

GPG Finance plc



# Chairman's Statement

GPG Finance plc is a company established and organised in England. Its securities are listed on the New Zealand Stock Exchange ("NZX"). Its ultimate parent company is Guinness Peat Group plc ("GPG"). This report has been prepared in a manner which complies with the UK Companies Act 1985 and UK generally accepted accounting practice. It gives a true and fair view of the matters to which the report relates, is based on unaudited accounts but accords with the requirements of the NZX.

The Company's sole activity is to borrow, by way of capital notes, and lend to companies within the GPG Group at a margin above average cost. It has raised a total of NZ\$465 million through the issue of unsecured subordinated fixed interest Loan Notes in New Zealand ("Capital Notes"). As a consequence, and unusually for a UK company, it reports in New Zealand dollars.

The first issue of Capital Notes by the Company raised NZ\$250 million in 2001 ("the 2001 Notes"). These bear an interest rate of 9%. A second issue was made in 2003 which raised NZ\$215 million and bears interest at a rate of 8.7% ("the 2003 Notes").

The obligations of the Company under the 2001 Notes are guaranteed by GPG (UK) Holdings plc ("GPGUKH") on a subordinated basis. If the interest payments on the Capital Notes are not paid on the due date, for as long as such payments remain unpaid GPGUKH covenants not to pay any dividends or make certain other returns of capital or distributions in respect of its ordinary shares.

GPG has provided a similar guarantee in respect of the 2003 Notes, and has entered into a subordinated and unsecured guarantee in respect of the GPGUKH covenant for the 2001 Notes.

The 2001 Notes have an initial election date of 15 November 2006 prior to which the Company will propose terms and conditions on which Noteholders may elect to roll over their Capital Notes. Noteholders may then elect to retain some or all of their Capital Notes for a further period on the new terms and conditions and/or to convert some or all of their Capital Notes. The 2001 Notes are initially convertible into Ordinary shares in GPGUKH. However, under the terms of the "Step-up Rights" in the Articles of Association of GPGUKH, upon any future requirement to issue or transfer shares in that company on conversion of Capital Notes, those shares will automatically be transferred to GPG in exchange for the issue of an

equal number of fully paid shares in GPG. Conversion of the Capital Notes will be into such number of GPGUKH shares as is equal to the number of GPG shares having a value equal to the aggregate of the principal amount of, and any accrued interest and unpaid interest on, the Capital Notes being converted, such GPG shares being valued for this purpose at a price of 97% of the weighted average sale price of an Ordinary share in GPG over the five business days prior to the election date. These elections are subject to GPGUKH's overriding right (at its option) to purchase for cash some or all of the 2001 Notes for their principal amount, together with any accrued interest and unpaid interest.

The 2003 Notes have an initial election date of 15 December 2008, prior to which the Company will propose terms and conditions on which Noteholders may elect to roll-over their 2003 Notes. Noteholders may then elect to retain some or all of their 2003 Notes for a further period on the new terms and conditions and/or to convert some or all of their 2003 Notes into Ordinary shares in GPG. Conversion of the 2003 Notes will 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 GPG's over-riding right (at its option) to purchase for cash some or all of the 2003 Notes for their principal amount, together with any accrued interest and unpaid interest.

The Company has lent the proceeds from the two issues of Capital Notes to a company within the GPG Group in accordance with the terms of the issue of the Capital Notes and receives interest income on those loans. The loans attract interest at a fixed average rate of 10.14% per annum and are repayable in respect of an initial election date for the 2001 Notes loan on or after 15 November 2006 and an initial election date for the 2003 Notes loan on or after 15 December 2008. No amounts were in arrears at 30 June 2004.

The Company does not have a formally constituted audit committee of its Board, but the ambit of GPG's Audit Committee extends to include the Company's activities and reports.

BA Nixon  
CHAIRMAN  
25 August 2004

## Statement of Financial Performance

	<b>6 months ended 30 June 2004 Unaudited NZ\$000</b>	6 months ended 30 June 2003 Unaudited NZ\$000	Year ended 31 December 2003 Audited NZ\$000
<b>Operating revenue</b>	–	–	–
<b>Surplus before taxation</b>	<b>323</b>	64	338
Tax on profit on ordinary activities	<b>(73)</b>	–	–
<b>NET SURPLUS</b>	<b>250</b>	64	338

### CONTINUING OPERATIONS

The Company was incorporated on 2 July 2001, and was set up for the specific purpose of issuing fixed interest Capital Notes and lending the proceeds to its parent company.

## Statement of Movements in Equity

	<b>6 months ended 30 June 2004 Unaudited NZ\$000</b>	6 months ended 30 June 2003 Unaudited NZ\$000	Year ended 31 December 2003 Audited NZ\$000
<b>Opening equity</b>	<b>816</b>	337	337
Shares issued	–	141	141
Net surplus	<b>250</b>	64	338
<b>CLOSING EQUITY</b>	<b>1,066</b>	542	816

The paid in share capital of the Company is £50,000 (2003: £50,000)

## Statement of Financial Position

	<b>30 June 2004 Unaudited NZ\$000</b>	30 June 2003 Unaudited NZ\$000	31 December 2003 Audited NZ\$000
<b>CURRENT ASSETS</b>			
Due from parent company within 1 year	<b>13,975</b>	6,645	12,235
Due from parent company after more than 1 year	<b>445,391</b>	240,725	445,391
	<b>459,366</b>	247,370	457,626
Cash at bank and in hand	<b>872</b>	51	861
<b>TOTAL CURRENT ASSETS</b>	<b>460,238</b>	247,421	458,487
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR</b>	<b>(3,600)</b>	(2,836)	(3,655)
<b>NET CURRENT ASSETS</b>	<b>456,638</b>	244,585	454,832
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR</b>			
Capital notes	<b>(455,572)</b>	(244,043)	(454,016)
<b>NET ASSETS</b>	<b>1,066</b>	542	816
<b>CAPITAL AND RESERVES</b>			
Share capital	<b>141</b>	141	141
Profit and loss account	<b>925</b>	401	675
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<b>1,066</b>	542	816

The paid in share capital of the Company is £50,000 (2003: £50,000)

## Surplus Before Taxation

	<b>6 months ended 30 June 2004 Unaudited NZ\$000</b>	6 months ended 30 June 2003 Unaudited NZ\$000	Year ended 31 December 2003 Audited NZ\$000
The surplus before taxation is arrived at after charging/(crediting):			
Interest paid	<b>20,546</b>	11,250	29,434
Amortisation of issue costs for Capital Notes	<b>1,557</b>	920	2,226
Interest received	<b>(22,540)</b>	(12,236)	(29,219)

# Statement of Cash Flows

	<b>6 months ended 30 June 2004 Unaudited NZ\$000</b>	6 months ended 30 June 2003 Unaudited NZ\$000	Year ended 31 December 2003 Audited NZ\$000
<b>CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES</b>			
Interest received	<b>20,800</b>	11,111	25,617
Payments to suppliers	<b>(114)</b>	(2)	(8)
Interest paid	<b>(20,602)</b>	(11,250)	(28,614)
Income taxes paid	<b>(73)</b>	–	(326)
<b>TOTAL OPERATING CASH FLOWS</b>	<b>11</b>	<b>(141)</b>	<b>(3,331)</b>
<b>CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>			
Loans to GPG group companies	–	–	(204,666)
<b>TOTAL INVESTING CASH FLOWS</b>	<b>–</b>	<b>–</b>	<b>(204,666)</b>
<b>CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITIES</b>			
Issue of shares	–	141	141
Issue of Capital Notes	–	–	215,000
Capital Note issue expenses	–	–	(6,334)
Repayment of Capital Notes	–	–	–
<b>TOTAL FINANCING CASH FLOWS</b>	<b>–</b>	<b>141</b>	<b>208,807</b>
<b>Net change in cash</b>	<b>11</b>	<b>–</b>	<b>810</b>
Opening cash (cash less bank overdrafts)	<b>861</b>	51	51
Effect of acquisition and disposal of subsidiaries	–	–	–
Effect of exchange rate changes on cash	–	–	–
<b>CLOSING CASH AT BANK AND IN HAND</b>	<b>872</b>	<b>51</b>	<b>861</b>

## Reconciliation of Cash Flows from Operating Activities

	<b>6 months ended 30 June 2004 Unaudited NZ\$000</b>	6 months ended 30 June 2003 Unaudited NZ\$000	Year ended 31 December 2003 Audited NZ\$000
Net surplus	<b>250</b>	64	338
Amortisation of issue costs for Capital Notes	<b>1,557</b>	920	2,226
Due from parent company within 1 year	<b>(1,740)</b>	(1,125)	(6,715)
Creditors: amounts falling due within 1 year	<b>(56)</b>	–	820
<b>NET CHANGE IN WORKING CAPITAL ITEMS</b>	<b>(1,796)</b>	<b>(1,125)</b>	<b>(5,895)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>11</b>	<b>(141)</b>	<b>(3,331)</b>

## Non Cash Investing and Financing Activities

	<b>6 months ended 30 June 2004 Unaudited NZ\$000</b>	6 months ended 30 June 2003 Unaudited NZ\$000	Year ended 31 December 2003 Audited NZ\$000
Non cash investing activities	–	–	–
Non cash financing activities	–	–	–

## Notes to the Financial Statements

1. The interim financial information has been prepared on a basis consistent with the accounting policies adopted in the Company's financial statements for the year ended 31 December 2003.
2. Abridged accounts (Companies Act 1985) – The information for the year ended 31 December 2003 is based on the latest published accounts which have been delivered to the Registrar of Companies in the UK.

**Registered in England No. 4244726**