	7
Profit before taxation multiplied by standard rate of tax in the UK of 28% (2009: 28%)	**21**	2
Impact of differences in overseas tax rates	**(2)**	1
Non-taxable income	**(7)**	(3)
Impact of tax losses	**2**	21
Impact of impairments and other non-deductible expenses	**10**	10
Adjustments in respect of prior years	**–**	(1)
Associated undertakings and joint ventures	**(3)**	(2)
TOTAL TAX CHARGE	**21**	28

The impact of tax losses includes a non-cash tax credit of £14 million (2009: non-cash tax charge of £9 million) in respect of movements recognised in respect of deferred tax assets relating to tax losses. This credit (2009: charge) arises from a similar size increase (2009: decrease) in deferred tax liabilities recognised through the unrealised gains reserve. The tax charges for both years also reflect the impact of unrelieved losses in certain subsidiary undertakings.

*Restated to reflect ClearView Wealth and Staveley Inc. as discontinued operations (note 36).

Notes to Financial Statements – continued

10. Pension Costs

The charge for the year in respect of the Group's continuing operations' defined contribution arrangements was £4 million (2009: £3 million).

The Group operates three significant defined benefit schemes in the UK, namely the Brunel Holdings Pension Scheme ("Brunel"), the Staveley Industries Retirement Benefits Scheme ("SIRBS") and the Coats Pension Plan ("Coats UK") which offer both pensions in retirement and death benefits to members. In addition, Coats operates the Coats North America Pension Plan ("Coats US") in the US as well as various pension and other post-employment arrangements around the globe (most significantly in Germany). The assets of the Brunel, SIRBS, Coats UK and Coats US plans are held under self-administered trust funds and hence are separated from the Group's assets.

The following disclosures are made solely for the purposes of IAS 19 – Employee benefits and do not include information in respect of schemes operated by associated undertakings and joint ventures.

The Group has opted for all of the plans it operates to recognise all actuarial gains and losses immediately via the Statement of Comprehensive Income ("SCI").

The previous full actuarial valuations of each scheme have been updated to 31 December 2010 by qualified independent actuaries. The major assumptions used by the actuaries were (in nominal terms) as follows:

	31 December 2010	31 December 2009	31 December 2008
Discount rate	**5.5%**	6.0%	6.5%
Mortality assumption	**various**	various	various
Rate of salary increase	**3.8%**	4.0%	3.8%
Rate of increase to pensions in payment	**various**	various	various
Rate of inflation	**3.2%**	3.5%	2.8%

The assumptions used in determining the overall expected return on the schemes' assets have been set with reference to yields available on government bonds and appropriate risk margins.

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

	Long term expected rate of return at 31 December 2010	**Value as at 31 December 2010 £m**	Long term expected rate of return at 31 December 2009	Value as at 31 December 2009 £m	Long term expected rate of return at 31 December 2008	Value as at 31 December 2008 £m
Equities	**8.2%**	**685**	8.9%	635	9.2%	539
Bonds	**4.9%**	**1,091**	5.3%	1,053	6.0%	1,002
Other	**6.3%**	**90**	6.0%	108	6.2%	172
		1,866		1,796		1,713

The amounts recognised in the statement of financial position are as follows:

31 December	**2010 £m**	2009 £m	2008 £m
Present value of funded obligations	**(1,842)**	(1,772)	(1,642)
Fair value of assets	**1,866**	1,796	1,713
Surplus	**24**	24	71
Effect of surplus cap	**(37)**	(32)	(72)
NET FUNDED DEFICIT	**(13)**	(8)	(1)
Present value of unfunded obligations:			
Current (within other payables)	**(6)**	(6)	(9)
Non-current	**(56)**	(56)	(64)
	(62)	(62)	(73)
Net pension liability in balance sheet	**(75)**	(70)	(74)
Funded schemes			
– surpluses:			
current (within other receivables)	**2**	4	3
non-current	**31**	27	29
	33	31	32
– deficits:			
current (within other payables)	**(9)**	–	(1)
non-current	**(37)**	(39)	(32)
	(46)	(39)	(33)
NET FUNDED DEFICIT	**(13)**	(8)	(1)
Actual return/(loss) on assets held	**175**	241	(187)

10. Pension Costs - continued

Reconciliation of opening and closing balances of the present value of the defined benefit obligations (funded and unfunded):

Year ended 31 December	**2010 £m**	2009 £m	2008 £m
Benefit obligations at beginning of year	**1,834**	1,715	1,775
Current service cost	**9**	8	7
Interest cost – unwinding of discount	**105**	104	105
Contributions by scheme participants	**1**	1	1
Actuarial loss/(gain)	**74**	177	(117)
Benefits paid	**(121)**	(126)	(125)
Settlements	**–**	(4)	(1)
Transfer from other provisions	**–**	1	–
Exchange loss/(gain)	**2**	(42)	70
Benefit obligations at end of year	**1,904**	1,834	1,715
Less: unfunded obligations	**(62)**	(62)	(73)
Funded obligations	**1,842**	1,772	1,642

Reconciliation of opening and closing balances of the fair value of scheme assets (all funded):

Year ended 31 December	**2010 £m**	2009 £m	2008 £m
Fair value of scheme assets at beginning of year	**1,796**	1,713	1,952
Expected return on scheme assets	**115**	115	120
Actuarial gain/(loss)	**62**	124	(307)
Contributions by employers	**5**	7	7
Contributions by scheme participants	**1**	1	1
Benefits paid	**(121)**	(126)	(125)
Settlements	**–**	(4)	(1)
Exchange gain/(loss)	**8**	(34)	66
Fair value of plan assets at end of year	**1,866**	1,796	1,713

The amounts recognised in the income statement are:

Year ended 31 December	**2010 £m**	2009 £m	2008 £m
Interest on obligation – unwinding of discount	**(105)**	(104)	(105)
Expected return on scheme assets	**115**	115	120
Net finance income (note 7)	**10**	11	15
Current service cost	**(9)**	(8)	(7)
Total net income	**1**	3	8

Actuarial (losses)/gains recognised in the SCI:

Year ended 31 December	**2010 £m**	2009 £m	2008 £m
Actuarial losses	**(12)**	(53)	(190)
Limit on recognition of assets	**(5)**	40	132
	(17)	(13)	(58)

Notes to Financial Statements – continued

10. Pension Costs - continued

History of scheme assets, obligations and experience adjustments:

Year ended 31 December	**2010 £m**	2009 £m	2008 £m	2007 £m	2006 £m
Defined benefit obligations	**(1,904)**	(1,834)	(1,715)	(1,775)	(1,899)
Scheme assets	**1,866**	1,796	1,713	1,952	1,956
Net (liability)/surplus in the schemes (before effect of surplus cap)	**(38)**	(38)	(2)	177	57
Experience (losses)/gains arising on scheme liabilities	**(19)**	27	(7)	(7)	27
Experience gains/(losses) arising on scheme assets	**62**	126	(307)	(4)	6
Cumulative actuarial gain recognised in SCI since adoption of IAS19	**(28)**	(11)	2	60	53

Employer contributions of £5 million for 2010 include £4 million in respect of the Group's unfunded pension schemes. The triennial valuation of the Coats UK scheme as at April 2009 was finalised during the year and showed an actuarial funding deficit of £101 million, which equated to a funding level of 92%. A ten year recovery plan has been agreed with the scheme, under which contributions of £9 million per annum are payable from January 2011, including £2 million for future service. This plan will be reviewed at the next triennial valuation as at April 2012. A triennial valuation of SIRBS is due as at April 2011; no contributions in respect of past service are currently being paid to this scheme. A triennial valuation of the Brunel scheme as at April 2010 is in the course of being completed. This is not expected to result in a requirement to recommence contributions. Total contributions to be paid during 2011 in respect of GPG defined benefit plans, including to the Coats UK scheme, are estimated to be £14 million.

The impact on scheme liabilities at 31 December 2010 from changes in key actuarial assumptions would be as follows:

	Increase/(decrease) in scheme liabilities £m
0.1% increase in discount rate	(23)
0.1% increase in inflation rate	17

The impact of equivalent decreases in the above assumptions would be the reverse of the increase/(decrease) in scheme liabilities shown above.

The life expectancies of members under the mortality assumption of the most significant pension scheme in the Group, Coats UK, are as follows:

	2010		2009	
	Male	**Female**	Male	Female
Now aged 60	**24.7**	**27.3**	22.5	26.3
Aged 60 in 20 years' time	**26.7**	**29.3**	25.2	29.0

A one-year increase/(decrease) in the combined Group schemes' average life expectancy would increase/(decrease) scheme liabilities at 31 December 2010 by £51 million.

11. Earnings/(loss) per Ordinary Share

Basic earnings/(loss) per share ("EPS") is calculated by dividing the profit attributable to equity holders of the parent company of £46 million (2009: loss £36 million) by the weighted average number of Ordinary Shares in issue during the year of 1,806,847,546 (2009: 1,754,879,239).

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 and Capital Notes.

Year ended 31 December	**Earnings 2010 £m**	**Shares 2010 m**	**Amount per share (pence)**
Continuing and discontinued operations:			
Earnings attributable to equity holders of the parent company	**46**	**1,807**	**2.57p***
Effect of dilutive securities:			
Capital Notes	**10**	**535**	
	56	**2,342**	**2.41p***

11. Earnings/(loss) per Ordinary Share - continued

Year ended 31 December	Loss 2009 £m	Shares 2009 m	Amount per share (pence)
Continuing and discontinued operations:			
Loss attributable to equity holders of the parent company	(36)	1,755	(2.04)p*

Year ended 31 December	**Earnings 2010 £m**	**Shares 2010 m**	**Amount per share (pence)**
Continuing operations:			
Earnings attributable to equity holders of the parent company	**46**	**1,807**	**2.54p***
Effect of dilutive securities:			
Capital Notes	**10**	**535**	
	56	**2,342**	**2.39p***

Year ended 31 December	Loss 2009 £m	Shares 2009 m	Amount per share (pence)
Continuing operations:			
Loss attributable to equity holders of the parent company	(24)	1,755	(1.32)p*

* Calculations based on results to the nearest £'000s.

The comparatives for the year ended 31 December 2009 have been adjusted for the 2010 Capitalisation Issue, and also to reflect the results of ClearView Wealth Ltd and Staveley Inc. as discontinued operations (note 36).

12. Dividends

An interim dividend of 0.91p per share (adjusted to reflect the 2010 Capitalisation Issue) in respect of the year ended 31 December 2009 was paid on 17 May 2010 to GPG shareholders.

13. Results of Holding Company

A loss of £40 million (2009: profit of £33 million) has been dealt with in the accounts of the Company. As permitted by Section 408 of the Companies Act 2006, the Company has not published a separate profit and loss account in these financial statements.

14. Intangible Assets

Group

COST	Goodwill £m	Brands £m	Other intangibles £m	Total £m
At 1 January 2009	55	190	81	326
Currency translation differences	7	(18)	–	(11)
Acquisition of subsidiaries	–	–	4	4
Additions	–	–	5	5
Disposals	–	–	(1)	(1)
Disposal of subsidiaries	(48)	(7)	(15)	(70)
AT 31 DECEMBER 2009	14	165	74	253
Currency translation differences	**3**	**(6)**	**4**	**1**
Additions	**–**	**–**	**3**	**3**
Disposals	**–**	**–**	**(2)**	**(2)**
Disposal of subsidiaries	**–**	**–**	**(4)**	**(4)**
AT 31 DECEMBER 2010	**17**	**159**	**75**	**251**

Notes to Financial Statements – continued

14. Intangible Assets - continued

CUMULATIVE AMOUNTS CHARGED	Goodwill £m	Brands £m	Other intangibles £m	Total £m
At 1 January 2009	50	3	55	108
Currency translation differences	6	1	–	7
Impairment	–	4	1	5
Charge for the year	–	1	8	9
Disposals	–	–	(1)	(1)
Disposal of subsidiaries	(48)	(8)	(11)	(67)
AT 31 DECEMBER 2009	8	1	52	61
Currency translation differences	**2**	**–**	**3**	**5**
Charge for the year	**–**	**–**	**7**	**7**
Disposals	**–**	**–**	**(2)**	**(2)**
AT 31 DECEMBER 2010	**10**	**1**	**60**	**71**
NET BOOK VALUE AT 31 DECEMBER 2010	**7**	**158**	**15**	**180**
NET BOOK VALUE AT 31 DECEMBER 2009	6	164	22	192

Contained within brands at 31 December 2010 is a balance of £158 million (2009: £164 million) relating to Coats, which has been assessed as having an indefinite useful life. The recoverable amount of these brands has been estimated using the value in use and is re-assessed annually by reference to the discounted cash flow arising from the royalties generated by those brands. The valuation has been based on management's recent budgets and forecasts covering the period to 31 December 2013, applying a pre-tax weighted average cost of capital of the relevant business unit and a terminal value including no growth.

The pre-tax weighted average cost of capital applied above is in the range of 14.5-15.0%. An increase of 1.6% in the weighted average cost of capital would reduce the recoverable amount to book value.

15. Property, Plant and Equipment

Group

COST	Land and buildings £m	Mineral rights £m	Plant and equipment £m	Vehicles and office equipment £m	Land for development £m	Total £m
At 1 January 2009	254	1	689	118	24	1,086
Currency translation differences	–	–	(8)	(6)	7	(7)
Additions (including £2m interest capitalised)	5	–	12	3	13	33
Transfer from current assets	–	–	–	–	1	1
Transfer to non-current assets held for sale	(2)	–	(3)	–	–	(5)
Reclassifications	(2)	–	1	1	–	–
Disposals	–	–	(36)	(5)	–	(41)
Disposal of subsidiaries	(8)	–	(110)	–	–	(118)
AT 31 DECEMBER 2009	247	1	545	111	45	949
Currency translation differences	**15**	**–**	**28**	**3**	**7**	**53**
Additions (including £3m interest capitalised)	**5**	**–**	**24**	**3**	**–**	**32**
Transfer to current assets	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Transfer to non-current assets held for sale	**(14)**	**–**	**–**	**–**	**–**	**(14)**
Reclassifications	**(2)**	**–**	**1**	**1**	**–**	**–**
Disposals	**(1)**	**–**	**(25)**	**(4)**	**–**	**(30)**
Disposal of subsidiaries	**–**	**–**	**(2)**	**–**	**–**	**(2)**
AT 31 DECEMBER 2010	**250**	**1**	**571**	**114**	**43**	**979**

15. Property, Plant and Equipment - continued

ACCUMULATED DEPRECIATION	Land and buildings £m	Mineral rights £m	Plant and equipment £m	Vehicles and office equipment £m	Land for development £m	Total £m
At 1 January 2009	83	–	394	101	–	578
Currency translation differences	(2)	–	(4)	(4)	–	(10)
Impairment charge for the year	–	–	5	–	–	5
Depreciation charge for the year	7	–	37	4	–	48
Transfer to non-current assets held for sale	(1)	–	(1)	–	–	(2)
Reclassifications	(3)	–	3	–	–	–
Disposals	–	–	(35)	(5)	–	(40)
Disposal of subsidiaries	(2)	–	(52)	–	–	(54)
AT 31 DECEMBER 2009	82	–	347	96	–	525
Currency translation differences	**3**	**–**	**18**	**2**	**–**	**23**
Depreciation charge for the year	**7**	**–**	**30**	**4**	**–**	**41**
Transfer to non-current assets held for sale	**(9)**	**–**	**–**	**–**	**–**	**(9)**
Reclassifications	**(2)**	**–**	**2**	**–**	**–**	–
Disposals	**–**	**–**	**(23)**	**(3)**	**–**	**(26)**
Disposal of subsidiaries	**–**	**–**	**(2)**	**–**	**–**	**(2)**
AT 31 DECEMBER 2010	**81**	**–**	**372**	**99**	**–**	**552**
NET BOOK VALUE AT 31 DECEMBER 2010	**169**	**1**	**199**	**15**	**43**	**427**
NET BOOK VALUE AT 31 DECEMBER 2009	165	1	198	15	45	424
Assets charged as security for borrowings:						
31 December 2010	**120**	**–**	**26**	**4**	**43**	**193**
31 December 2009	106	–	27	3	45	181
Assets held as lessor under operating lease arrangements:						
31 December 2010	**7**	**–**	**–**	**–**	**–**	**7**
31 December 2009	6	–	–	–	–	6

31 December ANALYSIS OF NET BOOK VALUE OF LAND AND BUILDINGS	**2010 £m**	2009 £m
Freehold	**155**	149
Leasehold:		
Over 50 years unexpired	**1**	1
Under 50 years unexpired	**13**	15
	169	165

Notes to Financial Statements – continued

16. Non-current Investments

31 December	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Interests in associated undertakings (see notes a) and c) below)	**236**	157	**64**	11
Interests in joint ventures (see note a) below)	**56**	47	**–**	–
Fixed asset investments (see notes b) and c) below):				
listed investments	**321**	215	**120**	94
unlisted investments	**12**	5	**–**	–
Interests in subsidiary undertakings (see note c) below)	**–**	–	**743**	767
	625	424	**927**	872

a) Group – Interests in associated undertakings and joint ventures

	Associated undertakings £m	Joint ventures £m
At 1 January 2010	157	47
Currency translation differences	21	9
Additions (including £30m subscription to ClearView Wealth share placement and rights issues)	38	1
Reclassification to fixed asset investments (see note b) below)	(12)	–
Dividends receivable	(6)	(9)
Actuarial loss on retirement benefit schemes	(1)	–
Share of profit after tax and minorities	4	8
Share of unrealised investment losses	(2)	–
Reclassification from subsidiary	37	–
AT 31 DECEMBER 2010	**236**	**56**

Additions to associated undertakings, including amounts reclassified from subsidiary undertakings, are analysed in note 35.

31 December	Associated undertakings 2010 £m	Associated undertakings 2009 £m	Joint ventures 2010 £m	Joint ventures 2009 £m
Share of net assets on acquisition	**161**	98	**78**	68
Share of post-acquisition retained profits/(losses)	**43**	27	**(22)**	(21)
Share of net assets	**204**	125	**56**	47
Goodwill	**32**	32	**–**	–
	236	157	**56**	47

Goodwill	Associated undertakings £m
At 1 January 2010	32
Currency translation differences	1
Acquisitions (note 35)	2
Reclassification to fixed asset investments	(3)
AT 31 DECEMBER 2010	**32**

16. Non-current Investments - continued

The Parent Group's associated undertakings at 31 December 2010 are listed below:

INVESTMENT	Capital and reserves m	Latest profit/(loss) m	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Autologic Holdings plc*	£29	£6	31.12.09**	England	Vehicle logistics	26.2%	Ordinary
Capral Ltd	A$162	A$7	31.12.10	Australia	Aluminium extrusion	47.4%	Ordinary
ClearView Wealth Ltd*	A$242	A$8	30.06.10**	Australia	Financial services	49.0%	Ordinary
Rattoon Holdings Ltd	A$2	A$-	30.06.10**	Australia	Investment	44.4%	Ordinary
Peanut Company of Australia Ltd*	A$23	A$(20)	31.03.10**	Australia	Peanut supply	24.8%	Ordinary
Tower Ltd	NZ$438	NZ$58	30.09.10**	New Zealand	Insurance	34.7%	Ordinary

* owned directly by the Company

** Management accounts for the period to 31 December 2010 have been used for the purposes of equity accounting these associated undertakings.

The market value of the Group's listed associated undertakings at 31 December 2010 was £183 million (2009: £130 million), and their carrying value at that date was £228 million (2009: £157 million).

The following table provides summarised financial information on the Group's share of its associated undertakings, relating to the period during which they were associated undertakings, and excludes goodwill:

Year ended 31 December **SUMMARISED INCOME STATEMENT INFORMATION**	**2010 £m**	2009 £m
Revenue	**261**	136
Profit before tax	**9**	11
Taxation	**(5)**	(2)
PROFIT AFTER TAX	**4**	9

31 December **SUMMARISED BALANCE SHEET INFORMATION**	**2010 £m**	2009 £m
Non-current assets	**606**	97
Current assets	**311**	260
	917	357
Liabilities due within one year	**(197)**	(196)
Liabilities due after more than one year	**(516)**	(36)
NET ASSETS	**204**	125

The Group's share of associated undertakings' borrowings is £31 million (2009: £34 million), of which £9 million (2009: £7 million) is repayable within one year. Other than £9 million (2009: £6 million) guaranteed by Turners & Growers Ltd in respect of its investee, these borrowings have not been guaranteed by GPG or by any of its subsidiary undertakings.

Notes to Financial Statements – continued

16. Non-current Investments - continued

There were four shareholdings at year end of 20% or more of the voting rights which were not treated as associated undertakings. The directors consider that the Group is not able to exercise significant influence over these companies due to the dominant influence of other members and/or the composition of the respective Boards. The details are as follows:

	Capital and reserves m	Latest profit/(loss) m	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Ridley Corporation Ltd	A$285	A$29	30.06.10	Australia	Agricultural products	20.9%	Ordinary
Tooth & Co. Ltd	A$-	A$-	30.06.10	Australia	Investment	25.0%	Ordinary
Tandou Ltd	A$45	A$6	31.12.10	Australia	Water investment	28.4%	Ordinary
Newbury Racecourse plc	£11	£(1)	31.12.09	England	Racecourse operation	29.9%	Ordinary

The Parent Group's joint ventures at 31 December 2010 are listed below:

INVESTMENT	Capital and reserves m	Latest loss m	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Green's General Foods Pty Ltd	A$45	A$(3)	31.12.09	Australia	Food processing	72.5%	Ordinary
Australian Country Spinners Ltd	A$(18)	A$(7)	31.12.09	Australia	Yarn manufacturers	50.0%	Ordinary

The Group's shareholding in Green's General Foods Pty Ltd does not constitute control as it is governed by a shareholders' agreement that prescribes the Group joint control of this entity.

The following table provides summarised financial information on the Group's share of its joint ventures, relating to the period during which they were joint ventures, and excludes goodwill:

Year ended 31 December	**2010 £m**	2009 £m
SUMMARISED INCOME STATEMENT INFORMATION		
Revenue	**97**	79
Profit/(loss) before tax	**10**	(5)
Taxation	**(2)**	(1)
PROFIT/(LOSS) AFTER TAX	**8**	(6)

31 December	**2010 £m**	2009 £m
SUMMARISED BALANCE SHEET INFORMATION		
Non-current assets	**66**	54
Current assets	**34**	24
	100	78
Liabilities due within one year	**(27)**	(21)
Liabilities due after more than one year	**(17)**	(10)
NET ASSETS	**56**	47

The Group's share of joint ventures' borrowings is £7 million (2009: £7 million).

None of the Group's joint ventures at 31 December 2010 was listed (2009: none).

No joint ventures are held directly by GPG.

See note 32 for details of a guarantee provided by the Group in respect of the banking facilities of Australian Country Spinners Ltd.

16. Non-current Investments - continued

b) Group – Fixed asset investments

	Listed investments £m	Unlisted investments £m	Total £m
At 1 January 2010	215	5	220
Currency translation differences	3	1	4
Additions	55	–	55
Reclassification from associated undertakings	12	–	12
Impairment charge	(1)	–	(1)
Mark-to-market valuation adjustments	83	6	89
Disposals	(46)	–	(46)
AT 31 DECEMBER 2010	**321**	**12**	**333**

c) Company

	Investments in subsidiary undertakings £m	Investments in associated undertakings £m	Listed investments £m	Total £m
At 1 January 2010	767	11	94	872
Additions	1	33	24	58
Reclassifications	(25)	25	–	–
Disposals	–	–	(9)	(9)
Impairment charge	–	(5)	(1)	(6)
Mark-to-market valuation adjustments	–	–	12	12
AT 31 DECEMBER 2010	**743**	**64**	**120**	**927**

Notes to Financial Statements – continued

17. Principal Subsidiary Undertakings

The Group's principal subsidiary undertakings at 31 December 2010, 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 (UK) Holdings plc	England	100% ordinary shares	Investment company
GPG Finance plc*	England	100% ordinary shares	Finance
GPG Securities Trading Ltd*	England	100% ordinary shares	Securities trading
Coats plc*	England	100% ordinary shares	Thread manufacture
Guinness Peat Group (Australia) Pty Ltd*	Australia	100% ordinary shares 100% preference shares	Investment company
CIC Australia Ltd*	Australia	73.4% ordinary shares	Property development
Gosford Quarry Holdings Ltd*	Australia	100% ordinary shares	Quarry operator
Touch Holdings Ltd*	Australia	56.0% ordinary shares	Electronic products and services
Turners & Growers Ltd*	New Zealand	65.7% ordinary shares	Fresh produce wholesaler

*These subsidiaries are owned indirectly by the Company.

18. Deferred Tax Assets

31 December	Group 2010 £m	2009 £m
Deferred tax assets	**13**	20

The Group's deferred tax assets are included within the analysis in note 27.

The movements in the Group's deferred tax asset during the year were as follows:

	2010 £m	2009 £m
At 1 January	**20**	11
Currency translation differences	**2**	(1)
(Disposal)/acquisition of subsidiaries	**(9)**	7
Credited to the income statement	**–**	3
AT 31 DECEMBER	**13**	20

19. Inventories

31 December	Group 2010 £m	2009 £m
Raw materials and consumables	**48**	44
Work in progress	**51**	44
Finished goods and goods for resale	**113**	83
	212	171
Development work in progress	**53**	8
	265	179

20. Trade and Other Receivables

31 December	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Trade receivables	**205**	172	**–**	2
Amounts owed by associated undertakings and joint ventures	**15**	10	**–**	–
Taxation recoverable (of which £1 million due after more than one year (2009: £5 million))	**8**	12	**–**	–
Other receivables	**61**	50	**22**	19
Prepayments and accrued income	**14**	19	**–**	–
	303	263	**22**	21
Amounts shown within non-current assets	**(27)**	(24)	**–**	–
Amounts shown within current assets	**276**	239	**22**	21

The fair value of trade and other receivables is not materially different to the carrying value.

Credit risk is minimised as the exposure is spread over a large number of customers. An allowance has been made for estimated irrecoverable amounts on trade receivables of £13 million (2009: £15 million). This allowance has been determined by reference to past default experience, and the movements in the allowance are analysed as follows:

	Group 2010 £m	Group 2009 £m
At 1 January	**15**	16
Charged to the income statement	**1**	4
Amounts written off during the year	**(3)**	(4)
Disposal of subsidiaries	**–**	(1)
AT 31 DECEMBER	**13**	**15**

21. Current Asset Investments

31 December	Group 2010 £m	Group 2009 £m
Listed investments	**14**	15

These investments are all quoted on recognised stock exchanges.

22. Derivative Financial Instruments - Assets

Derivative financial instruments within Group current assets comprise:

31 December	Group 2010 £m	Group 2009 £m
Fair value through the income statement:		
Forward foreign currency contracts	**3**	1
Contracts for differences	**1**	2
	4	3
Fair value through the statement of comprehensive income:		
Other derivative financial instruments	**1**	–
	5	3

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

Notes to Financial Statements – continued

23. Trade and Other Payables

31 December	2010 £m	Group 2009 £m
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade payables	**164**	146
Amounts owed to associated undertakings and joint ventures	**10**	5
Other tax and social security payable	**5**	8
Other payables	**32**	29
Accruals and deferred income	**50**	49
Employee entitlements (excluding pensions)	**27**	19
	288	256
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Other payables	**11**	13

The fair value of trade and other payables is not materially different to the carrying value.

24. Derivative Financial Instruments - Liabilities

Derivative financial instruments within Group and Company non-current and current liabilities comprise:

31 December	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Fair value through the income statement:				
Forward foreign currency contracts	**1**	2	**–**	–
Equity swaps	**17**	12	**15**	12
	18	14	**15**	12
Fair value hedges through the statement of comprehensive income:				
Other derivative financial instruments	**7**	5	**–**	–
	25	19	**15**	12
Amounts shown within non-current liabilities	**(5)**	(3)	**–**	–
Amounts shown within current liabilities	**20**	16	**15**	12

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

25. Capital Notes

31 December	2010 £m	Group 2009 £m
Election date between one and two years	**174**	–
Election date between two and five years	**38**	191
	212	191

All the Capital Notes are issued by GPG Finance plc ("the Issuer"). The issue of Capital Notes shown with an election date between one and two years was made in 2006, raising NZ$350 million and bearing interest at a rate of 8.3% per annum ("2006 Notes"). The issue costs for the 2006 Notes amounted to NZ$6 million, and these costs are being charged to the income statement over the initial six year term of the debt. At 31 December 2010 the unamortised balance of these costs was NZ$1.7 million.

25. Capital Notes - continued

The 2006 Notes have an initial election date of 15 November 2012, prior to which the Issuer will provide terms and conditions on which noteholders may elect to roll over their 2006 Notes. Noteholders may then elect to retain some or all of their 2006 Notes for a further period on the new terms and conditions and/or to convert some or all of their 2006 Notes into GPG Ordinary Shares. Conversion of the 2006 Notes would be at a 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 2006 Notes for their principal amount, together with any accrued interest and unpaid interest. In addition, the Company has the right, prior to 15 November 2012, to purchase for cash some or all of the holder's 2006 Notes on terms as specified in the Trust Deed.

The other outstanding issue of Capital Notes ("2008 Notes") has a principal value of NZ$77 million and bears interest at 9% per annum. The 2008 Notes have an initial election date of 15 December 2013, prior to which the Issuer will provide terms and conditions on which noteholders may elect to roll over their 2008 Notes. Noteholders may then elect to retain some or all of their 2008 Notes for a further period on the new terms and conditions and/or to convert some or all of their 2008 Notes into GPG Ordinary Shares. Conversion of the 2008 Notes would be at a price of 97% of the weighted average sale price of a GPG 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 2008 Notes for their principal amount, together with any accrued interest and unpaid interest. In addition, the Issuer or the Company may purchase for cash some or all of the 2008 Notes at any time on giving not less than 180 days' notice and paying the principal amount of the notes to be purchased plus any accrued interest and unpaid interest.

The Company has provided subordinated and unsecured guarantees, contingent on liquidation of the Issuer or of the Company itself, in respect of the repayment of principal and the payment of interest and unpaid interest due on the 2006 and 2008 Notes. In the event that the Issuer is in liquidation and the Company is not, these guarantees are only enforceable after the scheduled election dates for the 2006 and 2008 Notes which next follow the liquidation of the Issuer. These guarantees are subordinated to all other creditors.

26. Other Borrowings

31 December	**2010 £m**	Group 2009 £m
Bank overdrafts	**26**	14
Borrowings repayable within one year	**95**	66
Due within one year	**121**	80
Borrowings repayable between one and two years	**84**	70
Borrowings repayable between two and five years	**146**	163
Borrowings repayable after more than five years	**1**	2
Due after more than one year	**231**	235
	352	315
Bank overdrafts	**26**	14
Bank borrowings	**313**	301
Commercial bills	**13**	–
	352	315

At 31 December 2010, the Group's borrowings comprised £331 million of secured borrowings (2009: £282 million) and £21 million of unsecured borrowings (2009: £33 million). Security comprises a combination of fixed and floating charges over certain Group assets of borrowing entities.

Notes to Financial Statements – continued

27. Deferred Tax Liabilities

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
At 1 January	**22**	21	**–**	–
Currency translation differences	**(1)**	(1)	**–**	–
(Credited)/charged to the income statement	**(6)**	11	**–**	–
Charged/(credited) to reserves	**14**	(9)	**–**	–
AT 31 DECEMBER	**29**	22	**–**	–

31 December	**2010 Provided £m**	**2010 Unprovided £m**	2009 Provided £m	2009 Unprovided £m
The Group's net deferred tax liabilities/(assets) are analysed as follows:				
Accelerated tax depreciation	**19**	**4**	16	(1)
Short-term timing differences	**(12)**	**(13)**	(14)	(17)
Revenue losses carried forward	**(6)**	**(189)**	(12)	(176)
Capital losses carried forward	**–**	**(92)**	–	(95)
Unremitted overseas earnings	**10**	**–**	8	–
Retirement benefit obligations	**5**	**(1)**	4	–
	16	**(291)**	2	(289)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2010	2009
Deferred tax assets	**(13)**	(20)
Deferred tax liabilities	**29**	22
	16	2

At the year end, the Group has approximately £1.0 billion (2009: £1.0 billion) of unused tax losses available for offset against future profits. A deferred tax asset has been recognised in respect of £24 million (2009: £48 million) of such losses. No deferred tax asset has been recognised in respect of the remaining losses due to lack of certainty regarding the availability of future taxable income. Such losses are only recognised in the financial statements to the extent that it is considered more likely than not that sufficient future taxable profits will be available for offset.

At the period end, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is £Nil (2009: £Nil).

28. Provisions

31 December	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Provisions are included as follows:				
Current liabilities	**72**	65	**–**	–
Non-current liabilities	**26**	24	**1**	1
	98	89	**1**	1

GROUP

	£m
At 1 January 2010	89
Currency translation differences	2
Unwinding of discount (note 7)	1
Utilised in year	(20)
Charged to the income statement	26
AT 31 DECEMBER 2010	**98**

28. Provisions - continued

In September 2007 the European Commission concluded its investigation into European fasteners – the last part outstanding of its general investigation into thread and haberdashery markets which began in 2001. It imposed fines against several producers, including a fine against the Coats plc Group of €110.3 million (equivalent to £94.5 million at 31 December 2010 exchange rates). This fine is in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation. Coats is vigorously contesting the Commission's decision in an appeal which has been lodged with the European General Court (formerly known as the Court of First Instance) in Luxembourg.

As was stated in previous years, the Group remains of the view that any anticipated eventual payment of this fine is adequately covered by existing provisions. The directors believe that disclosure of additional information regarding this provision could be expected to prejudice seriously the Group's position, and consequently a number of the Group's provisions have been disclosed in aggregate as "provisions" in accordance with paragraph 92 of IAS 37. Subject to full resolution of the matters giving rise to this provision, a full analysis will be provided in the relevant future financial statements.

COMPANY	Onerous leases £m
At 1 January 2010 and 31 December 2010	1

29. Operating Lease Commitments

31 December	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Outstanding commitments under non-cancellable operating leases:				
Payable within one year	**21**	19	**–**	–
Payable between one and five years	**36**	38	**2**	2
Payable after more than five years	**14**	18	**3**	3
	71	75	**5**	5

At the balance sheet date, the Group had contracted with tenants for receipt of the following minimum lease payments:

31 December	2010 £m	2009 £m
Receivable within one year	**4**	4
Receivable between one and five years	**6**	8
Receivable after more than five years	**3**	4
	13	16

30. Share Capital

31 December	2010 Number	2010 £m	2009 Number	2009 £m
Authorised				
Ordinary Shares of 5p each	**6,000,000,000**	**300**	6,000,000,000	300
Issued and fully paid				
Ordinary Shares of 5p each	**1,818,561,824**	**91**	1,620,903,395	81

Notes to Financial Statements – continued

30. Share Capital - continued

The issued Ordinary Share capital of GPG increased during the year ended 31 December 2010 as follows:

Date of event	Stock event	No. of shares	£m
1 January 2010	Brought forward	1,620,903,395	81.0
Various dates	Exercises of options	3,232,285	0.2
5 May 2010	Scrip dividend	29,115,428	1.5
4 June 2010	Capitalisation Issue	165,310,716	8.3
31 December 2010	**Carried forward**	**1,818,561,824**	**91.0**

Following adjustments for the 2010 Capitalisation Issue and for exercises of options during the year, options outstanding under the Group's various share option schemes at 31 December 2010 were as set out below:

Share Option Scheme	Number	Date granted	Exercise price (p per share)	Exercise period
2001 SHARE OPTION SCHEME				
Ordinary	10,728,604	17.10.01	17.1760	17.10.04 to 16.10.11
Ordinary	589,483	19.03.02	22.6894	19.03.05 to 18.03.12
2002 SHARE OPTION SCHEME				
Ordinary	1,436,184	08.01.03	20.2932	08.01.06 to 08.01.13
Ordinary	2,918,656	21.03.03	22.8589	21.03.06 to 21.03.13
Ordinary	1,227,687	16.10.03	32.5855	16.10.06 to 16.10.13
Ordinary	15,336,292	23.04.04	39.4618	23.04.07 to 23.04.14
Ordinary	1,771,541	27.08.04	38.6665	27.08.07 to 27.08.14
Ordinary	8,503,471	09.03.05	47.4723	09.03.08 to 09.03.15
Ordinary	7,130,494	04.04.05	43.7467	04.04.08 to 04.04.15
Ordinary	13,475,798	24.10.05	50.2946	24.10.08 to 24.10.15
Ordinary	322,097	07.11.05	50.2946	07.11.08 to 07.11.15
Ordinary	40,258	14.12.05	50.2946	14.12.08 to 14.12.15
Ordinary	10,194,377	15.03.06	55.7587	15.03.09 to 15.03.16
Ordinary	322,092	05.05.06	55.8830	05.05.09 to 05.05.16
Ordinary	3,587,041	11.10.06	58.0561	11.10.09 to 11.10.16
Ordinary	12,744,982	09.03.07	55.6656	09.03.10 to 09.03.17
Ordinary	9,716,293	10.04.08	49.2112	10.04.11 to 10.04.18
Ordinary	4,608,999	30.06.09	25.5455	30.06.12 to 30.06.19

Options exercised during the year comprised 2,925,986 under the 2001 scheme, and 306,299 under the 2002 scheme (all adjusted for the 2010 Capitalisation Issue).

Options granted before 13 December 2002 (the effective date of the reverse acquisition of Brunel Holdings plc) were over shares in GPG (UK) Holdings plc ("GPGUKH") which changed its name from Guinness Peat Group plc as a result of the reverse acquisition. Options granted since that date are over shares of Guinness Peat Group plc ("GPG").

Following the reverse acquisition, certain option holders 'rolled over' their rights and thus became entitled to exercise their options directly into Ordinary Shares of GPG. As a result of the Step-up Rights contained in GPGUKH's Articles of Association, the remaining option holders will receive GPG shares instead of GPGUKH shares, initially on a one-for-one basis, as an automatic consequence of exercise.

31. Reserves and Non-Controlling Interests

GROUP	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m
At 1 January 2010	63	123	68	274	258	77
Dividends	–	–	–	–	(16)	(5)
Capitalisation issue of shares	–	–	–	(8)	–	–
Scrip dividend alternative	(1)	–	–	–	10	–
Currency translation differences	–	49	–	–	–	9
Share-based payments	–	–	–	1	–	–
Increases/(decreases) in fair value	–	–	73	(4)	–	–
Transfers to income statement	–	(7)	(17)	7	–	–
Actuarial losses on retirement benefit schemes	–	–	–	–	(17)	–
Profit for the year	–	–	–	–	46	7
Rights issue by subsidiary	–	–	–	–	–	15
Disposal of subsidiaries	–	–	–	–	–	(34)
AT 31 DECEMBER 2010	**62**	**165**	**124**	**270**	**281**	**69**

COMPANY	Share premium account £m	Unrealised gains reserve £m	Share options reserve £m	Other reserves £m	Profit and loss account £m
At 1 January 2010	63	14	8	171	50
Dividend	–	–	–	–	(16)
Capitalisation issue of shares	–	–	–	(8)	–
Scrip dividend alternative	(1)	–	–	–	10
Increases in fair value	–	12	–	–	–
Transfers to profit and loss account	–	1	–	–	–
Loss for the year	–	–	–	–	(40)
AT 31 DECEMBER 2010	**62**	**27**	**8**	**163**	**4**

32. Contingent Liabilities

GPG has guaranteed the repayment of principal, interest and unpaid interest due on the NZ$350 million 2006 Capital Notes and on the NZ$77 million 2008 Capital Notes in the event of a liquidation of the issuing subsidiary undertaking.

The Group has guaranteed the banking facilities of Australian Country Spinners Ltd, on a joint and several basis with the other shareholder. The Group's liability under that guarantee, which is limited to fifty per cent of those facilities, amounts to A$7 million (2009: A$8 million).

GPG has guaranteed certain amounts that may become payable in respect of a subsidiary in Australia. At 31 December 2010 GPG's liability under that guarantee amounted to A$0.2 million (2009: A$4.5 million).

Coats plc has provided the EC with payment bonds to cover the full extent of the fine of €110.3 million imposed in respect of the investigation into alleged market sharing agreements relating to the European haberdashery market: see note 28. GPG has provided a guarantee to the bond issuers for a proportion of this amount.

The US Environmental Protection Agency has notified Coats that it is a potentially responsible party under the US Superfund for investigation and remediation costs in connection with the Lower Passaic River Study Area in New Jersey, in respect of former facilities which operated in that area prior to 1950. Approximately 70 companies to date have formed a cooperating parties group to fund and conduct a remedial investigation and feasibility study of the area. Coats is in the process of joining this group and US$2.5 million has been charged in the year in respect of Coats' estimated share of the cost of this study and associated legal and consultancy expenses.

Notes to Financial Statements – continued

32. Contingent Liabilities - continued

Coats believes that its former facilities which operated in the Lower Passaic River Study Area did not generate the contaminants which are driving the anticipated remedial actions and that this, and other mitigating factors, should result in a reduced share of any exposure for future remedial and other costs. At the present time, there can be no assurance as to the scope of these remedial and other costs nor can Coats predict what its ultimate share will be. Accordingly, no provision has been made for these costs.

33. Capital Commitments

As at 31 December 2010, the Group had commitments of £4 million in respect of contracts placed for future capital expenditure (2009: £4 million). Its share of the capital commitments reported by associated undertakings and joint ventures was £Nil (2009: £Nil). The Company did not have any capital commitments as at 31 December 2010 (2009: £Nil).

34. Notes to the Consolidated Statement of Cash Flows

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

Year ended 31 December

	2010 £m	2009* £m
Profit before taxation from continuing operations	**73**	7
Share of profit of associated undertakings	**(4)**	(9)
Share of (profit)/loss of joint ventures	**(8)**	6
Finance costs (net)	**33**	31
Operating profit	**94**	35
Adjustments for:		
Depreciation	**41**	42
Share-based payments	**1**	1
Proceeds of sale of assets classified as held for resale	**9**	10
Profit on disposal of property, plant and equipment	**(2)**	(5)
Dividends received from associated undertakings (Parent Group)	**6**	4
Amortisation of intangible assets	**7**	7
Purchase of fixed asset investments (Parent Group)	**(55)**	(51)
Payments arising from the purchase of associated undertakings (Parent Group)	**(38)**	(31)
Payments arising from the purchase of joint ventures (Parent Group)	**(1)**	–
Amounts written off/(back) against fixed asset investments	**1**	(8)
Sale of fixed asset investments, at cost (net of impairments) (Parent Group)	**28**	33
Repayment of capital by investees (Parent Group)	**–**	16
(Increase)/decrease in trade and other receivables	**(34)**	3
Increase in land under development	**(31)**	(11)
(Increase)/decrease in inventories	**(34)**	31
(Decrease)/increase in provisions	**(9)**	1
Increase in trade and other payables	**20**	29
Increase in derivative financial instruments	**–**	(5)
Decrease/(increase) in current asset investments	**3**	(7)
Discontinued operations	**1**	(5)
Currency and other adjustments	**54**	32
NET CASH INFLOW FROM OPERATING ACTIVITIES	**61**	121

b) Taxation paid

Overseas tax paid	**(25)**	(19)
UK tax paid	**–**	(1)
	(25)	(20)

*Restated to reflect the results of ClearView Wealth Ltd and Staveley Inc. as discontinued operations (note 36).

34. Notes to the Consolidated Statement of Cash Flows - continued

c) Dividends received from joint ventures

Year ended 31 December	2010 £m	2009* £m
Dividends received from joint ventures (operating subsidiaries)	**9**	10

d) Capital expenditure and financial investment

Payments to acquire property, plant and equipment	**(33)**	(20)
Receipts from the disposal of property, plant and equipment	**6**	10
Other intangible assets acquired	**(2)**	(5)
Discontinued operations	**–**	(1)
	(29)	(16)

e) Acquisitions and disposals

Net receipts from sale of business	**4**	–
Cash held by subsidiaries sold (note 36)	**(94)**	(2)
Discontinued operations	**–**	29
	(90)	27

f) Issue of Ordinary Shares

Issue of Ordinary Shares by the Company	**1**	5

g) Equity dividends paid to the Company's shareholders

Dividends payable	**(16)**	(14)
Less: shares issued in lieu of cash dividend	**10**	8
	(6)	(6)

h) Net increase/(decrease) in borrowings

New loans taken out	**121**	163
Loans repaid	**(113)**	(191)
Discontinued operations	**–**	(2)
	8	(30)

*Restated to reflect the results of ClearView Wealth Ltd and Staveley Inc. as discontinued operations (note 36).

Notes to Financial Statements – continued

35. Purchase of Associated Undertakings

During the year, the Group increased its investment in two existing associated undertakings and one company became an associated undertaking. GPG increased its stake in Tower Ltd ("Tower") by a purchase of shares, but due to GPG's non-participation in Tower's dividend replacement plan GPG's holding in Tower was diluted from 35.0% to a net 34.7%. GPG increased its stake in Capral Ltd ("Capral") from 44.4% to 47.4% by a purchase of shares. ClearView Wealth Ltd (formerly MMC Contrarian Ltd) ("ClearView"), a former subsidiary undertaking, was reclassified as an associated undertaking when GPG's investment in that company was diluted to 47.9% as part of that company's capital raising programme. Subsequent purchases of shares in ClearView increased GPG's holding to 49.0%.

The goodwill arising from these transactions is analysed as follows:

	Capral £m	Tower £m	ClearView £m	Total £m
Fair value of net assets (GPG share)	3	1	70	74
Consideration	(1)	(3)	(70)	(74)
NEGATIVE GOODWILL/(GOODWILL)	**2**	**(2)**	–	–

The aggregate consideration of £74 million includes £24 million paid in prior years, £38 million paid in the current year, and £12 million of reserves reclassified in respect of the former subsidiary, ClearView. The net assets of the associates are based on their published accounts (where available), as adjusted to reflect any identified differences between book values and fair values (including relevant accounting policy adjustments).

Negative goodwill of £2 million has been released to the income statement.

36. Discontinued operations

a) Disposal of business – ClearView

In April 2010, ClearView undertook a rights issue and a share placement as a result of which GPG's holding in that company was reduced to that of an associated undertaking. ClearView has been treated as a discontinued operation in both the 2010 and the 2009 Income Statement. No opening statement of financial position has been presented for the prior year in these financial statements as it is unchanged from that previously reported.

The loss on the deemed disposal of ClearView was as follows:

	£m
Intangible assets	4
Deferred tax assets	8
Trade and other receivables	2
Cash and cash equivalents	94
Trade and other payables	(3)
Net assets at disposal	**105**
Non-controlling interests	(34)
Group share of net assets at disposal	**71**
Cumulative translation differences recycled from reserves	(3)
	68
Residual carrying value as an associated undertaking	67
Loss on disposal	**1**

36. Discontinued operations - continued

b) Disposal of business – Staveley Inc.

During the year, Staveley Inc. disposed of the remainder of its trading businesses, which have therefore been treated as discontinued operations in both the 2010 and 2009 Consolidated Income Statement. No opening statement of financial position has been presented for the prior year in these financial statements as it is unchanged from that previously reported.

The gain on the disposal of those trading businesses was as follows:

	£000
Trade and other receivables	1
Group share of net assets at disposal	**1**
Proceeds of disposal – all received in the period	4
Gain on disposal before tax	**3**
Tax	(1)
Net gain on disposal	**2**

c) The combined results of discontinued operations were as follows:

	Staveley Inc.		Capral		ClearView		Coats Group		Total	
Year ended 31 December	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009** £m
Revenue	**1**	3	**–**	157	**–**	–	**–**	–	**1**	160
Cost of sales	**–**	(1)	**–**	(122)	**–**	–	**–**	–	**–**	(123)
Expenses	**(1)**	(2)	**–**	(56)	**(2)**	3	**–**	–	**(3)**	(55)
Other income	**–**	–	**–**	7	**2**	1	**–**	–	**2**	8
Finance costs	**–**	–	**–**	(5)	**–**	–	**–**	–	**–**	(5)
(Loss)/profit for the period prior to classification as a discontinued operation*	**–**	–	**–**	(19)	**–**	4	**–**	–	**–**	(15)
Gain/(loss) on disposal of discontinued operations:										
Loss arising in period after classification as a discontinued operation*	**–**	–	**–**	–	**–**	–	**–**	(2)	**–**	(2)
Gain/(loss) on disposal of businesses*	**2**	–	**–**	–	**(1)**	–	**–**	–	**1**	–
	2	–	**–**	–	**(1)**	–	**–**	(2)	**1**	(2)
Profit/(loss) from discontinued operations	**2**	–	**–**	(19)	**(1)**	4	**–**	(2)	**1**	(17)

During the year, the discontinued operations contributed a £1 million inflow (2009: £5 million outflow) to the Group's net operating cash flows, utilised £Nil (2009: £1 million) in respect of investing activities and £Nil (2009: £2 million) in respect of financing activities.

* Other than Staveley Inc. there is no material tax impact arising from these discontinued activities nor from the gains on disposals of businesses.

** Restated to reflect the results of Staveley Inc. and ClearView as discontinued operations.

Non-current assets classified as held for sale

The major classes of assets comprising the operations classified as held for sale are as follows:

31 December	**2010 £m**	2009 £m
Property, plant and equipment	**2**	3

Notes to Financial Statements – continued

37. Related Party Transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 – Related Party Disclosures. Further information regarding the remuneration of individual directors is provided on pages 71 to 72 in the audited part of the Directors' Remuneration report.

Year ended 31 December	**2010 £m**	2009 £m
Short-term employee benefits	**3**	2
Termination benefits	**1**	–
Share-based payments (as measured in accordance with IFRS 2)	**–**	1
	4	3

Trading transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associated undertakings and joint ventures are disclosed below.

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sales of goods		**Purchases of goods**		**Other income**	
	2010	2009	**2010**	2009	**2010**	2009
Associated undertakings	**24**	21	**4**	1	**6**	1
Joint ventures	**7**	6	**31**	25	**4**	3

Amounts owing by/(to) associated undertakings and joint ventures at the year end are disclosed in notes 20 and 23 respectively.

Other transactions

A I Gibbs, a director of the Company until 28 June 2010, owns an orchard which sells produce in New Zealand through Turners & Growers Ltd ("T&G"), a subsidiary of GPG. During the period to 28 June 2010, T&G earned commission on the sale of such produce totalling £83,460 (year ended 31 December 2009: £69,553) and charged Mr Gibbs £166,291 (year ended 31 December 2009: £214,727) for crate hireage fees and produce packing fees. These transactions were conducted on an arm's length basis and on T&G's normal commercial terms.

38. Post Balance Sheet Events

On 11 February 2011 the Company announced a strategy for the orderly realisation of value of GPG's investment portfolio over time. Further details may be found in the Chairman's Statement on pages 3 to 4.

39. Derivatives and Other Financial Instruments

GPG is a strategic investment holding 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. 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.

The Group's main financial instruments comprise:

Financial assets:

- cash and cash equivalents;
- trade and other receivables that arise directly from the Group's operations;
- investments in equity shares with both UK and international exposure. These investments are held as either current or non-current asset investments; and
- derivatives, including forward foreign currency contracts, cross-currency interest rate swaps, interest rate swaps, contracts for differences, equity swaps and equity options.

39. Derivatives and Other Financial Instruments - continued

Financial liabilities:

- trade, other payables and certain provisions that arise directly from the Group's operations;
- Capital Notes;
- bank borrowings and commercial bills; and
- derivatives, including forward foreign currency contracts, cross-currency interest rate swaps, interest rate swaps, contracts for differences, equity swaps and equity options.

FINANCIAL ASSETS

The Group's financial assets are summarised below:

31 December	2010 £m	2009 £m
Financial assets carried at amortised cost (loans and receivables):		
Cash and cash equivalents	**313**	402
Trade receivables (note 20)	**205**	172
Due from associated undertakings and joint ventures (note 20)	**15**	10
Other receivables (note 20)	**61**	50
	594	634
Financial assets carried at fair value through the income statement:		
Current asset investments (note 21)	**14**	15
Derivative financial instruments (note 22)	**4**	3
	18	18
Other financial assets carried at fair value through the statement of comprehensive income:		
Non-current asset investments (available-for-sale) (note 16b))	**333**	220
Derivative financial instruments (note 22)	**1**	–
	334	220
Total financial assets	**946**	872

FINANCIAL LIABILITIES

The Group's financial liabilities are summarised below:

31 December	2010 £m	2009 £m
Financial liabilities carried at amortised cost:		
Trade payables (note 23)	**164**	146
Due to associated undertakings and joint ventures (note 23)	**10**	5
Other financial liabilities	**108**	98
Provisions	**13**	16
Capital Notes (note 25)	**212**	191
Other borrowings (note 26)	**352**	315
	859	771
Financial liabilities carried at fair value through the income statement:		
Derivative financial instruments (note 24)	**18**	14
Derivatives designated as effective hedging instruments and carried at fair value through the statement of comprehensive income:		
Derivative financial instruments (note 24)	**7**	5
Total financial liabilities	**884**	790

Other financial liabilities include other payables, other than taxation and other statutory liabilities.

Notes to Financial Statements – continued

39. Derivatives and Other Financial Instruments - continued

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of the Group's financial assets and liabilities is summarised below:

31 December	**2010** Book value £m	**2010** Fair value £m	2009 Book value £m	2009 Fair value £m
Primary financial instruments:				
Cash and cash equivalents	**313**	**313**	402	402
Trade receivables	**205**	**205**	172	172
Due from associated undertakings and joint ventures	**15**	**15**	10	10
Other receivables	**61**	**61**	50	50
Investments:				
Current	**14**	**14**	15	15
Non-current	**333**	**333**	220	220
Trade payables	**(164)**	**(164)**	(146)	(146)
Due to associated undertakings and joint ventures	**(10)**	**(10)**	(5)	(5)
Other financial liabilities and provisions	**(121)**	**(121)**	(114)	(114)
Capital Notes	**(212)**	**(211)**	(191)	(188)
Other borrowings	**(352)**	**(352)**	(315)	(315)
Derivative financial instruments:				
Contracts for differences	**1**	**1**	1	1
Forward foreign currency contracts	**2**	**2**	(1)	(1)
Other net derivative financial instruments	**(23)**	**(23)**	(16)	(16)
Net financial assets	**62**	**63**	82	85

Investments are held for strategic growth or trading purposes. Market values have been used as proxies for the fair value of all listed investments and the Capital Notes. Unlisted investments are stated at fair value. For floating rate financial assets and liabilities, and for fixed rate financial assets and liabilities with a maturity of less than three 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 values of the equity options, equity swaps and the forward foreign currency contracts have been determined by third party institutions, 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 in the income statement until the exposure to which they relate is itself recognised. Such gains and losses are incorporated in the value of the transaction being hedged.

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following tables provide an analysis of financial intruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not observable market data (unobservable inputs).

39. Derivatives and Other Financial Instruments - continued

FINANCIAL ASSETS MEASURED AT FAIR VALUE

31 December	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
2010				
Financial assets measured at fair value through the income statement:				
Trading securities	**14**	**14**	**–**	**–**
Trading derivatives	**4**	**–**	**4**	**–**
Financial assets measured at fair value through the statement of comprehensive income:				
Equity investments	**333**	**321**	**12**	**–**
Derivatives designated as effective hedging instruments	**1**	**–**	**1**	**–**
Total	**352**	**335**	**17**	**–**
2009				
Financial assets measured at fair value through the income statement:				
Trading securities	15	15	–	–
Trading derivatives	3	–	3	–
Financial assets measured at fair value through the statement of comprehensive income:				
Equity investments	220	215	5	–
Total	238	230	8	–

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

31 December	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
2010				
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	**(18)**	**–**	**(18)**	**–**
Financial liabilities measured at fair value through the statement of comprehensive income:				
Derivatives designated as effective hedging instruments	**(7)**	**–**	**(7)**	**–**
Total	**(25)**	**–**	**(25)**	**–**
2009				
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	(14)	–	(14)	–
Financial liabilities measured at fair value through the statement of comprehensive income:				
Derivatives designated as effective hedging instruments	(5)	–	(5)	–
Total	(19)	–	(19)	–

Notes to Financial Statements – continued

39. Derivatives and Other Financial Instruments - continued

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

- currency risk;
- interest rate risk;
- capital risk;
- market price risk;
- liquidity risk; and
- credit risk.

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

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 is denominated in currencies other than Sterling, which is the Group's presentation 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 statement of financial position will be affected by short term movements in exchange rates, particularly the value of the Australian, New Zealand and United States 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, Australian dollars and US dollars, being the three currencies in which it mainly invests. In the light of the strategy to undertake an orderly value realisation as set out on pages 3 to 4, and the consequent impact on the scope to take a long term view, the Board is reviewing this strategy and will report in due course on any change in approach.

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, United States and New Zealand dollars. These contracts tend to have a maturity of less than three months. 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.

Coats and T&G use forward foreign currency contracts to mitigate the currency exposure that arises on business transacted in currencies other than their own functional currencies. These companies only enter into such foreign currency contracts when there is a firm commitment to the underlying transaction. The contracts used to hedge future transactions typically have a maturity of between 6 months and 2 years.

INTEREST RATE RISK

In 2010, the Group financed its operations through shareholders' funds, bank borrowings, commercial bills, and the Capital Notes. The Capital Notes carry fixed interest rates. The Group's trading subsidiaries use a mixture of fixed and floating rate debt. The Group also has access to bank facilities amounting to some £623 million, of which £352 million had been drawn down at year-end. This includes facilities negotiated by certain trading subsidiaries to meet their local needs.

Interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings using interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and risk appetite.

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.

A reasonably possible change of one per cent in market interest rates would change profit before tax by approximately £1 million (2009: £2 million), and would change shareholders' funds by approximately £6 million (2009: £6 million).

Trade and other receivables and trade and other payables are excluded from the following disclosure (other than the currency disclosures) as there is limited interest rate risk.

39. Derivatives and Other Financial Instruments - continued

CAPITAL RISK MANAGEMENT

The Group manages its capital so as to ensure that the Company and the Group will be able to continue as a going concern, whilst being able to take advantage of opportunities that arise and which are expected to provide profitable returns for shareholders and, following the Board's announcement to undertake an orderly value realisation as set out on pages 3 to 4, to meet its commitment to return capital to shareholders.

The Group's capital structure comprises cash and cash equivalents, borrowings, and share capital and reserves attributable to the equity shareholders of the Company.

CURRENCY EXPOSURE

The table below shows the extent to which Group companies have financial assets and liabilities, excluding forward foreign currency contracts and cross-currency interest rate swaps held as hedges, in currencies other than their functional currency. Foreign exchange differences arising on retranslation of these assets and liabilities are taken to the Group income statement. 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, but includes other Group balances that eliminate on consolidation. It also excludes investments held in equity shares, which are included in the Currency and Interest Rate Profile of Financial Assets table on page 60.

	Net foreign currency financial assets/(liabilities)					
Functional currency 2010	**Sterling £m**	**Australian dollars £m**	**New Zealand dollars £m**	**US dollars £m**	**Other £m**	**Total £m**
Sterling	**–**	**161**	**(219)**	**45**	**(10)**	**(23)**
Australian dollars	**–**	**–**	**–**	**1**	**–**	**1**
New Zealand dollars	**1**	**2**	**–**	**2**	**–**	**5**
US dollars	**25**	**–**	**–**	**–**	**(29)**	**(4)**
Other currencies	**–**	**1**	**–**	**(13)**	**3**	**(9)**
	26	**164**	**(219)**	**35**	**(36)**	**(30)**

	Net foreign currency financial assets/(liabilities)					
Functional currency 2009	Sterling £m	Australian dollars £m	New Zealand dollars £m	US dollars £m	Other £m	Total £m
Sterling	–	101	(193)	14	6	(72)
New Zealand dollars	–	–	–	1	1	2
US dollars	17	–	–	–	(41)	(24)
Other currencies	–	–	–	(22)	(1)	(23)
	17	101	(193)	(7)	(35)	(117)

The following table shows the impact on pre-tax profit and shareholders' funds of reasonably possible changes in exchange rates against each of the major foreign currencies in which the Group transacts:

	US dollars		**Australian dollars**		**New Zealand dollars**	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Increase in £ Sterling exchange rate:	**9%**	9%	**7%**	7%	**7%**	7%
(Decrease)/increase in profit before tax	**(1)**	–	**(11)**	(7)	**14**	13
(Decrease)/increase in shareholders' funds	**(4)**	–	**(20)**	(14)	**14**	13

Notes to Financial Statements – continued

39. Derivatives and Other Financial Instruments - continued

CURRENCY AND INTEREST RATE PROFILE OF FINANCIAL ASSETS

The currency and interest rate profile of the Group's financial assets was as follows:

31 December					2010					2009
Currency	Investments £m	Cash and cash equivalents £m	Trade and other receivables £m	Derivative financial instruments £m	Total £m	Investments £m	Cash and cash equivalents £m	Trade and other receivables £m	Derivative financial instruments £m	Total £m
Sterling	121	106	8	9	244	93	208	7	9	317
Australian dollars	209	53	47	–	309	126	78	38	–	242
New Zealand dollars	5	5	25	–	35	7	5	20	–	32
United States dollars	1	65	70	(22)	114	1	30	59	(21)	69
Euros	1	15	36	2	54	1	16	35	8	60
Other currencies	10	69	95	16	190	7	65	73	7	152
Total financial assets	347	313	281	5	946	235	402	232	3	872
Floating rate		305			305		394			394
No rate		8			8		8			8
		313			313		402			402

The investments included above comprise listed and unlisted investments in shares.

Deposits of £305 million (2009: £394 million) which have been placed on deposit with banks for a variety of fixed periods, not exceeding three 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. All such investments have been excluded from the interest rate analysis because the investments do not generate a fixed entitlement to interest.

CURRENCY AND INTEREST RATE PROFILE OF FINANCIAL LIABILITIES

The currency and interest rate profile of the Group's financial liabilities was as follows:

31 December					2010					2009
Currency	Floating rate £m	Fixed rate £m	Interest free £m	Derivative financial instruments £m	Total £m	Floating rate £m	Fixed rate £m	Interest free £m	Derivative financial instruments £m	Total £m
Sterling	4	13	20	(22)	15	4	13	22	(17)	22
Australian dollars	76	–	25	17	118	44	–	22	12	78
New Zealand dollars	8	235	21	–	264	5	214	20	–	239
United States dollars	79	134	99	28	340	52	161	92	(2)	303
Euros	4	–	27	21	52	4	–	32	22	58
Other currencies	15	–	99	(19)	95	15	–	71	4	90
Total financial liabilities	186	382	291	25	884	124	388	259	19	790

The benchmark for determining floating rate liabilities in the UK is LIBOR for both sterling and US$ loans. In New Zealand, floating rates are determined by reference to the New Zealand 90 Day Bank Bill rate, and in Australia such rates are based on discounted commercial loan rates.

39. Derivatives and Other Financial Instruments - continued

Details of fixed rate and non interest-bearing liabilities (excluding derivatives) are provided below:

31 December	2010 Fixed rate financial liabilities		2010 Financial liabilities on which no interest is paid	2009 Fixed rate financial liabilities		2009 Financial liabilities on which no interest is paid
Currency	**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)
Sterling	**6.00%**	**3**	**32**	6.00%	15	36
Australian dollars	**7.19%**	**11**	**–**	7.74%	8	–
New Zealand dollars	**8.06%**	**23**	**–**	7.98%	33	–
United States dollars	**4.90%**	**25**	**–**	5.30%	31	–
Weighted average	**6.88%**	**23**	**32**	6.80%	32	36

CURRENCY PROFILE OF FOREIGN EXCHANGE DERIVATIVES

The currency profile of the Group's foreign exchange derivatives (on a gross basis), all of which mature in less than one year, was as follows:

31 December	Assets **2010 £m**	Assets 2009 £m	Liabilities **2010 £m**	Liabilities 2009 £m
Currency				
Sterling	**30**	24	**–**	–
Australian dollars	**1**	–	**–**	–
United States dollars	**38**	56	**(83)**	(69)
Euros	**21**	31	**(40)**	(45)
Other currencies	**47**	13	**(12)**	(11)
	137	124	**(135)**	(125)

The £2 million net asset (2009: £1 million net liability) in relation to foreign exchange financial instruments in the table above is split £3 million (2009: £1 million) within assets (note 22) and £1 million (2009: £2 million) within liabilities (note 24).

MARKET PRICE RISK

The Group can be affected by market price movements on its equity investments. Notwithstanding the strategy to undertake an orderly value realisation as discussed on pages 3 to 4, the Board continues not to believe it is economic or necessary to hedge market price risk. Existing investments are 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.

For listed and unlisted investments classified as non-current (available for sale), a significant or prolonged decline in the fair value of the non-current security below its cost is considered to be objective evidence of impairment, and appropriate provision is made through the income statement.

Equity swaps, equity options and contracts for differences 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.

The Group is exposed to price risks arising from equity and bond investments.

Notes to Financial Statements – continued

39. Derivatives and Other Financial Instruments - continued

The sensitivity analyses below have been determined based on the exposure to price risks at the year end.

Equities/Bonds (excluding pension schemes):

Impact of a 10% increase in prices:	**2010 £m**	2009 £m
Increase in pre-tax profit for the year	**3**	3
Increase in equity shareholders' funds	**37**	25

LIQUIDITY RISK

Following the Board's announcement of the strategy to undertake an orderly value realisation, as described on pages 3 to 4 in the Chairman's Statement, the Group's liquidity risk has evolved from the necessity to have access to funds to take advantage of attractive investment opportunities arising, to having sufficient funds to realise maximum value from its existing investments and to meet its commitments to return capital to shareholders. Cash proceeds from the orderly realisation of investments are to be used to return capital to shareholders. Such return of capital is to be executed having regard to the actual and contingent liabilities of the Group and, hence, require liquidity risk to be effectively managed. Further, the Group typically holds cash balances in deposits with a short maturity, and additional resources can be drawn through committed borrowing facilities. During the year the Group has complied with all externally imposed capital requirements.

The Group had the following undrawn committed borrowing facilities, in respect of which all conditions precedent had been met at the year-end.

31 December	**2010 £m**	2009 £m
Expiring within one year	**188**	–
Expiring between one and two years	**37**	194
Expiring between two and five years	**46**	88
	271	282

MATURITY OF UNDISCOUNTED FINANCIAL LIABILITIES (EXCLUDING DERIVATIVES)

The maturity of the Group's financial liabilities, using undiscounted cash flows, was as follows:

31 December	**2010 £m**	2009 £m
In one year or less, or on demand	**434**	362
In more than one year but not more than two years	**281**	94
In more than two years but not more than five years	**192**	379
In more than five years	**6**	7
	913	842

The above table comprises the gross amounts payable in respect of borrowings (including interest thereon), trade and other non-statutory payables and certain provisions, over the period to the maturity of those liabilities.

MATURITY OF UNDISCOUNTED FINANCIAL DERIVATIVES

The maturity of the Group's financial derivatives (on a gross basis), which include interest rate and foreign exchange swaps, using undiscounted cash flows was as follows:

		Assets		**Liabilities**
31 December	**2010 £m**	2009 £m	**2010 £m**	2009 £m
In one year or less, or on demand	**156**	144	**(178)**	(159)
In more than one year but not more than two years	**–**	–	**(4)**	(2)
In more than two years but not more than five years	**1**	1	**(1)**	(1)
	157	145	**(183)**	(162)

39. Derivatives and Other Financial Instruments - continued

CREDIT RISK

31 December	2010 £m	2009 £m
The Group considers its maximum exposure to credit risk to be as follows:		
Cash and cash equivalents	**313**	402
Derivative financial instruments	**5**	3
Trade receivables (net of bad debt provision)	**205**	172
Due from associated undertakings and joint ventures	**15**	10
Other receivables	**61**	50
	599	637
Financial assets considered not to have exposure to credit risk:		
Current asset investments	**14**	15
Non-current asset investments	**333**	220
Total financial assets	**946**	872
Analysis of trade receivables over permitted credit period:		
Trade receivables up to 1 month over permitted credit period	**20**	15
Trade receivables between 1 and 2 months over permitted credit period	**5**	5
Trade receivables between 2 and 3 months over permitted credit period	**3**	4
Trade receivables between 3 and 6 months over permitted credit period	**1**	3
Trade receivables in excess of 6 months over permitted credit period	**1**	1
Total gross trade receivables in excess of permitted credit period	**30**	28
Trade receivables within permitted credit period	**175**	144
Total net trade receivables	**205**	172

Trade receivables consist of a large number of customers, spread across diverse geographical areas and industries.

Customers requesting credit facilities are subject to a credit quality assessment, which may include a review of their financial strength, previous credit history with the Group, payment record with other suppliers, bank references and credit rating agency reports. All active customers are subject to an annual, or more frequent if appropriate, review of their credit limits and credit periods.

The Group does not have a significant credit risk exposure to any single customer.

HEDGES

During 2010, the Group has hedged the following exposures:

– interest rate risk – using interest rate swaps

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

At 31 December 2010, the fair value of such hedging instruments was a net liability of £5 million (2009: £6 million).

Cash flow hedges outstanding at 31 December 2010 are expected to impact the Income Statement in the following periods:

	2010 £m (Loss)/gain	2009 £m Loss
Within one year	**(4)**	(4)
Within one to two years	**(2)**	(2)
After more than five years	**1**	–
	(5)	**(6)**

Notes to Financial Statements – continued

39. Derivatives and Other Financial Instruments - continued

GAINS/(LOSSES) ON FINANCIAL ASSETS/LIABILITIES

The net gain/(loss) from buying and selling financial assets and financial liabilities shown in the income statement is analysed as follows:

Year ended 31 December	**2010 £m**	2009 £m
Gains on disposal of investments (excluding derivatives)	**18**	11
(Losses)/gains on disposal of equity options and equity swaps (note 4)	**(7)**	1
Net investment impairment write-back/(provision) (note 4)	**4**	(4)
	15	8

40. Share-based payments

GPG's share option schemes provide for a grant price equal to the average quoted market price of GPG shares for 1 to 5 days prior to the date of the grant. The vesting period is 3 years, and any options that remain unexercised after 10 years from the date of grant automatically lapse. Option forfeiture where an employee leaves the Group can occur in certain circumstances.

Only options granted after 7 November 2002 are required to be analysed in this note.

	2010		2009	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**85,157,529**	**50.83p**	73,606,910	57.21p
Granted during the year	**–**	**–**	4,190,000	28.10p
Impact of Capitalisation Issue	**8,485,032**	**n/a**	7,360,619	n/a
Exercised during the year	**(306,299)**	**25.14p**	–	–
Outstanding at end of year	**93,336,262**	**46.30p**	85,157,529	50.83p
Exercisable at end of year	**79,010,970**	**47.15p**	60,548,177	49.94p

The options outstanding at 31 December 2010 had a weighted average remaining contractual life of 5.0 years (2009: 6.0 years).

The weighted average fair value of share options at the measurement date for options granted during 2009 was 3.4p.

These fair values were calculated using a stochastic valuation model based on the methodology underlying the Black-Scholes model, projecting forward the Company share price using the Black-Scholes model and calculating the value earned when the options are exercised and discounting this back to the calculation date.

The assumptions in the model are as follows:

Volatility	20% per annum
Risk free interest rate	2.6% per annum
Dividend at grant	1p per share
Dividend growth	10% per annum

The Directors have set the volatility assumption after analysing the historical volatility of the Group share price and taking account of the current levels of equity market volatility. To allow for the effects of early exercise it was assumed that in each simulation the options were exercised as soon as they were "in the money" and these values were averaged to get the overall price.

The Group recognised total expenses of £1 million related to equity-settled share-based payments in the year ended 31 December 2010 (2009: £1 million).

Corporate Governance

Guinness Peat Group plc ("GPG") is a publicly traded company established in England and Wales. It is a premium listed issuer on the London Stock Exchange and its shares are quoted on the Australian Securities Exchange and, as an Overseas Listed Issuer, on the New Zealand Stock Exchange. As a UK company with a premium listing the Company is required to have regard to the 2008 Combined Code referred to in the Listing Rules of the UK Financial Services Authority ("the Code") when describing the Company's Corporate Governance arrangements.

BOARD COMPOSITION

On 22 September 2010 four independent non-executive directors were appointed to the Board following representations by certain large institutional investors. The direct engagement by these shareholders made the use of external search consultants or open advertising as recommended by the Code unnecessary. At the time of their appointment, it was recognised that a full strategic review of the Company's operations would be implemented. It was not possible at that time to specify the time commitment required to fulfil this process, or the commitment which would be required following the conclusion of the process. Therefore their letters of appointment do not set out the expected time commitment although the new directors did undertake to provide sufficient time to engage with this process.

Tony Gibbs ceased to be a director on 28 June 2010 and Ron Langley ceased to be a director on 22 September 2010.

The Board now consists of the Chairman, Mark Johnson, four other non-executive directors, and two executive directors. Mark Johnson and the other three non-executive directors appointed on 22 September 2010 are regarded as being independent. Mark Johnson was appointed Chairman on 9 December 2010: he is not appointed for a specified term but, in accordance with the Company's Articles of Association, retires by rotation.

Until these appointments were made, the Company did not comply with the Code requirement that the majority of the Board should consist of independent non-executive directors, as the directors at that time felt that their long-established Board composition best suited the needs of the Company.

With regard to the appointment and replacement of directors, the Company is governed by reference to its Articles of Association, the UK Companies Act 2006 and related legislation. Short biographies of each of the directors appear on page 8 and details of the directors' remuneration arrangements are set out on pages 70 to 71.

COMPLIANCE

The Board has put in place corporate governance arrangements which it believes are appropriate for the operation of an international strategic investment holding company. These cover not only the Company but also its subsidiary companies. The appointment of the four new independent non-executive directors has resulted in the Board implementing a number of governance changes including the establishment of an Independent Board Committee to supervise the strategic review, an Audit, Finance and Risk Committee and a Remuneration and Nominations Committee each consisting of non-executive directors. In the case of the Audit, Finance and Risk Committee, there is an additional independent non-Board member. As a result of these changes, as at 31 December 2010 GPG substantially complied with the Code although as noted below it did not fully comply with the Code or with its equivalent in Australia. Furthermore, the corporate governance rules and principles of the London Stock Exchange, as embodied in the Code, may materially differ from the New Zealand Stock Exchange's corporate governance rules and the principles of the Corporate Governance Best Practice Code of the New Zealand Stock Exchange. More information about the Code may be obtained at the UK Financial Reporting Council website at http://www.frc.org.uk. The position will continue to be reviewed by the Board.

BOARD RESPONSIBILITIES

The Board is responsible for the management of the Group's assets and operations. The directors are situated in the UK, Australia and New Zealand. They have put in place suitable communication and reporting systems which enable them to monitor, on a timely basis, the Group's investment activities. The executive directors manage such assets and operations on a day-to-day basis.

In addition to the monitoring of the Group's investment activities by the directors, regular meetings of the Board and its Committees are scheduled to discuss investment matters. In this way strategies in respect of the Group's assets are carefully evaluated and monitored. Furthermore, there is a formal schedule of matters specifically reserved for the approval of the Board and its Committees. These matters include the Group's strategy, changes to the Group's capital structure, treasury policies and stock exchange listing matters. Details of attendance at the Company's Board and Committee meetings are set out on page 67.

Code guidance provides that a company should identify a senior independent non-executive director. GPG does not have such a designated director. The independent non-executive directors collectively fulfil the requirements set out in the Code in respect of a Senior Independent Director. In particular, in respect of shareholder communications with the Board, if a shareholder finds that contact through the normal channels of the Chairman or the Executive Directors has failed to address their particular concerns, then these may be conveyed to any of the independent non-executive directors whose seniority and wide experience enable them to deal appropriately with any such representations.

The Company has a procedure in place by which directors can seek independent professional advice at the Company's expense if the need arises. GPG provides certain protections for directors and officers of companies within the Group against personal financial exposure that they may incur in the course of their professional duties. GPG has provided an indemnity for its directors to the extent permitted by law in respect of the liabilities incurred as a result of their office.

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.

BOARD COMMITTEES

The Board has in place to assist in the execution of its duties an Independent Board Committee, an Audit, Finance and Risk Committee, a Remuneration and Nominations Committee, an Investment Committee and a General Purposes Committee. Each of the Committees is authorised, at GPG's expense, to obtain external legal or other professional advice to assist in carrying out its duties. The frequency of meetings of the Audit Finance and Risk and the Remuneration and Nominations Committees and attendance by their members are set out on page 67.

Until the appointment of the additional directors, the small size of the Board and the direct responsibility taken by that Board for all significant matters affecting GPG meant that the directors considered the establishment of a Nominations Committee was unnecessary, notwithstanding the requirements of the Code.

Until September 2010 the absence of independent non-executive directors meant that the Company did not comply with the provisions of the Code requiring at least two such directors be appointed to the Audit or to the Remuneration Committees (both Committees have been renamed - see below).

Independent Board Committee

This Committee chaired by Rob Campbell consists of the four independent non-executive directors appointed on 22 September 2010, and was established to evaluate all available strategic options to enhance shareholder value. As a result, on 11 February 2011 the Company made an announcement providing details of the orderly value realisation of GPG's investment portfolio.

Audit, Finance and Risk Committee

This Committee consists of Gavin Walker, who is the independent chair of the Committee and Mike Allen, an independent non-executive director. David Wadsworth FCA, who is not a director of the company, is an independent member of the Committee. He was originally appointed to ensure that, in accordance with its regulatory obligations, the Committee included a member with recent and relevant financial expertise. Mr Wadsworth was formerly a partner of Deloitte LLP. These members provide the required competence and experience in accounting and auditing matters.

The Committee is responsible for monitoring, amongst other things, the financial reporting process, the integrity of the financial statements of the Company, and any other formal announcements relating to its financial performance; for monitoring the effectiveness of the internal controls and risk management systems of the Company and its subsidiary companies; and for monitoring compliance with statutory obligations and corporate governance requirements.

The Committee is also responsible for making recommendations on the engagement and independence of the Company's auditor, Deloitte LLP. This firm was appointed the Company's auditor in 2003 following an evaluation process including the Company's predecessor audit firm. The Committee continues to review the position annually. The review includes a comparison of the audit and non-audit fees paid to Deloitte LLP. There are currently no contractual obligations that restrict the Group's choice of external audit firm. The Committee is satisfied that its policy on the supply of non-audit services by the Company's auditor, Deloitte LLP, ensures that audit objectivity and independence are safeguarded. Following consideration of the performance and independence of the external auditors, the Audit, Finance and Risk Committee has recommended the continued appointment of Deloitte LLP for the 2011 financial year.

"Whistleblowing" procedures exist within the Company and within its major subsidiaries.

The written terms of reference of this Committee are available for inspection at the Company's offices in London and Sydney. They are reviewed regularly and the outcome of such reviews are reported to the Board.

Remuneration and Nominations Committee

This Committee consists of Rob Campbell, who chairs the Committee, and Mike Allen. Following the appointment of these directors and following the review by the Board as mentioned above, the role of this Committee was expanded in October 2010 to encompass the work of a Nominations Committee, and its title and terms of reference were expanded accordingly. Due to the size of the Company's Board and senior executive team, it is not considered necessary to have three members on this Committee.

Remuneration: the Committee monitors, reviews and sets GPG's remuneration policy as set out in the Report on Remuneration and Related Matters on pages 70 to 72. No director is involved in deciding his own remuneration.

Nominations: the Committee establishes and agrees with the Board the policy for appointments to the Board. In addition it is responsible for establishing a formal process for reviewing the balance and effectiveness of the Board. However, no such process took place in 2010.

Given the wide ranging strategic review of the Company it has not been felt appropriate to put in place a process for a formal evaluation method in respect of an individual director's performance, including that of the Chairman. There is currently no formal job specification for the Chairman.

The written terms of reference of this Committee are available for inspection at the Company's offices in London and Sydney. They are reviewed regularly and the outcomes are reported to the Board.

Investment Committee

This Committee consists of Rob Campbell as Chairman and Mike Allen. Its purpose is to review all disinvestment/investment proposals under the Company's value realisation strategy dated 11 February 2011 and to make recommendations to the Board where required.

General Purposes Committee

This Committee consists of two of the independent non-executive directors, Mike Allen as Chairman and Gavin Walker, and the two Executive Directors, Blake Nixon and Gary Weiss. Its purpose is to deal with certain specified administrative matters requiring consideration between scheduled Board meetings, together with project management of the value realisation strategy announced on 11 February 2011.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2010

In accordance with the Code requirement that attendance by directors at Board and certain specified Committee meetings be set out, the following table provides the number of meetings attended out of the number of meetings taking place whilst the director was a member:

Director	Board	Audit, Finance & Risk	Remuneration & Nomination
MN Allen	2/2	1/1	1/1
Sir Ron Brierley	11/12	–	–
AI Gibbs *	7/7	–	–
RJ Campbell	2/2	–	1/1
MRG Johnson	2/2	–	–
R Langley **	8/10	1/1	–
BA Nixon	12/12	2/2	–
GR Walker	2/2	1/1	–
Dr GH Weiss	11/12	–	–

* Ceased to be a director 28 June 2010
** Ceased to be a director 22 September 2010

INTERNAL CONTROLS

The Board has overall responsibility for GPG's system of internal control and for reviewing its effectiveness. The internal controls are designed to cover material risks to achieving the Group's objectives and include business, operational, financial and compliance risks. These controls have been in place throughout the year for GPG and its principal subsidiaries and have continued in force up to the date of approval of the Annual Report. The internal controls are designed to identify, evaluate and manage, rather than eliminate, risk of failure to meet business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. During the year the system was thoroughly reviewed by the Board. Except as described below, the system accords with the guidance of the Turnbull Committee issued to companies listed on the London Stock Exchange. The internal control process distinguishes between the Parent Group (being the long term structural entities within the Group which hold GPG's investments), the major operating subsidiaries ("Operating Subsidiaries") and the Associated Undertakings and Joint Ventures. The systems operated both at Parent Group and Operating Subsidiary levels are reviewed annually by GPG and the results of these reviews are reported to the Audit, Finance and Risk Committee and to the Board.

In relation to the year to 31 December 2010 the Board strengthened the reporting process ensuring that all significant business units within the Group reported via the Executive Directors to the Board as a whole in relation to financial information, risk management and internal control.

Corporate Governance – continued

The Board is satisfied that these systems operate effectively in all material respects in relation to financial reporting risks. Furthermore, the Board is satisfied that this process provides appropriate assurance regarding the Company's financial condition, operational results, risk management and internal compliance and control systems.

The Board considers that its system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks. However the Company has not received the declaration referred to in section 295A of the Australian Corporations Act (as recommended by Recommendation 7.3 of the ASX Governance Principles), since the Australian Corporations Act does not apply to the Company.

Parent Group

The identification and consequent management of risk for the Parent Group 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 described in note 39 to the financial statements, in particular on page 59. For GPG's investment activities, information systems are in place to provide directors with a weekly report on cash movements, investment transactions, portfolio holdings and market values. This provides the Board with up to date information enabling them to monitor and review the progress of investment strategies. Furthermore, no investments may be made without the approval of the Investment Committee.

In addition to the control procedures referred to above, certain other key control procedures are in force at the Parent Group level, such as ensuring that investments are managed at a local level under the supervision of the relevant local Executive Director, that documents of title are held either within the Parent Group or by a reputable custodian, and ensuring that the settlement of all transactions is centralised at the London office.

Investments

The Operating Subsidiaries, being discrete entities acquired by the Parent Group as investments, have their own boards of directors who operate and control these businesses independently. All Operating Subsidiaries are involved in activities other than strategic investment. In aggregate, the Group's share of the consolidated net assets (including goodwill but excluding Group loans) of the Operating Subsidiaries ("Group Share") represents some 46% of GPG's shareholders' funds of £993 million.

As at 31 December 2010, the Group had three major Operating Subsidiaries of which one was wholly owned and the others partly owned. At least one GPG director or senior executive is appointed to the board of each of these Operating Subsidiaries. He is charged with ensuring that the appropriate resources are committed by such Operating Subsidiary to respond to the requirements of the Code on a basis which in each case is commensurate with GPG's Group Share, and that material risks to the value of that investment are managed. Each Operating 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.

Coats is the Company's largest Operating Subsidiary (Group Share £319 million). Mike Allen, together with both of GPG's Executive Directors, Blake Nixon and Gary Weiss, are members of the Coats Board and its internal controls are therefore carefully monitored. A fine of €110.3 million was imposed on Coats by the European Commission in 2007. This ruling is being vigorously contested and further information dealing with this matter appears in note 28 to the Financial Statements.

CIC Australia ("CIC") (Group Share £39 million) is listed on the Australian Securities Exchange, and Turner & Growers ("T&G") (Group Share £78 million) is listed on the New Zealand Stock Exchange: hence these companies have prime reporting responsibilities to a recognised exchange, whose rules are similar to, but not the same as, those of The London Stock Exchange. However, it may be that certain of these companies' control procedures, whilst deemed sufficient by the GPG Board to identify, manage and control the principal risks to its investments, differ from the more strictly defined requirements of the guidance of the Turnbull Committee or their local equivalents. The Board has reviewed and accepted a report on the internal controls operated in 2010 by Coats, CIC and T&G.

The Board also reviews the internal controls procedures of its Associated Undertakings and Joint Ventures. At least one GPG director or senior executive is appointed to the board of each of its significant Associated Undertakings and Joint Ventures. This enables him to review the investee company's procedures for dealing with major risks. The Associated Undertakings and Joint Ventures are encouraged to review the effectiveness of their own internal controls, but the Group is not able to enforce this and as such Associated Undertakings and Joint Ventures are not normally requested to complete an annual internal control review.

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 Parent Group is not sufficiently large or complex to justify a centralised internal audit function. Coats and T&G consider their operations to be sufficiently widespread to justify their own internal audit functions, and such internal audit functions and the internal audit reports they produce are made available to the Board of GPG.

BUSINESS REVIEW

Commentary on GPG's Key Performance indicators ("KPIs") is included in the Directors' Report on page 9. Due to the diverse nature of the businesses making up the Company's Operating Subsidiaries, GPG does not compile composite KPIs dealing with Health and Safety or Environmental Matters, but does monitor these areas in relation to its major subsidiaries.

In respect of Health and Safety, Coats monitors performance by reference to a USA standard measure (OSHA): the global rate of reportable incidents was below 0.7 in 2010 (as it was for 2009), which compared to 2.9 for the OSHA rate for the whole textile industry in the USA for 2009 (latest figure available). Coats continues to operate an environmental management programme focusing on the prevention of environmental incidents, ensuring compliance with the Restricted Substances List and reducing waste and power consumption. Coats aims for environmental management systems consistent with IS014000. The US Environmental Protection Agency has notified Coats that it is a potentially responsible party under the US Superfund for investigation and remediation costs in connection with the Lower Passaic River Study Area in New Jersey, in respect of former facilities which operated in that area prior to 1950. Full details are set out in note 32.

T&G operates in compliance with best practice in New Zealand in relation to Environmental and Employee Matters. The company also monitors incidents under New Zealand occupational safety & health regulations.

CIC's principal activities relate to the acquisition, sub-division, development, construction and sale of real estate in Australia. As a result it operates to very strict local regulation in respect of environmental and sustainability matters, commentary on which can be found on its website and in its Annual Financial Report at 31 December 2010.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year the Audit, Finance & Risk Committee reviewed with management the Group's risk assessment and appropriate controls. It further considered these matters following the year end. In addition to the matters dealt with above in this Corporate Governance report the following risks and the processes in place to control or mitigate these risks were considered:

- Coats EU Fine:
  As mentioned on page 47 Coats is contesting the €110.3 million fine imposed by the European Commission in 2007.
- Human Resources:
  The Company is aware of its level of dependency on its staff and key individuals, and regularly reviews the appropriateness of its incentivisation/reward arrangements.
- Pensions:
  The Group operates three significant defined benefit pension schemes in the UK and one in the US. Further and better particulars can be found in Note 10 to the Financial Statements. The principal risks associated with such schemes relate to investment returns and mortality. Should such a scheme's funding reduce significantly then the scheme's employer may become liable to increase contributions accordingly.

  The Group regularly monitors its exposure to these schemes and has direct and regular contact with each set of scheme trustees. In addition, the Company appoints senior personnel to each trustee body.
- Regulatory Compliance:
  A key risk area for GPG is compliance with the regulatory regimes in the territories in which it operates including the UK, Australia and New Zealand. Non-compliance could result in GPG not being able to continue its business with resultant damage to reputation and potential for costs and losses. GPG mitigates this risk by relying on qualified external advisors to be able to provide information and advice on each country's regulatory and reporting requirements.
- Other Risks and Uncertainties:
  A description of the other principal risks and uncertainties that the Group faces, including notes in respect of financial instruments, can be found in Note 39 to the Financial Statements.

SHAREHOLDER MEETINGS

In May 2010, GPG held an Annual General Meeting in London. The level of proxies lodged for each resolution was announced following the meeting. In its annual and interim reports and other corporate announcements, GPG endeavours to present an accurate, objective and balanced picture in a style and format which is appropriate for the intended audience. The notice of the 2011 Annual General Meeting will be published in May.

Corporate Governance – continued

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement together with a Simplified Balance Sheet for the Group. In addition, note 39 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Parent Group holds significant financial resources across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

At the year end the Parent Group had net debt, after taking account of the Capital Notes, totalling £9 million. The Parent Group also has various other actual and contingent liabilities. The Board expects to be able to meet these obligations from existing resources. Further information on the net debt position of the Group is provided in the table at the foot of the Consolidated Statement of Cash Flows.

Giving due consideration to the nature of the Group's business and underlying investments as a whole, including the financial resources available to the Group, the directors consider that the Company and the Group are going concerns and this financial information is prepared on that basis.

REPORT ON REMUNERATION AND RELATED MATTERS

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

Remuneration and Nominations Policy

The Remuneration and Nominations Committee's current policy is 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.

Each of the Executive Directors has a contract of service with the Company. These agreements 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 agreements entitle each director to compensation of two years' remuneration if he elects to leave within 6 months. Similar arrangements, on reduced periods, are in place for certain senior employees of the Company.
In making these arrangements GPG's Remuneration Committee considered at the time that it was necessary to offer such rolling contracts and notice periods in order to retain and motivate individuals of the right calibre and to ensure continuity of the Group's management.

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 also entitled to performance-related cash bonuses (see below);
- Long Service Leave based on one month's leave for every five years worked, applied on a pro-rata basis;
- Payment for holidays interrupted, curtailed or not taken;
- Pension contributions: see the Notes below the following table;
- Long term incentives: directors are entitled to receive awards of options under the Group's share option schemes; and
- Staff bonus scheme: directors are eligible to participate in a non-contractual bonus scheme, under which cash bonuses may be paid to all staff in the GPG Parent Group. No such 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 adjusted IFRS opening shareholders' funds, as further adjusted for share issues during the year. If this target is achieved a bonus pool is established by the Remuneration and Nominations Committee with reference to profit and the return on shareholders' funds. There is no ceiling on the bonuses payable to directors. This scheme is operated in order to remain competitive, having regard to performance bonuses paid by international investment funds and companies comparable to GPG.

These remuneration arrangements are subject to review by the Remuneration and Nominations Committee in the light of the Company's strategic announcement.

No formal performance evaluation process for senior executives was undertaken in 2010.

Details of individual director's emoluments (audited figures)

The emoluments of the directors of GPG who served during the year are set out below. These amounts comprise emoluments payable to the directors by GPG and its subsidiaries for the years ended 31 December 2010 and 31 December 2009.

	Sir Ron Brierley £	A I Gibbs (to 28 June 2010) £	R Langley (to 22 Sept 2010) £	B A Nixon £	Dr G H Weiss £
Remuneration package	**–**	**379,963**	**–**	**555,149**	**969,228**
Directors' fees	**–**	**–**	**122,758**	**–**	**–**
Compensation for loss of office	**–**	**1,139,889**	**40,919**	**–**	**–**
Pension contributions	**–**	**–**	**–**	**(19,800)**	**(22,915)**
TOTAL PAYMENTS IN 2010	**–**	**1,519,852**	**163,677**	**535,349**	**946,313**
Remuneration package	–	686,272	–	555,149	824,459
Directors' fees	–	–	82,361	–	–
Pension contributions	–	–	–	(19,800)	(30,723)
TOTAL PAYMENTS IN 2009	–	686,272	82,361	535,349	793,736
Leave Accrual in 2010	**–**	**30,546**	**–**	**13,506**	**71,857**
Leave Accrual in 2009*	–	42,911	–	11,380	54,806
Gains on Options 2010	**–**	**–**	**–**	**–**	**–**
Gains on Options 2009	–	429,219	–	543,730	665,840
Pension Contributions 2010	**–**	**–**	**–**	**19,800**	**22,915**
Pension Contributions 2009	–	–	–	19,800	30,723
TOTAL REMUNERATION IN 2010	**–**	**1,550,398**	**163,677**	**568,655**	**1,041,085**
TOTAL REMUNERATION IN 2009	–	1,158,482	82,361	1,110,259	1,545,105

	M R G Johnson (appointed 22 Sept 2010) £	M N Allen (appointed 22 Sept 2010) £	G R Walker (appointed 22 Sept 2010) £	R J Campbell (appointed 22 Sept 2010) £
Directors' fees	**55,468**	**62,015**	**55,468**	**78,383**
TOTAL REMUNERATION IN 2010	**55,468**	**62,015**	**55,468**	**78,383**

Dr G H Weiss was a director of certain other companies in 2010. He was permitted to retain his earnings from these directorships as follows:

Company	Fees A$ Unaudited
Ariadne Australia Ltd	60,000
Premier Investments Ltd	73,395
Tag Pacific Ltd	20,000
Total	**153,395**

* Restated to exclude the effect of foreign exchange translation on the opening accrual.

Corporate Governance – continued

Holiday and Long Service Leave

The Executive Directors are contractually entitled to Long Service Leave in accordance with the Long Service Leave Act 1955 of New South Wales, Australia, and to holiday accruals where they have taken less holiday than their contractual entitlements. The following table shows the amounts accrued for the year ended 31 December 2010 and for prior periods. No payments have been made to directors, other than as shown as utilised in the year.

	Prior years £	Total accrued in 2010 £	Effect of foreign exchange revaluation £	Total utilised in 2010 £	Closing balance 31 December 2010 £
A I Gibbs	961,385	30,546	103,181	(1,095,112)	–
B A Nixon	824,476	13,506	–	–	837,982
Dr G H Weiss	1,148,773	71,857	201,716	–	1,422,346
	2,934,634	115,909	304,897	(1,095,112)	2,260,328

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 in accordance with the terms of the Group'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's interests with those of shareholders. Where grants are made they are awarded 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.

iii) All executive directors are entitled to direct that a variable amount of their total salary, as determined by the Remuneration and Nominations 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) Of their total salary, as determined by the Remuneration and Nominations Committee each year, directors are entitled to direct that a variable amount be paid in a form other than cash.

vi) Where directors are required by GPG to act as a director of an investee company outside the Parent Group, it is the Group's policy that director's fees from such entities are paid directly to the Group.

vii) An amount totalling £4,955 (2009: £21,065) was paid by the Company to HM Revenue & Customs during the year in respect of historical tax liabilities of overseas directors to UK income tax on share options.

viii) Included within Directors' fees are £22,915 for R J Campbell and £6,547 for M N Allen in respect of services provided to other group companies.

ix) The tables set out above, and these notes, comprise the auditable part of the directors' remuneration report, being the disclosures required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Performance Graph (unaudited) – Total Shareholder Return
5-year Comparison of GPG shares against FTSE All-Share Equity Investment Instruments Index

The graph above shows the total shareholder return performance for the company since January 2006 in comparison to the FTSE All-Share Equity Investment Instruments Index. This comparator has been selected as it is considered by the Board to be a relevant benchmark by which to judge the performance of the Directors in delivering value to shareholders.

DIRECTORS' INTERESTS

The interests (unaudited unless stated otherwise) of the directors who held office at the end of the year, and their connected persons (if any), in the shares, options, and listed securities of GPG and its subsidiaries as at 31 December 2010 and 2009, are set out below.

i) Guinness Peat Group plc

Ordinary 5p shares

	31 December 2010	31 December 2009 (or on appointment)
M N Allen	–	–
Sir Ron Brierley	56,458,897	51,120,195
R J Campbell	105,000	5,000
M R G Johnson	–	–
B A Nixon	16,982,572	15,009,849
G R Walker	–	–
Dr G H Weiss	20,354,121	18,498,583

There have been no transactions since the year end.

Options under the Group's share option schemes (audited figures)

	31 December 2010 Number	31 December 2009 Number	Effective exercise price (pence per share)	Exercise period
Sir Ron Brierley				
Ordinary	1,178,969	1,178,969	17.1760	17.10.04 to 17.10.11
Ordinary	779,483	779,483	39.4618	23.04.07 to 23.04.14
Ordinary	708,620	708,620	47.4723	09.03.08 to 09.03.15
Ordinary	402,623	402,623	50.2946	24.10.08 to 24.10.15
Ordinary	241,572	241,572	55.7587	15.03.09 to 15.03.16
Ordinary	366,025	366,025	55.6656	09.03.10 to 09.03.17
Ordinary	199,650	199,650	49.2112	10.04.11 to 10.04.18

Corporate Governance – continued

	31 December 2010 Number	31 December 2009 Number	Effective exercise price (pence per share)	Exercise period
B A Nixon				
Ordinary	2,357,941	2,357,941	17.1760	17.10.04 to 17.10.11
Ordinary	2,338,452	2,338,452	39.4618	23.04.07 to 23.04.14
Ordinary	2,214,447	2,214,447	47.4723	09.03.08 to 09.03.15
Ordinary	2,013,133	2,013,133	50.2946	24.10.08 to 24.10.15
Ordinary	966,301	966,301	55.7587	15.03.09 to 15.03.16
Ordinary	1,464,100	1,484,100	55.6656	09.03.10 to 09.03.17
Ordinary	1,331,000	1,331,000	49.2112	10.04.11 to 10.04.18
Dr G H Weiss				
Ordinary	2,357,941	2,357,941	17.1760	17.10.04 to 17.10.11
Ordinary	2,338,455	2,338,455	39.4618	23.04.07 to 23.04.14
Ordinary	2,214,447	2,214,447	47.4723	09.03.08 to 09.03.15
Ordinary	2,013,133	2,013,133	50.2946	24.10.08 to 24.10.15
Ordinary	966,301	966,301	55.7587	15.03.09 to 15.03.16
Ordinary	1,464,100	1,464,100	55.6656	09.03.10 to 09.03.17
Ordinary	1,331,000	1,331,000	49.2112	10.04.11 to 10.04.18
Tony Gibbs (on cessation at 28 June 2010)				
Ordinary	2,357,941	2,357,941	17.1760	17.10.04 to 17.10.11
Ordinary	2,338,455	2,338,455	39.4618	23.04.07 to 23.04.14
Ordinary	1,328,666	1,328,666	47.4723	09.03.08 to 09.03.15
Ordinary	885,780	885,780	43.7467	04.04.08 to 04.04.15
Ordinary	2,013,133	2,013,133	50.2946	24.10.08 to 24.10.15
Ordinary	966,301	966,301	55.7587	15.03.09 to 15.03.16
Ordinary	1,464,100	1,464,100	55.6656	09.03.10 to 09.03.17
Ordinary	1,331,000	1,331,000	49.2112	10.04.11 to 10.04.18

Options outstanding at 31 December 2009 have been restated as to price and number to reflect the impact of the 2010 Capitalisation Issue.

No options granted to directors were exercised or lapsed during the year and no such options have been exercised or have lapsed since the year end. Since the year end, no further options have been granted.

As part of the reverse acquisition of Brunel Holdings plc in 2002, Blake Nixon "rolled over" his options into replacement options over the Ordinary Shares of GPG. The other directors' existing options granted before 13 December 2002 are over ordinary shares of 10p each in what is now GPG (UK) Holdings plc ("GPGUKH"). Under the Step-Up rights in that company's Articles of Association, any shares issued by GPGUKH in respect of options are acquired automatically by GPG in exchange for Ordinary Shares in GPG, currently on a one-for-one basis.

The middle market price of GPG's shares at 31 December 2010 was 34.50p and the range during the year was 29.55p to 37.73p.

By order of the Board

Chris Healy
Company Secretary
Guinness Peat Group plc
Incorporated and Registered in England No. 103548

30 March 2011

Supplementary Information (unaudited)

SUPPLEMENTARY INFORMATION REQUIRED BY THE AUSTRALIAN SECURITIES STOCK EXCHANGE LISTING RULES FOR THE YEAR ENDED 31 DECEMBER 2010

a) The top 20 registered holdings of the issued Ordinary Shares of 5p each* at 28 February 2011 were as follows:

Registered Holder	Holding	% Issued shares
National Nominee New Zealand Limited <NZCSD>	122,430,844	6.73
Citibank Nominees (New Zealand) Limited <NZCSD>	92,496,906	5.08
Accident Compensation Corporation <NZCSD>	85,806,026	4.72
HSBC Nominees (New Zealand) Limited A/C State Street <NZCSD>	68,054,854	3.74
Tecity Management Pte Limited	59,241,921	3.26
J P Morgan Chase Bank NA <NZCSD>	57,200,908	3.15
Sir Ronald Alfred Brierley	56,458,897	3.10
HSBC Nominees (New Zealand) Limited <NZCSD>	55,161,415	3.03
New Zealand Superannuation Fund Nominees Limited <NZCSD>	34,864,143	1.92
J P Morgan Nominees Australia Limited	34,602,350	1.90
Premier Nominees Ltd – Onepath Wholesale Australasian Share Fund <NZCSD>	31,325,494	1.72
RBC Dexia Investor Services Australia Nominees Pty Limited	31,191,000	1.72
AMP Investments Strategic Equity Growth Fund <NZCSD>	30,848,694	1.70
Westpac NZ Shares 2002 Wholesale Trust <NZCSD>	27,283,065	1.50
NZ Guardian Trust Investment Nominees Limited <NZCSD)	25,032,192	1.38
National Nominees Limited	24,059,571	1.32
Cogent Nominees Pty Limited	22,709,174	1.25
HSBC Custody Nominees (Australia) Limited	18,162,141	1.00
Gary Hilton Weiss	17,775,390	0.98
Blake Andrew Nixon	16,982,572	0.93

b) The spread of holdings in the issued Ordinary Shares at 28 February 2010 was as follows:

Holding	No. Holders	%	No. Shares	%
1 to 1,000	4,006	12.75	1,225,207	0.07
1,001 to 5,000	8,508	27.07	24,078,622	1.32
5,001 to 10,000	5,537	17.62	40,584,969	2.23
10,001 to 100,000	12,128	38.59	354,169,610	19.48
Over 100,001	1,248	3.97	1,398,503,416	76.90
Total	**31,427**	**100.00**	**1,818,561,824**	**100.00**

GPG is incorporated in England and Wales, and is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares.

* In Australia, this includes CHESS Depository Interests.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

2. the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

B A Nixon
Director
30 March 2011

Dr G H Weiss
Director
30 March 2011

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUINNESS PEAT GROUP PLC

We have audited the Group and parent company financial statements (the "financial statements") of Guinness Peat Group plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 40. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter – uncertainty relating to the amount of a potential liability arising from a European Commission investigation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 28 to the 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 £94.5 million at 31 December 2010 exchange rates) against the Coats plc group in relation to these allegations, against which 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 fine is adequately covered by the existing provision.

Independent Auditor's Report – continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Corporate Governance report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Sharon Fraser (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 March 2011

Company & Registrars' Addresses

UNITED KINGDOM

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AUSTRALIA

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Level 10, 1 Margaret Street, Sydney NSW 2000
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NEW ZEALAND

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

Incorporated and registered in England No. 103548

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:

Registrar	Telephone and postal enquiries	Inspection of Register
UK Main Register: Computershare Investor Services PLC	The Pavilions, Bridgwater Road, Bristol BS99 6ZZ Tel: 0870 707 1022 Facsimile: 0870 703 6143	The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
Australian Branch Register: Computershare Investor Services Pty Limited	GPO Box 242, Melbourne VIC 3001 Freephone: 1 800 501 366 (within Australia) Tel: 03 9415 4083 Facsimile: 03 9473 2506	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, North Shore City 0622

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Australia and New Zealand Registered Members

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit:

www.computershare.co.nz/investorcentre

General enquiries can be directed to:

enquiry@computershare.co.nz

Please assist our registrar by quoting your CSN or shareholder number.