

# Guinness Peat Group plc



# Chairman's Statement

Another active and productive half year for GPG, although only a modest £5 million result in conventional accounting terms. As we have stated before, many of GPG's major sources of profit do not fall neatly into six or twelve month reporting periods and some volatility must be accepted. For the same reason, the half year is not necessarily indicative of the full year result when various transactions now under discussion or negotiation are likely to come to fruition.

The acquisition of 100% of **Coats plc** has also had an initial adverse profit impact. We made a policy decision to incur various upfront charges and write-offs as a cost of establishing long term benefits but, in the event, the process has been more painful than originally anticipated. This will persist through the remainder of 2004, but 1 January 2005 will be a symbolic date when Coats begins a new financial year as a reorganised and fully fledged subsidiary of GPG.

Coats' operating profit improved from £6.2 million to £11.5 million for the half year, but was eaten up by refinancing charges and, more particularly, by a geographic mismatch of taxable earnings and unused credits for past losses carried forward. These are issues which GPG can and will resolve, but which require more time to implement on a global scale.

Having completed stage 3 of the Coats exercise (Stage 1, Acquisition of strategic holding, 2. Successful takeover offer, 3. 100% ownership, 4. Full integration with GPG, 5. Deliver results) it is timely to update the profile of our other investments and activities and to define some of the opportunities and challenges on the GPG horizon:

- Our UK and USA based operating companies are **Staveley Industries (UK)**, **Staveley Inc (USA)** and **Nationwide Accident Repair Services** (50%) with an aggregate book value of £13 million. Earnings of these companies are satisfactory on the relatively low level of invested capital, but somewhat less so in relation to true economic values. Plenty of scope for value improvement including acquisition and industry rationalisation.
- Dawson International plc**: After some success in the 1990's, this old established Scottish textile and cashmere manufacturer reverted to problem status several years ago and in 2003 we prudently wrote-off the value of our 30.36 million shares (29.9%). Subsequently, GPG has provided strong proprietorial support including subscribing for 81% of a £10 million convertible notes issue which has assisted to restore the company to a more even keel. In certain circumstances, the exercise of conversion rights at 5p could increase our holding well above the 50% mark. The shares are presently trading at around 8p which is probably a fair reflection of their perceived value and prospects.
- The balance of the UK share portfolio has a market value of £118 million. The largest components are **De Vere Group** £50 million, **Charter** £25 million and **Young & Co's Brewery** £17 million. GPG has long been agitating for structural changes in all of these companies but, so far, with little success.
- Canberra Investment Corporation** (66%) Book value A\$31 million. An excellent, conservatively managed, asset oriented business, well established as a land and housing developer in the Australian Capital Territory.
- Capral Aluminium** (37%) Book value A\$65 million. There are parallels with Coats insofar as a major relocation of the main manufacturing operations from NSW to a new modern facility in Queensland has required a recapitalisation of the balance sheet and has adversely affected current profitability. A short term cost for clear long term advantage. GPG's confidence in the future is reflected in the size of its investment in Capral.
- Solution 6 Holdings** (19%) Book value A\$26 million. Solution 7! – since 30 June, the merger with **MYOB Ltd** has been concluded, producing a surplus of A\$22 million for GPG (mainly in the form of MYOB shares of which we now hold 7.37%).
- Green's Foods** (29%) Book value A\$12 million. Has experienced an impressive revival under the direction of GPG and several other major shareholders. Specialises in niche areas of food manufacture in an industry in Australia otherwise dominated by multinationals.
- ABB Grain** (8%) (formerly the Australian Barley Board) Market value A\$25 million. Proposes an agreed merger with Ausbulk Ltd to create a powerful new force in the important Australian rural servicing area. GPG will be a supportive cornerstone shareholder in the new Adelaide based group. Reminiscent of **Southern Farmers Group**, a very successful investment for IEL in the 1970's and 1980's.
- Intellect Holdings** (20%) Book value A\$14 million, Market value A\$5 million. Obviously, an unsatisfactory investment as the company has experienced losses and a management upheaval and the market value of our shares is less than half cost. GPG has since underwritten a new issue of shares in conjunction with a capital reconstruction which appears to have a reasonable chance of restoring value. If not, a writedown will be necessary in the second half.
- The balance of the Australian share portfolio has a market value of A\$155 million. The largest holdings are **Premier Investments** \$50 million, **Australian Pharmaceutical Industries** \$23 million, **AV Jennings** \$21 million and **Reinsurance Australia** \$18 million.
- Turners & Growers** (79%) Book value NZ\$114 million. A Stock Exchange listing is imminent and thereafter it is intended to "spin off" the **Enza Foods** business in the same manner as the earlier successful divestment of **Turners Auctions**. This should prove beneficial to Turners & Growers' shareholders without diminishing the strong commitment to its core operations in fruit and produce marketing.
- The New Zealand share portfolio largely comprises **Rubicon**, **Tenon** and **Tower** with an aggregate market value of NZ\$188 million. All are considered to be sound value, but we are not budgeting more than nominal returns in the current year.

In the simplified GPG Balance Sheet below, all figures relate to book value, not market. Overall, the aggregate market value of listed shares (including subsidiaries and associates) exceeds book value by £140 million.

Simplified Balance Sheet at 30 June 2004	£m
Cash at Bank	150
Debtors	10
Coats	215
Nationwide	9
Staveley (UK & USA)	4
Canberra Investment Corp	12
De Vere	32
Turners & Growers	40
Capral	25
Tower	34
Share portfolio	139
<b>Total Assets</b>	<b>670</b>
Creditors	(23)
Note Issues	(166)
<b>SHAREHOLDERS' FUNDS</b>	<b>£481</b>

The Directors look forward to reporting good progress in all areas for the full year to 31 December 2004.

Ron Brierley  
CHAIRMAN  
25 August 2004

# Consolidated Profit and Loss Account

	<b>6 months ended 30 June 2004 Unaudited £000</b>	6 months ended 30 June 2003 Unaudited £000	Year ended 31 December 2003 Audited £000
<b>Group turnover</b>	<b>478,613</b>	281,856	552,988
<b>Group operating profit</b>	<b>28,366</b>	45,395	67,517
Share of operating profit of joint ventures and associates	<u>3,379</u>	<u>4,810</u>	<u>24,570</u>
	<b>31,745</b>	50,205	92,087
Profit on sale of business – continuing operations	<u>–</u>	<u>–</u>	<u>19,056</u>
Profit before interest payable	<b>31,745</b>	50,205	111,143
Interest payable and similar charges	<u>(19,059)</u>	<u>(10,884)</u>	<u>(23,423)</u>
<b>Profit before taxation</b>	<b>12,686</b>	39,321	87,720
Taxation	<u>(7,071)</u>	<u>(14,380)</u>	<u>(21,113)</u>
<b>Profit after taxation</b>	<b>5,615</b>	24,941	66,607
Minority interests	<u>(317)</u>	<u>(1,199)</u>	<u>(2,641)</u>
<b>PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>	<b>5,298</b>	<b>23,742</b>	<b>63,966</b>
Dividends paid/proposed	<u>(75)</u>	<u>–</u>	<u>(6,894)</u>
<b>PROFIT RETAINED FOR THE PERIOD</b>	<b>5,223</b>	<b>23,742</b>	<b>57,072</b>
Earnings per Ordinary share – Basic (pence)	<b>0.68p</b>	3.13p	8.43p
Dividends per Ordinary share (pence)	–	–	0.91p

# Consolidated Balance Sheet

	30 June 2004 Unaudited £000	30 June 2003 Unaudited £000	31 December 2003 Audited £000
<b>FIXED ASSETS</b>			
Intangible assets	35,642	(8,779)	(8,283)
Tangible assets	405,385	75,641	77,107
Investments	213,969	251,951	291,496
<b>TOTAL FIXED ASSETS</b>	<b>654,996</b>	<b>318,813</b>	<b>360,320</b>
<b>CURRENT ASSETS</b>			
Debtors	381,699	140,468	93,229
Stocks/Development work in progress	260,275	43,512	28,235
Investments	50,294	21,347	17,426
Cash at bank	211,511	178,318	289,463
<b>TOTAL CURRENT ASSETS</b>	<b>903,779</b>	<b>383,645</b>	<b>428,353</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Trade and other creditors	(334,601)	(137,946)	(126,886)
Convertible subordinated loan notes	(5,964)	(3,425)	(5,963)
Other borrowings	(82,495)	(35,873)	(838)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(423,060)</b>	<b>(177,244)</b>	<b>(133,687)</b>
Net current assets	480,719	206,401	294,666
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,135,715</b>	<b>525,214</b>	<b>654,986</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>			
Trade and other creditors	(1,249)	(792)	(1,588)
Convertible subordinated loan notes	-	(3,425)	(5,964)
Capital notes	(159,531)	(67,887)	(166,513)
Other borrowings	(309,909)	(15,504)	(22,584)
<b>TOTAL LONG-TERM CREDITORS</b>	<b>(470,689)</b>	<b>(87,608)</b>	<b>(196,649)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>(123,796)</b>	<b>(10,107)</b>	<b>(10,662)</b>
<b>NET ASSETS</b>	<b>541,230</b>	<b>427,499</b>	<b>447,675</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	42,805	34,823	34,461
Share premium account	53,171	2,162	3,389
Other reserves	257,577	260,596	261,117
Profit and loss account	127,466	113,056	130,871
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<b>481,019</b>	<b>410,637</b>	<b>429,838</b>
Minority interests (equity)	60,211	16,862	17,837
<b>CAPITAL EMPLOYED</b>	<b>541,230</b>	<b>427,499</b>	<b>447,675</b>
Net assets per share* – (pence)	56.19	53.60	56.70
– (Australian cents)	146.27	131.88	134.71
– (New Zealand cents)	160.45	151.08	154.59

\* The net assets per share for June 2003 and December 2003 have been adjusted for the 2004 Capitalisation Issue.

# Consolidated Cash Flow Statement

	6 months ended 30 June 2004 Unaudited £000	6 months ended 30 June 2003 Unaudited £000	Year ended 31 December 2003 Audited £000
<b>Net cash inflow from operating activities</b>	<b>5,856</b>	33,827	102,366
<b>Dividends received from associates and joint ventures</b>	<b>1,897</b>	1,915	5,558
<b>Returns on investments and servicing of finance</b>	<b>(13,499)</b>	(5,706)	(13,246)
<b>Taxation</b>	<b>(7,157)</b>	(4,846)	(5,958)
<b>Capital expenditure and financial investment</b>	<b>(11,543)</b>	(16,038)	(51,656)
<b>Acquisitions and disposals</b>	<b>(76,940)</b>	16,781	30,611
<b>Equity dividends paid</b>	<b>(2,325)</b>	(2,113)	(2,116)
<b>CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>	<b>(103,711)</b>	23,820	65,559
<b>Management of liquid resources</b>	<b>121,007</b>	(67,103)	(157,939)
<b>Financing</b>			
Issue of ordinary shares	3,010	372	(224)
Increase in debt	21,039	30,083	98,922
<b>INCREASE/(DECREASE) IN CASH FOR THE PERIOD</b>	<b>41,345</b>	<b>(12,828)</b>	<b>6,318</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Increase/(decrease) in cash for the period	41,345	(12,828)	6,318
Cash (inflow)/outflow from increase/decrease in liquid resources	(121,007)	67,103	157,939
Cash inflow from increase in debt	(21,039)	(30,083)	(98,922)
<b>Change in net funds resulting from cash flows</b>	<b>(100,701)</b>	24,192	65,335
Acquisition of subsidiaries	(326,251)	–	–
Currency translation differences	(7,037)	11,301	4,256
Other non-cash movements (see note below)	–	1,313	2,612
<b>Movement in net funds for the period</b>	<b>(433,989)</b>	36,806	72,203
Net funds as at 1 January	87,601	15,398	15,398
<b>CLOSING NET (DEBT)/FUNDS</b>	<b>(346,388)</b>	<b>52,204</b>	<b>87,601</b>

## Non-cash transactions:

On 5 July 2004 the Group redeemed the fourth 10p tranche of the remaining convertible subordinated loan notes through the payment of £1,035,000 in cash, with the balance of £4,995,000 being satisfied by the issue of Ordinary shares in the Company.

## Notes to the Financial Statements

- The interim financial information has been prepared on a basis consistent with the accounting policies adopted in the group's financial statements for the year ended 31 December 2003.
- Abridged accounts (Companies Act 1985) – The figures for the year ended 31 December 2003 do not constitute statutory accounts for that year but have been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors have reported on those accounts and that report was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985. The accounts for the six months ended 30 June 2004 have not been audited, nor have the accounts for the equivalent period in 2003.
- Foreign exchange movements – during the six months to 30 June 2004, GPG recognised in operating profit £5.3 million of foreign exchange losses compared to £14.3 million of foreign exchange gains in the six months to 30 June 2003 (£16.2 million gains in the year to 31 December 2003).
- Coats Group Ltd (“Coats”) – a joint venture company in which GPG held a 63.97% economic interest and a 50% voting interest became a subsidiary undertaking on 1 April 2004 when one of the directors resigned from the board of Coats. On 25 May 2004, GPG's offer for the Coats shares held by the minority shareholders became unconditional, and Coats became a wholly owned subsidiary. Coats contributed a loss of £215,000 before taxation during the six months.

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

	30 June 2004	30 June 2003	31 December 2003
Coats Group (see 4. above)	n/a	63.97%	63.97%
Nationwide Accident Repair Services	50.00%	50.00%	50.00%
Harcourt Hill Estate	50.00%	50.00%	50.00%
Dawson International	29.91%	29.91%	29.91%
Capral Aluminium	36.61%	31.63%	34.26%
Green's Foods	28.99%	25.93%	28.91%

- Earnings per share – The calculation of earnings per Ordinary share is based on profit after taxation attributable to shareholders and the weighted average number of 784,007,693 Ordinary shares in issue during the six months. The comparatives for the six months to 30 June 2003 and the year to 31 December 2003 have been adjusted for the Capitalisation Issue which took place in May 2004.

- Changes in the issued share capital during the six months to 30 June 2004 comprise the following:

	£000
At 31 December 2003	34,461
Employee options exercised	685
Scrip dividend alternative shares issued (14 May 2004)	332
Capitalisation issue (24 May 2004)	3,540
Acquisition of subsidiary (24 May 2004)	3,787
At 30 June 2004	<u>42,805</u>

- Dividends – The directors have not recommended the payment of an interim dividend. The dividend of 1.00p per share for the year ended 31 December 2003 has been adjusted for the 2004 Capitalisation Issue.

## Notes to the Financial Statements – continued

9. On 5 July 2004, those holders of GPG (UK) Holdings plc Convertible Loan Notes (“CLNs”) who elected to convert their Election Amounts were issued with 11,248,786 Ordinary shares of 5p each (“Conversion Shares”) and the remaining CLN holders were repaid Redemption Amounts of £1.0 million in cash. As no Interim Dividend has been declared, the Conversion Shares will, with immediate effect, rank equally with the other Ordinary shares of the Company.
10. Directors – The following persons were directors of GPG during the whole of the half-year and up to the date of this report:
- Sir Ron Brierley  
T J N Beyer  
G J Cureton  
A I Gibbs  
B A Nixon  
Dr G H Weiss
11. Directors’ Report – The Chairman’s Statement appearing in the Interim Results and signed by Sir Ron Brierley provides a comprehensive review of the operations of the Company for the six months ended 30 June 2004.
12. Directors’ 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 Interim Results of the consolidated entity:
- (i) give a true and fair view of the financial position as at 30 June 2004 and the performance of the consolidated entity for the half-year ended on that date; and
- (ii) comply with applicable UK Accounting Standards and the UK Companies Act 1985; 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.
13. Publication – This statement is being sent to shareholders and copies 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](http://www.gpgplc.com).

On behalf of the Board  
B A Nixon  
Director  
25 August 2004

# Independent Review Report to Guinness Peat Group plc

## Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2004 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority in the United Kingdom which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Deloitte & Touche LLP  
Chartered Accountants  
London  
25 August 2004

*This review report will be published on the Company's website. Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.*

# Guinness Peat Group plc

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## LOCATION OF SHARE REGISTERS

The Company's register of members is maintained in the UK with branch registers in Australia and New Zealand. Register enquiries may be addressed direct to the Company's share registrars named below:

Register	Telephone and postal enquiries	Inspection of Register
<b>UK Main Register:</b> Computershare Investor Services PLC	PO Box 82, The Pavilions, Bridgwater Road Bristol BS99 7NH Tel: 0870 702 0000 Facsimile: 0870 703 6143	PO Box 82, The Pavilions Bridgwater Road Bristol BS99 7NH
<b>Australian Branch Register:</b> Registries Ltd	PO Box R67 Royal Exchange, Sydney NSW 1224 Tel: 02 9279 0677 Facsimile: 02 9279 0664	Level 2, 28 Margaret Street Sydney NSW 2000
<b>New Zealand Branch Register:</b> Computershare Investor Services Limited	Private Bag 92119, Auckland 1020 Tel: 09 488 8777 Facsimile: 09 488 8787	Level 2, 159 Hurstmere Road Takapuna North Shore City

