

GUINNESS PEAT GROUP plc
(“GPG” or “the Company” or “the Group”)

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

CHAIRMAN’S STATEMENT

As stated in the 7 January Market Update, 2008 was a very unsatisfactory year for GPG.

A number of portfolio writedowns have been necessary as a consequence of the global financial crisis although we believe many of these will ultimately recover as a more realistic reflection of intrinsic value.

Not so good, are those which are the product of poor investment judgment in earlier years and where we must accept a permanent loss.

All of the foregoing was canvassed in the Interim Report but became worse in the second half.

Our principal operating subsidiary, Coats, has also been affected by the economic downturn with a disappointing loss of £4 million. However, that arose from an unusual circumstance whereby tax of £20 million exceeded the net profit of £16 million because of country mismatches for which there is no immediate solution other than if, and when, loss making units return to profit, there will be a corresponding offset in the future.

Coats will obviously continue to encounter difficult trading conditions during 2009 but that may provide some relative advantages in terms of the company’s outstanding geographic coverage and its technological superiority over weaker competitors. Coats has manufacturing facilities in 35 countries and is represented in 71 overall which is quite remarkable for a company with total assets of less than £1 billion and provides reassurance regarding its ultimate value in a better economic cycle.

GPG’s formal Accounts show a net loss for the year of £50 million compared with a loss of £42 million to 30 June and a profit of £129 million in 2007. However, all those figures are largely meaningless for present analytical purposes as they contain “exotic” accounting entries which distort actual performance.

In today’s volatile market conditions, the January Market Update is considered to be a more useful assessment of GPG’s year end position. Net asset value on that basis was £729 million compared with £878 million in these Accounts – the difference being a more informal overall conservative evaluation.

That profile has not changed greatly in the current term other than a further fall in the value of CSR shares and the provision of A\$10 million support for Capral Ltd. Net cash has increased, mainly as a result of the sale of MYOB shares.

CAPITAL AND DIVIDEND

The Board has decided to maintain the standard 1p dividend and 1 for 10 bonus issue (the 16th in succession, multiplying an original 1990 holding 4.6 times). That recognises the context of GPG’s 19 year record rather than one unsatisfactory year just completed. The share election scheme will operate in lieu of cash dividend on the basis of 1 new share for each 25 shares already held.

OUTLOOK

We are still focused on returning value to shareholders in 2010 but that must now be qualified by the unprecedented global financial stringency, the repercussions from which are likely to continue to emerge for some time to come.

Ron Brierley
Chairman
27 February 2009

Guinness Peat Group plc
Consolidated Income Statement

Year ended 31 December	Unaudited 2008 £m	Audited 2007 £m
Continuing Operations		
Revenue	1,381	1,319
Cost of sales	<u>(964)</u>	<u>(911)</u>
Gross profit	417	408
Profit on disposal of investments and other net investment income	61	145
Distribution costs	(180)	(163)
Administrative expenses	<u>(276)</u>	<u>(235)</u>
Operating profit	22	155
Share of profit/(loss) of joint ventures	1	(3)
Share of (loss)/profit of associated undertakings	(9)	11
Profit on sale of business - continuing operations	-	25
Finance costs (net)	<u>(43)</u>	<u>(38)</u>
(Loss)/profit before taxation from continuing operations	(29)	150
Tax on (loss)/profit from continuing operations	<u>(48)</u>	<u>(32)</u>
(Loss)/profit for the year from continuing operations	(77)	118
Discontinued Operations		
Gain on discontinued operations	4	8
(Loss)/profit for the year	<u>(73)</u>	<u>126</u>
Attributable to:		
EQUITY HOLDERS OF THE PARENT	(50)	129
Minority interests	<u>(23)</u>	<u>(3)</u>
	<u>(73)</u>	<u>126</u>
(Loss)/earnings per Ordinary Share from continuing and discontinued operations:		
Basic	(3.56p)	9.28p
Diluted	(3.56p)	8.05p
(Loss)/earnings per Ordinary Share from continuing operations:		
Basic	(3.86p)	8.73p
Diluted	(3.86p)	7.62p

Guinness Peat Group plc
Consolidated Balance Sheet

31 December	Unaudited 2008 £m	Audited 2007 £m
NON-CURRENT ASSETS		
Intangible assets	218	204
Property, plant and equipment	508	414
Investments in associated undertakings	126	149
Investments in joint ventures	59	45
Fixed asset investments	177	328
Derivative financial instruments	-	4
Deferred tax assets	11	8
Pension surpluses	29	34
Trade and other receivables	25	18
	<u>1,153</u>	<u>1,204</u>
CURRENT ASSETS		
Inventories	261	227
Trade and other receivables	302	254
Current asset investments	7	12
Derivative financial instruments	7	5
Cash and cash equivalents	362	318
	<u>939</u>	<u>816</u>
Non-current assets classified as held for sale	7	5
TOTAL ASSETS	<u>2,099</u>	<u>2,025</u>
CURRENT LIABILITIES		
Trade and other payables	306	294
Current income tax liabilities	8	10
Capital notes	-	83
Other borrowings	109	94
Derivative financial instruments	20	4
Provisions	79	84
	<u>522</u>	<u>569</u>
NET CURRENT ASSETS	<u>417</u>	<u>247</u>
NON-CURRENT LIABILITIES		
Trade and other payables	18	14
Deferred tax liabilities	21	17
Capital notes	172	133
Other borrowings	295	168
Derivative financial instruments	7	1
Retirement benefit obligations:		
Funded schemes	32	1
Unfunded schemes	64	51
Provisions	19	26
	<u>628</u>	<u>411</u>
TOTAL LIABILITIES	<u>1,150</u>	<u>980</u>
NET ASSETS	<u>949</u>	<u>1,045</u>

Guinness Peat Group plc**Consolidated Balance Sheet (continued)**

31 December	Unaudited 2008 £m	Audited 2007 £m
EQUITY		
Share capital	71	64
Share premium account	61	61
Translation reserve	118	13
Unrealised gains reserve	36	94
Other reserves	281	295
Retained earnings	311	424
EQUITY SHAREHOLDERS' FUNDS	878	951
Minority interests	71	94
TOTAL EQUITY	949	1,045
Net asset backing per share *	61.85p	67.86p

* The net asset backing per share at 31 December 2007 has been adjusted for the 2008 Capitalisation Issue.

Guinness Peat Group plc**Consolidated Statement of Recognised Income and Expense**

Year ended 31 December	Unaudited 2008 £m	Audited 2007 £m
Gains on revaluation of fixed asset investments	22	35
Losses on cash flow hedges	(11)	(2)
Exchange gains on translation of foreign operations	114	37
Actuarial (losses)/gains on retirement benefit schemes	(58)	7
Net income recognised directly in equity	67	77
Transfers		
Transferred to profit or loss on sale of fixed asset investments	(80)	(129)
Transferred to profit or loss on sale of businesses	(9)	1
Transferred to profit or loss on cash flow hedges	1	(2)
(Loss)/profit for the year	(73)	126
Total recognised income and expense for the year	(94)	73
Attributable to:		
EQUITY HOLDERS OF THE PARENT	(71)	77
Minority interests	(23)	(4)
	(94)	73

Guinness Peat Group plc

Reconciliation of Consolidated Movements in Equity Shareholders' Funds

Year ended 31 December 2008

	Share capital £m	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance as at 1 January 2007	57	61	(24)	188	303	291	876
Total recognised income and expense for the year	-	-	37	(94)	(3)	137	77
Dividends (note 13)	-	-	-	-	-	(11)	(11)
Capitalisation issue of shares	7	-	-	-	(7)	-	-
Scrip dividend alternative	-	-	-	-	-	7	7
Share based payments	-	-	-	-	2	-	2
Balance as at 31 December 2007	64	61	13	94	295	424	951
Total recognised income and expense for the year	-	-	105	(58)	(10)	(108)	(71)
Dividends (note 13)	-	-	-	-	-	(13)	(13)
Capitalisation issue of shares	6	-	-	-	(6)	-	-
Scrip dividend alternative	1	-	-	-	-	8	9
Share based payments	-	-	-	-	2	-	2
Balance as at 31 December 2008	71	61	118	36	281	311	878

Guinness Peat Group plc
Consolidated Cash Flow Statement

Year ended 31 December	Unaudited 2008 £m	Audited 2007 £m
Cash inflow from operating activities		
Net cash inflow from operating activities	98	255
Interest paid	(55)	(49)
Taxation paid	(25)	(21)
Net cash generated by operating activities	18	185
Cash inflow/(outflow) from investing activities		
Dividends received from associated undertakings and joint ventures	11	10
Capital expenditure and financial investment	(18)	(67)
Acquisitions and disposals	22	(41)
Net cash generated by/(absorbed in) investing activities	15	(98)
Cash outflow from financing activities		
Issue of ordinary shares	-	1
Equity dividends paid to the Company's shareholders	(4)	(4)
Dividends paid to minority interests	(4)	(4)
Decrease in debt	(8)	(14)
Net cash absorbed in financing activities	(16)	(21)
Net increase in cash and cash equivalents	17	66
Cash and cash equivalents at beginning of the year	309	241
Exchange gains on cash and cash equivalents	21	2
Cash and cash equivalents at end of the year	347	309
Cash and cash equivalents per the balance sheet	362	318
Bank overdrafts	(15)	(9)
Cash and cash equivalents at end of the year	347	309

NOTES TO FINANCIAL INFORMATION

1. The preliminary financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and complies with the disclosure requirements of the Listing Rules of the UK Financial Services Authority and the Listing Rules of the Australian Securities Exchange. The accounting policies adopted have been consistently applied to all periods presented.
2. The financial information set out in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2008 and 2007. The financial information for the year ended 31 December 2007 is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditors' report on those accounts included a modified opinion, containing an emphasis of matter paragraph to highlight the significant uncertainty in relation to the European Commission competition investigation into alleged market sharing agreements relating to the European haberdashery market. Further details relating to this matter are set out in Note 14. The auditors' report did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

Whilst the financial information included in this announcement has been compiled in accordance with the recognition and measurement principles of applicable IFRS, this announcement does not itself contain sufficient information to comply with IFRS. GPG expects to publish full financial statements that comply with IFRS and these will be available to shareholders in March 2009.

The financial information in this report is unaudited. However, as in the prior year the auditors anticipate issuing a modified audit opinion which, without qualifying their opinion, will contain an emphasis of matter paragraph to highlight the significant uncertainty in relation to the European Commission competition investigation into alleged market sharing agreements relating to the European haberdashery market. Further details relating to this matter are set out in Note 14.

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 a going concern and this preliminary announcement is prepared on that basis.

The directors of one of the Company's subsidiary undertakings, Capral Ltd, whilst noting that there were significant uncertainties, concluded that it was appropriate to prepare its financial statements on a going concern basis.

3. Group foreign exchange movements - during the year ended 31 December 2008, GPG recognised in operating profit £4 million of net foreign exchange losses which compares with £8 million of net foreign exchange losses in the year ended 31 December 2007. Further net foreign exchange gains of £105 million (2007: £38 million) were recognised in reserves.
4. Profit on disposal of investments and other net investment income includes profit on disposal of fixed asset investments of £116 million and non-current asset impairment provisions of £66 million. Administrative expenses include £45 million in respect of impairment of goodwill (2007: £3 million).
5. Tax on (loss)/profit from continuing operations

	2008	2007
	£m	£m
UK Corporation tax at 28.5% (2007: 30.0%)	2	-
Overseas tax	(18)	(26)
	(16)	(26)
Deferred tax	(32)	(6)
	(48)	(32)

The tax charge for the year includes £26 million in respect of the derecognition of deferred tax assets relating to tax losses. This charge arises from a similar reduction in deferred tax liabilities recognised through the unrealised gains reserve, due to a reduction in taxable unrealised surpluses during the period. In addition the tax charge reflects the impact of unrelieved losses in certain subsidiary undertakings.

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6. Associate and joint venture entities

The Group's significant associate and joint venture entities are as follows:

	2008	2007
Australian Country Spinners Ltd	50.0%	50.0%
Green's General Foods Pty Ltd	72.5%	72.5%
Autologic Holdings plc	23.5%	21.7%
MMC Contrarian Ltd	26.4%	na
Peanut Company of Australia Ltd	23.8%	na
Rattoon Holdings Ltd	44.4%	44.4%
The Maryborough Sugar Factory Ltd	24.0%	27.0%
Tower Australia Group Ltd	na	26.9%
Tower Ltd	35.0%	na

Tower Ltd ("Tower") became an associated undertaking in June 2008, and contributed £5 million to the Group result for the year. The carrying value of Tower at 31 December 2008 amounted to £61 million.

Peanut Company of Australia Ltd ("PCA") also became an associated undertaking in June 2008, and contributed £Nil to the Group result in the year. The carrying value of PCA at 31 December 2008 amounted to £5 million.

MMC Contrarian Ltd ("MMC") became an associated undertaking in October 2008, and contributed £Nil to the Group result for the year. The carrying value of MMC at 31 December 2008 amounted to £13 million.

Tower Australia Group Ltd ceased to be an associated undertaking during the year. Its contribution to the result for the year amounted to £4 million (2007: £5 million).

Other significant contributions to the net (loss)/profit for the year from associate and joint venture entities were:

	2008 £m	2007 £m
Australian Country Spinners Ltd	-	(3)
Green's General Foods Pty Ltd	(3)	(3)
Autologic Holdings plc	(8)	1
Rattoon Holdings Ltd	(12)	5

7. Purchase of Subsidiary Undertakings

In March 2008, GPG acquired a controlling interest (62%) in the voting equity shares of Gosford Quarry Holdings Ltd ("GQH") in Australia. Between March and June 2008, GPG acquired the balance of those shares from minority interests. Also in March 2008, Turners & Growers Ltd ("T&G") acquired the entire voting equity shares of Kerifresh Ltd ("Kerifresh") in New Zealand. T&G previously held a minority interest in Kerifresh.

The combined net assets acquired, and the related goodwill arising on these acquisitions, using the purchase method of accounting, were as follows:

	Book value £m	Provisional fair value adjustments £m	Provisional fair value £m
ACQUISITION SUMMARY			
Intangible assets	3	(3)	-
Property, plant and equipment	34	(7)	27
Associates	1	-	1
Inventories	4	(1)	3
Trade and other receivables	4	-	4
Trade and other payables	(7)	(1)	(8)
Borrowings - current	(7)	-	(7)
Borrowings - non-current	(5)	-	(5)
Net assets at acquisition	27	(12)	15
Add back losses previously recognised re GQH as a current investment			2
			17
Goodwill arising on acquisition of GQH			8
Negative goodwill, released to the income statement re acquisition of Kerifresh			(3)
Total consideration			22
Consideration reported above:			
Cash paid in current period			18
Cash paid in prior years			4
Total consideration			22

The goodwill arising on the acquisition of GQH, attributable to intangible assets held by that group, has been written off in the year.

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7. Purchase of Subsidiary Undertakings (continued)

GQH would have contributed £3 million to the Group's revenue and a loss of £1 million to its result for the year in respect of the period up to the date of acquisition.

GQH contributed a loss of £8 million to the Group's result for the year.

GQH contributed an inflow of £6 million to the Group's net operating cash flows, paid £Nil in respect of investment activities, and paid £4 million in respect of financing activities.

Kerifresh would have contributed £1 million to the Group's revenue and £Nil to its result for the year in respect of the period up to the date of acquisition.

Kerifresh contributed a loss of £1 million to the Group's result for the year.

Kerifresh contributed £1 million to the Group's net operating cash flows, and paid £1 million in respect of investment and financing activities.

8. Other investments - Fixed asset investments within non-current assets are classified under IFRS as available-for-sale investments, and current asset investments within current assets are classified under IFRS as held-for-trading investments.

9. (Loss)/earnings per share - The calculation of basic (loss)/earnings per Ordinary Share from continuing and discontinued operations is based on (loss)/profit for the year attributable to equity shareholders of the parent and the weighted average number of 1,412,703,249 Ordinary Shares in issue during the year.

The calculation of basic earnings per Ordinary Share from continuing operations is based on (loss)/profit for the year from continuing operations attributable to equity shareholders of the parent and the weighted average number of 1,412,703,249 Ordinary Shares in issue during the year.

The comparatives for the year ended 31 December 2007 have been adjusted for the 2008 Capitalisation Issue.

Calculations of (loss)/earnings per Ordinary Share are based on results to the nearest £'000.

10. The net tangible assets (net assets excluding intangible assets) per share at 31 December 2008 were 51.46p (2007: 59.97p).

11. Changes in the issued share capital during the year ended 31 December 2008 comprise the following:

	£000
At 1 January 2008	63,741
Employee options exercised	89
Scrip dividend alternative shares issued (16 May 2008)	669
Capitalisation issue (30 May 2008)	6,440
At 31 December 2008	<u>70,939</u>

12. The Chairman's Statement refers to the net asset value of £729 million from the 7 January Market Update. The principal differences between this valuation and that shown by the balance sheet contained within this preliminary financial information are the basis for valuing subsidiary and associated undertakings and joint ventures, the impacts of foreign exchange rates and the inclusion of a contingency.

13. Dividends - The directors have approved the payment of an interim dividend of 1.00 pence per share payable on 18 May 2009 and making a total of 1.00 pence per share for the year. This is subject to a right for shareholders to elect, instead of the cash dividend, to receive one new Ordinary Share for every 25 existing shares held at the appropriate record date. An interim cash dividend of 0.91 pence per share (adjusted to reflect the 2008 Capitalisation Issue) in respect of the year ended 31 December 2007 was paid on 16 May 2008 to GPG shareholders.

There are local regulatory differences in the countries in which the Group's shares are listed, which can result in different taxation treatment and timing. This may have a significant effect on the tax treatment of the dividend for shareholders resident outside the UK. Shareholders are advised to obtain their own professional advice.

The tax treatment of the cash dividend and the scrip dividend alternative, including the availability of tax credits such as franking credits, will be dealt with more fully in a Circular which will be published at the same time as the Company's Annual Report (see note 15 below). Shareholders are recommended to obtain their own professional advice.

14. European Commission Investigation - As noted in previous reports, 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 €10.3 million. The €10.3 million fine is in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation. During the investigation, Coats presented the Commission with ample evidence which refuted this allegation and demonstrated that, in any event, a fine was time-barred. Coats is vigorously contesting the Commission's decision in an appeal which has been lodged with the Court of First Instance in Luxembourg.

Having succeeded in its initial appeal to the Court of First Instance in reducing the needles fine from €30 million to €20 million, Coats was unsuccessful in its further appeal to the European Court of Justice. This fine was paid in the course of 2008.

As stated in previous reports, the Group remains of the view that any anticipated eventual payment of the remaining fine is adequately covered by existing provisions.

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15. The Annual General Meeting of the Company (the “2009 AGM”) will be held on Thursday 21 May 2009 to consider, amongst other things, the 2009 Capitalisation Issue. Notice of the 2009 AGM will be incorporated in the Annual Report which will be published on the Company’s Website at www.gpgplc.com in March 2009. A circular accompanying the Notice of the 2009 AGM will contain details of the Interim Dividend, the Scrip Dividend Alternative and the 2009 Capitalisation Issue. The shares representing the 2009 Capitalisation Issue cannot be allotted until shareholders have given their approval at the 2009 AGM.

In order to accommodate the different market practices of the London Stock Exchange (“LSE”), Australian Securities Exchange (“ASX”) and New Zealand Stock Market (“NZSX”), being those markets on which GPG’s shares are quoted, and subject to approval of the Capitalisation Issue by shareholders, the Stock Events timetable will be as follows*:

Preliminary announcement of results, Interim Dividend and accompanying Scrip Dividend Alternative and the proposed Capitalisation Issue	Friday	27.02.09
Shares marked ex-dividend (ASX)	Monday	09.03.09
Shares marked ex-dividend (LSE)	Wednesday	11.03.09
Record date for dividend	Friday	13.03.09
Head securities quoted ex-dividend (NZSX)	Monday	16.03.09
Post out Circular with Forms of Election for the Scrip Dividend Alternative	Tuesday	31.03.09
Final date for receipt of Scrip Dividend Alternative elections	Monday	11.05.09
Allotment of Scrip Shares (5.00pm UK time)	Friday	15.05.09
Dispatch of FASTER mailings notifying NZ holders of the change in holdings following the Scrip Dividend allotment	Monday	18.05.09
Dispatch of Scrip Dividend holding statements (AUS)	Monday	18.05.09
Dealings commence in Scrip Dividend Shares	Monday	18.05.09
Dispatch of Scrip Dividend Share Certificates (UK)	Monday	18.05.09
Update of UK CREST accounts (5.00am UK time)	Monday	18.05.09
Payment of Cash Dividend**	Monday	18.05.09
Last date for receipt of 2009 AGM proxies	Tuesday	19.05.09
2009 AGM	Thursday	21.05.09
Shares marked Ex-Capitalisation on ASX and traded on deferred settlement basis	Monday	25.05.09
Record date for Capitalisation Issue	Friday	29.05.09
Head securities quoted Ex-Capitalisation (NZSX)	Tuesday	02.06.09
Allotment of Capitalisation Shares (5.00pm UK time)	Friday	05.06.09
Update of UK CREST accounts (5.00am UK time)	Monday	08.06.09
Post out Capitalisation Share Certificates (UK)	Monday	08.06.09
Shares marked Ex-Capitalisation in UK (LSE)	Monday	08.06.09
Dispatch of FASTER statements in NZ notifying NZ holders of change in holdings following Capitalisation Issue	Monday	08.06.09
Last day of deferred settlement trading on ASX	Tuesday	09.06.09
Post out holding statements (AUS)	Tuesday	09.06.09

Notes

* Actions take place on all three Exchanges on the date specified unless otherwise indicated.

** The cash payment will be made to shareholders on the Australian and New Zealand share registers in Australian and New Zealand dollars respectively, calculated at the rates of exchange ruling at 4:30pm (UK time) on 11 May 2009.

To ensure the integrity of the three registers over record dates and ‘ex’ dates, they may be closed for transmissions between them at certain times.

Guinness Peat Group plc

16. Directors - The following persons were, except as noted, directors of GPG during the whole of the year and up to the date of this report:

Sir Ron Brierley
G J Cureton (retired 29 August 2008)
A I Gibbs
B A Nixon
Dr G H Weiss

17. Directors' Report - The Chairman's Statement appearing in the Preliminary Results and signed by Sir Ron Brierley provides a review of the operations of the Group for the year ended 31 December 2008.

18. Director's Declaration - In accordance with a resolution of the directors of Guinness Peat Group plc I state that:

In the opinion of the Directors:

a) The Preliminary Results of the consolidated entity:

- (i) give a true and fair view of the financial position as at 31 December 2008 and the performance of the consolidated entity for the year ended on that date; and
- (ii) comply with the recognition and measurement principles of applicable International Financial Reporting Standards as adopted by the Group; and

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

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

On behalf of the Board

B A Nixon

Director

27 February 2009

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