Guinness Peat Group plc

GPG ANNUAL REPORT 2003

Contents

Chairman's Statement

"2003 was a good year for GPG with an increase in realised profit and useful progress on longer term projects."

2003 was a good year for GPG with an increase in realised profit and useful progress on longer term projects. Nevertheless, it should be noted that the final result was assisted by several abnormal items (mainly one-off sales and the recovery of past years' exchange losses) so we have embarked on 2004 with confidence, but not complacency.

The outstanding achievement in 2003 was obviously the successful takeover offer for **Coats plc.** GPG's present investment is £80 million for a 64% interest in the holding company which owns 100% of Coats' ordinary shares. In the next few months it is proposed to subscribe additional capital which will increase GPG's percentage equity and will reduce net borrowings which are approximately £375 million. Further reductions in borrowing are anticipated as a consequence of the sale of surplus assets and the more efficient use of funds within Coats' operations (for which there is considerable scope).

Coats' net contribution to GPG's 2003 result was £12.7 million, made up of a £4.5 million pre acquisition dividend plus £8.2 million, being our share of the trading profit for the year. The post acquisition phase has not been without difficulties (probably an inescapable feature of a large global manufacturing and marketing organisation) and trading conditions have not been buoyant. The changed ownership has also been a somewhat disruptive factor, but Coats is the clear world leader in the thread business and the future potential for GPG could be very significant.

Several months ago, we closed out the currency cover held in respect of the original NZ$250 million Note issue, on which there was a gain of £21 million. This amount is held in reserve until the Notes mature in 2006 and there is no accounting profit or loss until then. The present equation is that at the current exchange rate the repayment of NZ$250 million would require £91.7 million, compared with the previous fixed sum of £70 million, so we are marginally behind at this stage. As GPG has a natural hedge in respect of its substantial New Zealand assets, it is debatable whether an ultimate gain is necessarily to GPG's overall advantage, but for now we have the use of an additional £21 million in cash, whatever happens in the future.

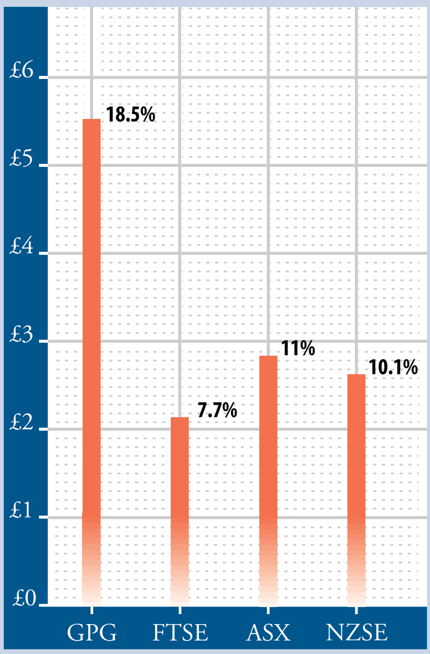
In the Interim Report, we referred to the problems at **Dawson International** and there has been no material improvement since then. As a consequence GPG has assumed a much stronger proprietorial role which, although by necessity rather than by choice, also reflects a positive view that we can restore value to the investment notwithstanding it has been conservatively written down to zero in the meantime.

In December, we sold our residual holding of **Turners Auctions** shares, thus concluding a role which proved very successful for GPG and other investors in the company. GPG was at the helm from the original spin off ex Turners & Growers and leaves what has now become a strongly growing independent company in its own right.

Operating earnings continue to be increasingly important to the final result. **Turners & Growers** (79%) and **Canberra Investment Corporation** (69%) are the core subsidiaries and are both well placed in their respective industries. The former **Staveley** units in UK and USA have also been excellent contributors but, as stated in previous Reports, they all need greater substance, to be obtained by acquisition or by integration with larger industry groups, to reach their full economic potential.

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 2003

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
NZSE = New Zealand Stock Exchange Top 40

Chairman's Statement
– continued

The share portfolio is in good shape overall, not only in respect of market values but also, in many instances, the prospects for future strategic advantage. Surplus over book value at 31 December was £118 million compared with £25 million in 2002, so GPG's aggregate increase in value from all sources in 2003 was £150 million, a very satisfactory performance indeed.

The simplified Balance Sheet set out below provides a more useful analysis of GPG as an investor rather than the aggregation of assets and liabilities in the conventional group accounts.

Simplified Balance Sheet at 31 December 2003	£m
Cash at Bank	272
Debtors	19
Coats	80
Nationwide	8
Staveley (UK & USA)	2
Canberra Investment Corp	13
Turners & Growers	42
De Vere	33
Share portfolio	177
Total Assets	**646**
Creditors	(37)
Note Issues	(179)
SHAREHOLDERS' FUNDS	**£430**

GPG's cash balance of £272 million at 31 December was close to a peak but will reduce in coming months with the anticipated increased Coats' investment, some short term assistance to Dawson and likely reasonably large share purchases. The Board remains convinced of the benefit of strong liquidity, enabling major decisions to be readily implemented.

Capital and Dividend

Contrary to the expectation expressed in the 2002 Annual Report, we have abandoned the concept of offering Convertible Loan Notes to shareholders in conjunction with the annual results. Last year's issue was not well supported which is largely attributed to the complexity of the documents required to accompany the offer. The full prospectus ran to 260 pages which was arguably counter productive in assisting comprehension of the offer and was very costly and time consuming to compile.

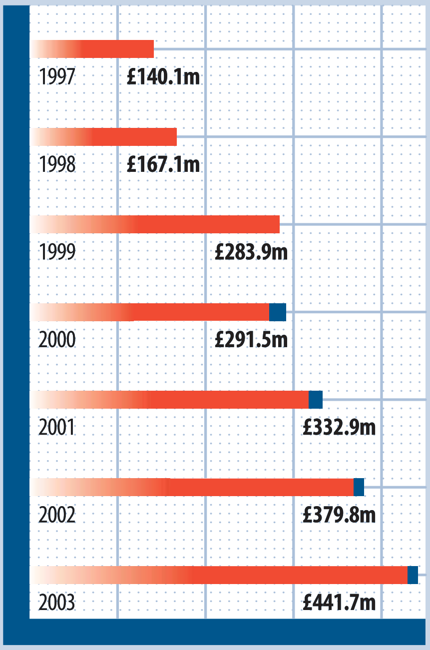
Other than the standard 1p dividend and 1 for 10 bonus issue (this year's is the 11th in succession, multiplying an original 1990 shareholding 2.85 times) GPG's preferred allocation of resources will be solely to achieve organic growth in the value of the shares, which is always the top priority in any event.

The GPG outlook for 2004 is for another active and successful year.

Ron Brierley
CHAIRMAN
London, 2 March 2004

Shareholders' Funds

(2000 to 2003: Adding Convertible Loan Notes (CLNs))



The published figure for 1997 has been adjusted for changes in accounting policies made in 1998. The published figure for 2001 has been adjusted for a change in accounting policy in 2002, but earlier years have not been re-stated.

The amounts included for CLNs are £19.3m (2000), £15.5m (2001), £11.6m (2002) and £11.9m (2003).

Financial Profile of Operations

Subsidiaries

	GPG Holding 31 December 2003 %	Consolidated Figures Year ended 31 December 2003: Net profits before Minority interests £000	Consolidated Figures Year ended 31 December 2003: Group Turnover £000	Consolidated Figures At 31 December 2003: Total Assets £000	Consolidated Figures At 31 December 2003: Net Assets £000
UNITED KINGDOM					
Staveley Industries plc *Building services*	100.00%	3,060*	240,101	83,200†	17,461

*Excludes interest received from GPG of £656,000
†Includes net cash of £28,191,000 which is generally available to GPG for investment purposes

	GPG Holding 31 December 2003 %	Net profits before Minority interests £000	Group Turnover £000	Total Assets £000	Net Assets £000
NEW ZEALAND					
Turners & Growers Ltd *Fresh produce wholesaler*	78.96%	4,995	218,293	95,865	61,389
AUSTRALIA					
Canberra Investment Corporation Ltd *Property Developer*	68.63%	4,937	10,035	34,573	19,134
UNITED STATES OF AMERICA					
Staveley Inc *Testing services*	100.00%	17,269*	42,012	23,390†	16,071

*Includes £19,056,000 received in respect of gain on sale of business but excludes interest received from GPG of £1,451,000
†Includes net cash of £8,568,000

Associates and Joint Ventures

	GPG Holding 31 December 2003 %	GPG Share of income year ended 31 December 2003 £000	GPG Book value at 31 December 2003 £000	Latest published Shareholders' funds 31 December 2003 £000
UNITED KINGDOM				
Coats Group Ltd	63.97%*	8,182	79,733	np
Nationwide Accident Repair Services plc	50.00%	851	8,191	np
Dawson International PLC	29.91%	np	–	np

*Voting rights restricted to 50%

	GPG Holding 31 December 2003 %	GPG Share of income year ended 31 December 2003 £000	GPG Book value at 31 December 2003 £000	Latest published Shareholders' funds 31 December 2003 £000
NEW ZEALAND				
Turners Auctions Ltd (sold during the year)	–	388	–	Not applicable
AUSTRALIA				
Capral Aluminium Ltd	34.26%	7	32,096	88,082
Green's Foods Ltd	28.91%	637	6,192	21,420

Notes:
i) np: This information had not been published by the relevant company at 15 March 2004, the last practicable date before printing this Annual Report.
ii) For associates and joint ventures, goodwill has been reflected in the amounts shown above. The amounts shown above in respect of subsidiaries exclude the following amounts in respect of goodwill:

Subsidiaries – Goodwill	Release for year £000	Net Negative Goodwill at 31 December 2003 £000
Staveley Industries plc	(151)	(914)
Turners & Growers Ltd	(1,031)	(7,367)

Summary of Principal Quoted Investments

Disclosed Shareholdings as at 5 March 2004

	Shareholdings
SUBSIDIARIES	
Turners & Growers Ltd	78.9%
Canberra Investment Corporation Ltd	68.6%
OTHER SHAREHOLDINGS	
United Kingdom	
Dawson International PLC	29.9%
Young & Co's Brewery P.L.C. ('A' Shares)	23.3%
Charter plc	18.5%
Gowrings PLC	11.0%
De Vere Group Plc	10.0%
NewMedia SPARK plc	9.9%
Stylo plc	4.6%
Australia	
Capral Aluminium Ltd	33.3%
Green's Foods Ltd	28.9%
Tooth & Co. Ltd	24.9%
Intellect Holdings Ltd	19.9%
Eservglobal Ltd	19.9%
CPI Group Ltd	19.9%
Solution 6 Holdings Ltd	18.8%
Reinsurance Australia Corporation Ltd	18.4%
Premier Investments Ltd	15.9%
Harbour Capital Ltd	15.8%
Tasmanian Perpetual Trustees Ltd	9.4%
ABB Grain Ltd	6.0%
GME Resources NL	5.4%
New Zealand	
Rubicon Ltd	20.0%
Tower Ltd	19.4%
United States of America	
Santa Fe Financial Corporation	6.4%

Analysis of Total Holdings in above Companies as at 5 March 2004

	Cost £000	Market Value £000
Subsidiaries	29,455	72,326
Other	162,085	273,297
TOTAL	**191,540**	**345,623**

Board of Directors

Sir Ron Brierley, Chairman

Sir Ron Brierley (66) was appointed Chairman on 29 March 1990. He founded Brierley Investments Ltd in 1961 and as chairman of that company implemented his investment approach successfully over the next 30 years, retiring as a director on 30 March 2001. His other directorships include The Australian Gas Light Company Ltd and Premier Investments Ltd.

Chairman of the Audit Committee

T. J. N. Beyer, Non-Executive Director

Trevor Beyer (66) was a director of Brierley Investments Ltd from 1971 to 1994 and has extensive experience on the boards of many public companies. He is chairman of Nationwide Accident Repair Services plc and his other directorships include Alvis plc, Dawson International PLC, Newbury Racecourse plc and Staveley Industries plc.

Chairman of the Renumeration Committee and member of the Audit Committee

G. J. Cureton, Executive Director

Graeme Cureton (59) has broad experience in the Australian business scene. He is a director of Capral Aluminium Ltd, CPI Group Ltd and Green's Foods Ltd.

A. I. Gibbs, Executive Director

Tony Gibbs (56) has been involved with public company boards for many years. His experience includes mergers, acquisitions and divestments. He is chairman of Turners & Growers Ltd and Staveley Inc. and a director of Staveley Industries plc, Coats Group Ltd, Rubicon Ltd, Tower Ltd and Turners Auctions Ltd

B. A. Nixon, Executive Director

Blake Nixon (43) has wide experience of corporate finance both in the UK and Australia. He is chairman of Staveley Industries plc and his other directorships include Coats Group Ltd, Nationwide Accident Repair Services plc and Staveley Inc.

Member of the Audit Committee and the Remuneration Committee

Dr G. H. Weiss, Executive Director

Gary Weiss (50) has considerable experience in the international business scene. He is a director of Coats Group Ltd and various public companies outside the UK including Premier Investments Ltd, Rubicon Ltd and Tower Ltd.

Member of the Remuneration Committee

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2003.

Review of Activities

The Company is a strategic investment holding company.

Following the reverse takeover of Brunel Holdings plc in December 2002, this year has seen the consolidation of the assets and business of GPG (UK) Holdings plc (formerly Guinness Peat Group plc and referred to elsewhere in this Report & Accounts as "the former GPG" or "GPGUKH") by Guinness Peat Group plc (previously Brunel Holdings plc). Further details of the accounting consequences and treatment of this 2002 transaction are set out in Note 1 to the Financial Statements on page 17.

Significant Events

Significant events during the year ended 31 December 2003 are summarised below.

During the year, the Group raised an additional NZ$215 million through its subsidiary, GPG Finance plc, through a second issue of unsecured subordinated fixed interest loan notes ("Capital Notes") in New Zealand, this time bearing an interest rate of 8.7% ("the 2003 Notes"). In order to provide for the eventual possible conversion of both issues of the Capital Notes, the Company increased its authorised nominal share capital to £250,000,000 by the creation of an additional 3,000,000,000 ordinary shares of 5p each. There are no significant post balance sheet events to report.

2003 Acquisitions and Disposals

In February 2003, GPG transferred its investment in Coats plc to a subsidiary of Coats Group Ltd, a joint venture in which GPG has a 63.97% economic interest but in which GPG's voting rights are restricted to 50.00%.

Further commentary on the above transactions and on other activities during the year and also on the outlook for 2004 are set out in the accompanying Chairman's Statement.

Results and Dividends

The results of the Group are shown on page 12 and movements on reserves are set out in note 27. A final dividend of 1.0p per ordinary 5p share ("Ordinary Share") for the year ended 31 December 2003 is proposed, payable on 17 May 2004, and represents the total payable for the year. In respect of the year ended 31 December 2002 GPG paid an interim dividend of 0.91p, adjusted for the 2003 Capitalisation Issue, in May 2003. This was the only dividend for that year.

Scrip Dividend Alternative and Capitalisation Issue

At the 2004 Annual General Meeting a resolution will be proposed extending the existing authority which was approved by shareholders at the Extraordinary General Meeting on 3 May 2002 and which enables the directors to allot, in lieu of the cash dividend payable in any year, Ordinary Shares in the Company. The maximum period of time this authority may last is 5 years and so the directors propose to extend the authority to a date not exceeding 11 May 2009. The directors will also propose a resolution authorising the directors to allot up to 70,672,239 further shares on 24 May 2004 in respect of the 2004 Capitalisation Issue in a ratio of 1 new Ordinary Share for every 10 shares held.

Share Capital

During 2003, 5,773,174 Ordinary Shares were allotted to those holders of the Group's 8% Convertible Subordinated Loan Notes ("CLNs") who exercised their right to convert their CLN Redemption Amounts.

As a consequence of the 2003 Share Buyback in July 2003 10,419,320 Ordinary Shares were bought back and cancelled in exchange for the issue of 26,047,862 convertible loan notes.

These events, together with the exercise of options, the 2003 Scrip Dividend Alternative and the 2003 Capitalisation Issue, resulted in a net increase during the year of 67,331,934 Ordinary Shares. Further details of changes to the Company's share capital during the year are set out in note 26 to the financial statements.

Directors' Report – continued

At the Annual General Meeting of the Company to be held on 12 May 2004 ("the AGM"), shareholders will be asked to approve two resolutions in accordance with Section 80 of the Companies Act 1985 ("the Act"), which authorise the directors to exercise all the powers of the Company to allot relevant securities without first offering them to existing shareholders. The first to be proposed is a general power in respect of relevant securities not exceeding £15,653,850, representing one-third of the total enlarged issued share capital of the Company assuming maximum take-up of the Scrip Dividend Alternative, full implementation of the Capitalisation Issue and maximum conversion of the 8% unsecured Subordinated Convertible Notes ("CLNs") maturing in the year, taken together with the total number of shares outstanding under the Group's share option schemes. The second is a similar authority but specifically relates to the extent to which shares may be required to be issued to converting holders of CLNs and Capital Notes pursuant to the step-up rights contained in the Articles of Association of GPGUKH. The latter power broadly mirrors the authorities given by the shareholders at the time the CLNs and the Capital Notes were first issued. The directors have no present intention to exercise these powers.

At the Annual General Meeting held on 17 June 2003 shareholders gave authority to the directors pursuant to Section 95 of the Act to allot unissued shares for cash and to do so without regard to the statutory rights of pre-emption of existing shareholders. Such authority was limited to the allotment of shares in connection with, inter alia, a rights issue of up to an aggregate nominal value not exceeding £1,770,278. It is intended that the directors be authorised at the 2004 AGM to allot unissued shares for cash in similar circumstances. A special resolution relating to the powers of directors to allot shares pursuant to Section 95 of the Act (as described above) will be put to the AGM. The number of shares which may be allotted for cash will be up to an aggregate nominal value of £2,009,047 representing some 5% of the issued share capital of the Company. Such authority, unless renewed or varied by the Company in general meeting, will expire on 11 May 2009.

The total number of options that are outstanding under the Group's share option schemes is 45,204,070. These options equate to 6.49% of the current issued share capital. If the full on market authority to purchase its issued Ordinary Shares were to be exercised by the Company these options would then represent 7.63% of the reduced issued share capital.

The Company's shares are listed on the London, Australian and New Zealand Stock Exchanges. Addresses where the main and branch share registers are maintained in the countries where the Company's shares are listed are set out on page 68.

Authority to Purchase Own Shares

A special resolution renewing GPG's general authority to purchase its own issued Ordinary Shares will also be proposed at the AGM. This authority is limited to purchases through the markets on which the Company's shares are traded (being the London Stock Exchange, the Australian Stock Exchange and the New Zealand Stock Exchange) at a price of not less than 5p per share and not more than 5% above the average of the middle-market quotations of the Company's shares as shown in the London Stock Exchange Daily Official List for the 5 business days before the purchase is made. It will cover a maximum number of 104,445,600 shares, being no more than 14.99% of the Company's present issued ordinary share capital. The directors would not propose to exercise the authority to make purchases unless the expected effect of the purchase would be generally in the best interests of shareholders. The directors presently intend that a resolution to renew this authority will be proposed at each succeeding Annual General Meeting.

Substantial Interests

Notification has been received by the Company and is maintained in its Register of Substantial Share Interests, as required under the Act, that Sir Ron Brierley holds 26,716,702 Ordinary Shares, 3.83% of GPG's current issued capital.

The Company has not received any other notification under Ss198-202 of the Act of any other substantial shareholders.

Fixed Assets

Details of fixed assets are set out in the notes to the financial statements.

Directors

The directors who all served throughout the year are those whose details appear on page 8.

Creditor Payment Policy

The majority of the Group's investment activity takes place on regulated 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 2003, the Company's trade creditors (excluding amounts attributable to investments) represented 36 days' purchases (2002: 65 days).

Employees

Participation in the conduct and affairs of relevant employing companies is encouraged; arrangements for communication vary with each operating entity.

Within the investment holding companies, full and fair consideration to the employment of disabled persons is given having regard to their abilities and aptitudes, and any existing employee who becomes disabled is trained to ensure that, wherever possible, continuity of employment can be maintained. At operating subsidiary level, practice varies according to industry norms and the legal and regulatory obligations in the country in which the company operates.

Donations

During the year to 31 December 2003, GPG made no charitable donations (2002: £nil). In the year ended 31 December 2003, the Group made charitable donations of £69,340 (2002: £24,500). No contributions to political parties were made during the year.

Auditors

Shareholders will recall that Deloitte & Touche were appointed as auditors at the last Annual General Meeting, in place of PricewaterhouseCoopers LLP. On 1 August 2003, Deloitte & Touche converted to a limited liability partnership known as Deloitte & Touche LLP and the directors appointed the partnership as auditor on 12 September 2003. A resolution to re-appoint Deloitte & Touche LLP as auditor will be proposed at the AGM.

By order of the Board
Richard Russell
Secretary
15 March 2004

Consolidated Profit and Loss Account

Year ended 31 December	Notes	2003 £000	2002 £000
Turnover			
Group and share of joint ventures		**612,523**	501,487
Less: share of joint ventures		**(59,784)**	(42,939)
Continuing operations (excluding acquisitions)		**552,739**	458,548
Acquisitions			
Turnover: group and share of joint ventures		**482,299**	–
Less: share of joint ventures		**(482,050)**	–
		249	–
Group turnover – continuing operations		**552,988**	458,548
Group turnover – discontinued operations		**–**	56,288
Group turnover	2	**552,988**	514,836
Cost of sales	4	**(423,029)**	(425,292)
Gross profit		**129,959**	89,544
Profit on disposal of investments and other net investment income	3	**41,868**	47,420
Net operating expenses	4	**(104,310)**	(90,101)
Operating profit – continuing operations (excluding acquisitions)		**67,554**	39,820
Operating loss – acquisitions (excluding joint ventures and associates)		**(37)**	–
Operating profit – continuing operations		**67,517**	39,820
Operating profit – discontinued operations		**–**	7,043
Group operating profit	4	**67,517**	46,863
Share of operating profit/(loss) of joint ventures	5	**24,748**	(635)
Share of operating (loss)/profit of associated undertakings	5	**(178)**	3,169
		92,087	49,397
Profit on sale of business – continuing operations	34	**19,056**	–
Profit on sale of subsidiary – discontinued operations		**–**	12,238
Interest payable and similar charges	7	**(23,423)**	(10,546)
Profit on ordinary activities before taxation	2	**87,720**	51,089
Tax on profit on ordinary activities	9	**(21,113)**	(5,203)
Profit on ordinary activities after taxation		**66,607**	45,886
Equity minority interests		**(2,641)**	(3,425)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**63,966**	**42,461**
Equity dividends	12	**(6,894)**	(6,252)
RETAINED PROFIT FOR THE YEAR		**57,072**	36,209
Earnings per Ordinary Share - Basic (pence)	11	**9.28p**	6.36p
Earnings per Ordinary Share - Diluted (pence)	11	**6.78p**	5.39p
Dividend per Ordinary Share (pence)	12	**1.00p**	0.91p

Notes on pages 17 to 54 form part of these financial statements

Consolidated Balance Sheet

31 December			2003		2002
FIXED ASSETS	Notes		**£000**		£000
Intangible assets – net negative goodwill	14		**(8,283)**		(10,734)
Tangible assets	15		**77,107**		74,349
Investments	16				
Investments in joint ventures					
Share of gross assets		**601,186**		31,159	
Share of gross liabilities		**(505,933)**		(18,500)	
		95,253		12,659	
Investments in associates		**38,299**		40,008	
Other investments		**157,944**		203,522	
			291,496		256,189
TOTAL FIXED ASSETS			**360,320**		319,804
CURRENT ASSETS					
Stocks and development work in progress	17		**28,235**		13,981
Debtors	18		**93,229**		128,727
Investments	19		**17,426**		36,874
Cash at bank and in hand			**289,463**		113,827
TOTAL CURRENT ASSETS			**428,353**		293,409
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trade and other creditors	20		**(126,886)**		(116,131)
Convertible subordinated loan notes	21		**(5,963)**		(3,863)
Other borrowings	23		**(838)**		(5,404)
TOTAL CURRENT LIABILITIES			**(133,687)**		(125,398)
NET CURRENT ASSETS			**294,666**		168,011
TOTAL ASSETS LESS CURRENT LIABILITIES			**654,986**		487,815
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR					
Trade and other creditors	20		**(1,588)**		(306)
Convertible subordinated loan notes	21		**(5,964)**		(7,725)
Capital notes	22		**(166,513)**		(67,765)
Other borrowings	23		**(22,584)**		(13,672)
TOTAL LONG-TERM CREDITORS			**(196,649)**		(89,468)
PROVISIONS FOR LIABILITIES AND CHARGES	24		**(10,662)**		(15,784)
NET ASSETS	2		**447,675**		382,563
CAPITAL AND RESERVES					
Share capital	26		**34,461**		31,094
Share premium account	27		**3,389**		1,344
Capital redemption reserve	27		**521**		–
Other reserve	27		**260,596**		263,761
Profit and loss account	27		**130,871**		71,966
EQUITY SHAREHOLDERS' FUNDS			**429,838**		**368,165**
Equity minority interests			**17,837**		14,398
CAPITAL EMPLOYED			**447,675**		382,563

Blake Nixon, Director

Approved by the Board on 15 March 2004

Notes on pages 17 to 54 form part of these financial statements

Company Balance Sheet

31 December **FIXED ASSETS**	Notes	**2003** **£000**	2002 £000
Tangible assets	15	**5**	12
Investments	16	**202,823**	193,236
TOTAL FIXED ASSETS		**202,828**	193,248
CURRENT ASSETS			
Loans to subsidiary undertakings		**86,586**	104,033
Other debtors	18	**1,459**	9,543
Debtors		**88,045**	113,576
Cash at bank and in hand		**32**	8
TOTAL CURRENT ASSETS		**88,077**	113,584
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade and other creditors	20	**(7,072)**	(8,725)
Loans from subsidiary undertakings (unsecured)		**(18,886)**	(18,664)
TOTAL CURRENT LIABILITIES		**(25,958)**	(27,389)
Net current assets		**62,119**	86,195
TOTAL ASSETS LESS CURRENT LIABILITIES		**264,947**	279,443
PROVISIONS FOR LIABILITIES AND CHARGES	24	**(1,087)**	(966)
NET ASSETS		**263,860**	**278,477**
CAPITAL AND RESERVES			
Share capital	26	**34,461**	31,094
Share premium account	27	**3,389**	1,344
Capital redemption reserve	27	**521**	–
Other reserve	27	**154,596**	157,761
Profit and loss account	27	**70,893**	88,278
EQUITY SHAREHOLDERS' FUNDS		**263,860**	**278,477**

Blake Nixon, Director
Approved by the Board on 15 March 2004

Notes on pages 17 to 54 form part of these financial statements

Consolidated Statement of Total Recognised Gains and Losses

Year ended 31 December	2003 £000	2002 £000
Profit attributable to ordinary shareholders	**63,966**	42,461
Gain on part disposal of ENZA	**–**	2,490
Currency translation differences on foreign currency net investments	**515**	474
Deferred tax on foreign currency translation differences	**3,501**	36
TOTAL RECOGNISED GAINS FOR THE YEAR	**67,982**	**45,461**
Prior year adjustment		(1,391)
TOTAL GAINS RECOGNISED SINCE LAST ANNUAL REPORT		**44,070**

Year ended 31 December	2003 £000	2002 £000
The currency translation differences arise as follows:		
Subsidiary undertakings	**11,701**	(411)
Joint ventures	**(12,819)**	(8)
Associated undertakings	**1,633**	893
TOTAL	**515**	474

There are no differences between the profit figures reported on page 12 and their historical cost equivalents.

Reconciliation of Movements in Shareholders' Funds

Year ended 31 December	2003 £000	2002 £000
Profit attributable to ordinary shareholders	**63,966**	42,461
Gain on part disposal of ENZA	**–**	2,490
Currency translation differences on foreign currency net investments	**515**	474
Deferred tax on foreign currency translation differences	**3,501**	36
Total recognised gains for the year	**67,982**	45,461
Dividends	**(6,894)**	(6,252)
Scrip dividend alternative	**3,694**	2,793
Release of negative goodwill on disposals	**(333)**	(164)
Buy back of ordinary shares (including expenses)	**(5,434)**	–
Issue of share capital (net of Capitalisation Issue)	**202**	1,902
Share premium on issue of shares (net of expenses of issue)	**2,456**	2,926
Reverse acquisition adjustments	**–**	4,076
NET MOVEMENT IN SHAREHOLDERS' FUNDS	**61,673**	50,742
Shareholders' funds as at 1 January	**368,165**	317,423
SHAREHOLDERS' FUNDS AS AT 31 DECEMBER	**429,838**	**368,165**

Notes on pages 17 to 54 form part of these financial statements

Consolidated Cash Flow Statement

Year ended 31 December	Notes	2003 £000	2002 £000
Net cash inflow from operating activities	30a)	**102,366**	76,149
Dividends received from associates and joint ventures	30b)	**5,558**	2,955
Returns on investments and servicing of finance	30c)	**(13,246)**	(10,148)
Taxation paid	30d)	**(5,958)**	(4,093)
Capital expenditure and financial investment	30e)	**(51,656)**	(59,132)
Acquisitions and disposals	30f)	**30,611**	(19,229)
Equity dividends paid	30g)	**(2,116)**	(1,924)
Cash inflow/(outflow) before management of liquid resources and financing		**65,559**	(15,422)
Management of liquid resources	30h)	**(157,939)**	85,866
Financing:			
Issue of ordinary shares, net of buy back expenses	30i)	**(224)**	1,670
Increase/(decrease) in debt	30i)	**98,922**	(44,355)
INCREASE IN CASH FOR THE YEAR		**6,318**	**27,759**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase in cash for the year		**6,318**	27,759
Cash outflow/(inflow) from increase/decrease in liquid resources		**157,939**	(85,866)
Cash (inflow)/outflow from increase/decrease in debt		**(98,922)**	44,355
Change in net funds resulting from cash flows	30j)	**65,335**	(13,752)
Acquisition of subsidiaries		**–**	(49,889)
Disposal of subsidiaries		**–**	2,491
Currency translation differences		**4,256**	(1,448)
Other non-cash movements (see note below)		**2,612**	2,866
Movement in net funds for the year	30j)	**72,203**	(59,732)
Net funds as at 1 January		**15,398**	75,130
NET FUNDS AS AT 31 DECEMBER	30j)	**87,601**	**15,398**

Non-cash transactions:

On 14 February 2003, the Group redeemed of 4,378,034 of the 30p convertible subordinated loan notes for £1,313,000, satisfied by the issue of Ordinary Shares.

On 4 July 2003, the Group redeemed the third 10p principal amount of the remaining convertible subordinated loan notes through the payment of £2,126,000 in cash, with the balance of £1,299,000 being satisfied by the issue of Ordinary Shares.

On 9 July 2003, the Company re-purchased 10,400,000 Ordinary Shares for an aggregate consideration of £5,575,000 (excluding expenses), which was settled through the issue of 26,047,862 convertible subordinated loan notes of 20p each.

Notes on pages 17 to 54 form part of these financial statements

Notes to Financial Statements

1. Statement of Accounting Policies

The following are the principal policies adopted in preparing the financial statements. The policies in this note have been consistently applied in the current and prior year with the exception of income from equity investments (see note 1m)) and the recognition of income from sales of property (see note 1i)), and have been expanded to reflect the principal accounting policies adopted by the subsidiaries, joint ventures and associates acquired during 2003.

a) ACCOUNTING CONVENTION AND FORMAT

The financial statements comply with applicable UK accounting standards, and have been prepared under the historical cost convention.

b) BASIS OF PREPARATION

With effect from 13 December 2002, the Company, then named Brunel Holdings plc, became the legal parent of GPG (UK) Holdings plc, then named Guinness Peat Group plc, and its subsidiary undertakings, in a predominantly share-for-share transaction. Because of the relative values of the two companies, the former Guinness Peat Group plc shareholders became the majority shareholders with over 98% of the enlarged group. Further, the Company's continuing operations and executive management were those of the former Guinness Peat Group plc. The substance of the combination was that the former Guinness Peat Group plc acquired Brunel Holdings plc via a reverse acquisition. As part of the combination, Guinness Peat Group plc changed its name to GPG (UK) Holdings plc ("GPGUKH") and immediately afterwards Brunel Holdings plc changed its name to Guinness Peat Group plc and changed its year end to 31 December.

Under the specific requirements of the Companies Act 1985 (the "Act") and FRS 6 – Acquisitions and Mergers, it would have been necessary for the Company's consolidated accounts to follow the legal form of the business combination. In that case, the pre-combination results of the Group would have been those of the former Brunel Holdings plc and its subsidiaries brought in at fair value from the date of acquisition. This approach would have portrayed the combination as an acquisition of the former Guinness Peat Group plc by the former Brunel Holdings plc. In the opinion of the Directors, this would have failed to give a true and fair view of the substance of the combination and hence presented a distorted picture of the Group, its results and financial position. The substance of the combination was that the former Guinness Peat Group plc acquired the former Brunel Holdings plc. Accordingly, the Directors departed from the requirements of the Act and UK GAAP and adopted reverse acquisition accounting in order to present accounts which gave a true and fair view. The key features of this basis of consolidation are:

- the consolidated profit and loss account for 2002 included the results of the former Guinness Peat Group plc group for the twelve months to 31 December 2002 and of the former Brunel Holdings plc group from the date of acquisition;
- the consolidated profit and loss reserves of the Group for 2002 were based on the pre-acquisition profit and loss reserves of GPGUKH and its subsidiaries, as reduced by a reverse acquisition reserve;
- the former Brunel and its subsidiaries have been consolidated from the date of the reverse acquisition, 13 December 2002, based on fair values of the assets and liabilities on that date;
- Goodwill was calculated as being the difference between the fair value of the consideration effectively given by the former Guinness Peat Group plc to acquire the former Brunel Holdings plc and the aggregate fair value of the separable net assets of that company and its subsidiary undertakings.

Presentation of investment income

FRS 3 – *Reporting Financial Performance* requires that the net gains from disposals of fixed asset investments (including associated undertakings) should be disclosed below operating profit. However, the directors believe that this presentation would not give a true and fair view of the Group's results because its investment activities form an integral part of the Group's operations. Disposals of fixed asset investments provide a regular and substantial source of profit, and the directors believe that it is necessary to include the related net gains within operating profit in order to provide a true and fair view. If these net gains were presented below the Group's operating profit, as required by FRS 3, the Group would have reported an operating profit for 2003 of £36,722,000 (2002: £19,783,000).

The directors have also adapted the profit and loss account formats included in Schedule 4 to the Act to reflect the importance of the Group's investment activities, as required by the Act. Accordingly, the Group's other investment income (including dividends receivable, interest receivable and investment write-downs) is presented before net operating expenses, as part of the Group's "Profit on disposal of investments and other net investment income," and is included in the Group's operating profit.

The presentation of investment income does not affect the net profit attributable to GPG's shareholders.

Notes to Financial Statements – continued

c) BASIS OF CONSOLIDATION

The principal subsidiaries are listed in note 35. The results of subsidiaries acquired or disposed of are consolidated in the Group financial statements from and to the dates of acquisition and disposal respectively. The consolidated financial statements also include the Group's share of the assets, liabilities, results and cash flows of its joint arrangements.

Associates are accounted for using the equity method and joint ventures are accounted for using the gross equity method.

d) FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated at the exchange rates ruling at the balance sheet date, unless hedged through foreign currency transactions in which case the relevant contract rate is used. Revenues and expenses arising in a foreign currency are translated either at the rate applicable when the transaction occurred or, in the case of foreign subsidiaries, associates and joint ventures, at the year end rate (except that the results attributable to businesses sold during the year are translated using the exchange rate on the date of disposal).

Differences on exchange arising from the retranslation of opening net investments in subsidiaries, associates and joint ventures are taken to reserves, including the exchange differences on loans between Group companies that form part of the net investment in foreign subsidiaries (and any related taxation). All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

e) FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the expected useful life of the asset. The principal annual rates used are:

– Freehold land	not depreciated
– Freehold buildings	1-5%
– Leasehold buildings	2-5% or over the term of the lease if shorter
– Plant and equipment	2-33%
– Vehicles and office equipment	10-50%

Freehold buildings which are depreciated over a period exceeding 50 years are subject to an annual impairment review.

Land held for development is valued at cost or, where there has been an impairment in value, at directors' valuation.

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

f) INVESTMENTS

Investments acquired with the intention of being held for the long term (excluding investments in subsidiaries, associates, joint ventures and joint arrangements) are recorded as fixed asset investments and are stated at cost or, where there has been a permanent diminution in value, at directors' valuation. Investments in art portfolios are valued at cost or, where there has been an impairment in value, at directors' valuation.

Investments held as current assets are stated at the lower of cost and market value. In addition, provision is made for any losses arising from such derivatives in excess of the amounts paid. In the Company's financial statements, investments in subsidiaries, associates and joint ventures are valued at cost or, where there has been an impairment in value, at their expected recoverable amount.

g) LEASES

Assets held under finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. Operating lease payments are charged as an expense in the year in which they are incurred.

h) GOODWILL

Goodwill represents the difference between the cost of acquiring subsidiaries, associates and joint ventures and the fair value of the attributable net assets. Positive goodwill has been capitalised in the balance sheet and amortised through the profit and loss account on a straight line basis over its estimated useful economic life. If, in future years, any goodwill arises which is considered to have an indefinite economic useful life, amortisation will not be charged but the goodwill will instead be subject to an annual impairment review and, where appropriate, provided against.

Negative goodwill is also capitalised in the balance sheet, and is then released through the profit and loss account in the periods in which the acquired company's non-monetary assets are recovered, whether through depreciation or sale. Negative goodwill is matched with the acquired company's tangible fixed assets, and any excess is then attributed to the company's other non-monetary assets.

Prior to 1998, negative goodwill was written off directly to reserves. Any such goodwill has not been reinstated. This will be released through the profit and loss account on disposal of the business, or underlying asset, to which it relates.

i) TURNOVER

Turnover, which excludes VAT and other sales taxes, consists of amounts receivable in respect of goods supplied and services rendered to third parties and the proceeds from the disposal of current asset investments.

Sales of goods are recognised in revenue when control passes to the customer, except that sales of aluminium products are recorded when goods have been despatched and the associated risks and rewards have been transferred.

Income from sales of property is recognised on a percentage of completion basis. Whilst this is a change of accounting policy from the prior year, the effect is immaterial to the current or prior year results. The previous policy was to recognise such income only when unconditional contracts had been exchanged and 10% of the contract price received.

Contracting turnover comprises the value of work executed during the year, including the settlement of monetary claims arising from previous years.

j) STOCKS, WORK IN PROGRESS AND LONG TERM CONTRACTS

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made for obsolete, slow moving and defective stocks.

Raw materials and consumable stores are valued at actual or weighted average cost as appropriate.

Long term contracts are generally those exceeding a year in duration and are valued at cost, comprising direct expenditure and the relevant production overheads, plus the profit attributable to the work performed to date. The amounts recoverable from such contracts, being the excess of their valuation over payments received and receivable, are included in debtors. Provision is made for all losses expected to arise on completion of the contracts entered into at the balance sheet date, whether or not work on these has commenced.

Land for resale, which is included within 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.

k) PENSIONS AND OTHER POST RETIREMENT BENEFITS

Pension costs in respect of defined contribution schemes are charged to the profit and loss account in the year to which they relate. Costs in respect of defined benefit pension schemes and other post retirement benefits are spread over the employees' service lives, in accordance with actuarial advice in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

l) TAXATION

Provision is made for domestic and foreign taxation assessable on the profit 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 not provided in respect of the accumulated reserves of overseas subsidiaries, associates and joint ventures unless a dividend has been declared or there is a binding obligation to distribute those reserves. Deferred taxation is measured on a non-discounted basis.

m) INVESTMENT INCOME

Income from equity investments is recognised when the legal entitlement vests. This represents a change from the previous accounting policy of recognising such income when declared, but the change has no material impact on the current or prior year results.

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 profit and loss account and, where appropriate, an impairment provision is recognised against the investment.

Notes to Financial Statements – continued

n) EMPLOYEE ENTITLEMENTS

Provision is made for long service leave and annual leave payable to employees on the basis of relevant statutory requirements or contractual entitlements.

o) ACCOUNTING POLICIES SPECIFIC TO MINING COMPANIES

(i) Turnover

Sales revenue from gold and other metals sold by way of forward contracts is recognised at the contract forward price. Sales are recognised at spot market prices when sold for immediate settlement. Bullion sales are brought to account when the goods are delivered.

(ii) Stock

Stockpiles of unprocessed ore and any metals held in circuit are carried at the lower of cost and net realisable value. Supply inventories are carried at cost with a provision for obsolescence.

(iii) Property, plant and equipment

Direct mining asset costs carried forward are depreciated on a unit of production basis against the total proven and probable reserves or on a usage basis over the economic life of the asset, whichever is the shorter period.

(iv) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest, which is limited to an individual geological area related to a known mineral resource. Such expenditure is carried forward provided that certain conditions are met, for example the costs are expected to be recouped through successful development or the area of exploration has not yet reached a stage where assessment of the reserves is possible. All other expenditure is written off or provided against.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified as development properties. No amortisation is provided until they are reclassified as mining properties, following the commencement of commercial levels of production.

(v) Restoration and rehabilitation expenditure

Significant restoration and rehabilitation expenditure to be incurred subsequent to the cessation of production from areas of interest is expensed in proportion to production. Provisions are reviewed at least annually.

2. Segmental Analysis – *Turnover (including share of joint ventures)*

Year ended 31 December	**Total 2003 £000**	Continuing 2002 £000	Discontinued 2002 £000	Total 2002 £000
GEOGRAPHIC ANALYSIS BY ORIGIN				
UK/Europe	**793,475**	284,859	–	284,859
Australasia	**259,335**	160,507	56,288	216,795
North America	**42,012**	56,121	–	56,121
	1,094,822	501,487	56,288	557,775
Amounts relating to acquired businesses:				
Joint ventures – UK/Europe	**482,050**	–	–	–
Group – North America	**249**	–	–	–
	482,299	**–**	**–**	**–**
GEOGRAPHIC ANALYSIS BY DESTINATION				
UK/Europe	**873,417**	355,565	–	355,565
Australasia	**151,408**	62,753	56,288	119,041
North America	**69,997**	83,169	–	83,169
	1,094,822	501,487	56,288	557,775
BUSINESS ANALYSIS				
Investment	**41,585**	19,129	–	19,129
Property development	**10,353**	19,952	–	19,952
Food processing	**22,414**	13,720	56,288	70,008
Testing services	**42,974**	57,154	–	57,154
Building services	**240,101**	239,317	–	239,317
Fruit/produce distribution	**195,879**	112,230	–	112,230
Accident repair services	**59,466**	39,985	–	39,985
Thread manufacture	**482,050**	–	–	–
	1,094,822	501,487	56,288	557,775
Amounts relating to acquired businesses:				
Joint ventures – thread manufacture	**482,050**	–	–	–
Group – testing services	**249**	–	–	–
	482,299	**–**	**–**	**–**
TOTAL				
Group	**552,988**	458,548	56,288	514,836
Joint ventures	**541,834**	42,939	–	42,939
	1,094,822	501,487	56,288	557,775

Notes:

i) Total turnover for 2003 is generated only from continuing operations.

ii) The turnover attributable to joint ventures in Australasia arose from property development and investment activities (2003: £318,000; 2002: £2,954,000), and in UK/Europe from accident repair services (2003: £59,466,000; 2002: £39,985,000) and from thread manufacture (2003: £482,050,000; 2002: £ Nil).

Notes to Financial Statements – continued

2. Segmental Analysis - continued – *Profit before tax and Net assets*

Year ended 31 December	**Profit before tax 2003 £000**	Profit before tax 2002 £000	**Net assets 2003 £000**	Net assets 2002 £000
GEOGRAPHIC ANALYSIS				
UK/Europe	**37,530**	20,816	**292,797**	244,716
Australasia	**29,229**	7,493	**147,088**	124,280
North America	**19,780**	2,595	**16,071**	24,301
Goodwill (subsidiaries only)	**1,181**	1,095	**(8,281)**	(10,734)
	87,720	31,999	**447,675**	382,563
Discontinued operations – Australasia	**–**	6,852	**–**	–
Profit on sale of subsidiary – Australasia	**–**	12,238	**–**	–
	87,720	51,089	**447,675**	382,563
Analysis of goodwill:				
UK/Europe	**159**	176	**(1,032)**	(1,163)
Australasia	**1,031**	919	**(7,367)**	(9,571)
North America	**(9)**	–	**118**	–
	1,181	1,095	**(8,281)**	(10,734)
Amounts relating to acquired businesses:				
Group – North America	**(37)**	–	**316**	–
Amounts relating to acquired businesses:				
Joint ventures (including goodwill) – UK/Europe	**15,247**	–	**79,733**	–

The net asset comparatives have been restated for consistency.

BUSINESS ANALYSIS				
Group:				
Investment	**39,622**	20,912	**222,692**	236,696
Property development	**5,431**	5,708	**16,847**	11,206
Testing services	**17,576**	2,560	**16,516**	24,670
Building services	**2,923**	4,055	**17,461**	18,866
Fruit/produce distribution and food processing	**5,779**	(4,558)	**60,348**	49,875
Goodwill (subsidiaries only)	**1,181**	1,095	**(8,281)**	(10,734)
	72,512	29,772	**325,583**	330,659
Analysis of goodwill:				
Testing services	**(9)**	–	**118**	–
Building services	**159**	176	**(1,032)**	(1,163)
Fruit/produce distribution and food processing	**1,031**	919	**(7,367)**	(9,571)
	1,181	1,095	**(8,281)**	(10,734)
Discontinued operations:				
Malting	**–**	6,852	**–**	–
Profit on sale of subsidiary	**–**	12,238	**–**	–
	–	19,090	**–**	–
Associates (including goodwill):				
Mining	**–**	(149)	**–**	2,200
Aluminium extrusion	**(455)**	1,082	**25,152**	18,414
Textiles	**(3,316)**	(216)	**(1)**	12,181
Fruit/produce distribution and food processing	**1,061**	1,213	**6,728**	4,359
Other	**2,000**	815	**2,224**	2,171
	(710)	2,745	**34,103**	39,325
Joint ventures (including goodwill):				
Accident repair services	**443**	(1,442)	**8,191**	11,345
Thread manufacture	**15,247**	–	**79,733**	–
Other	**228**	924	**65**	1,314
	15,918	(518)	**87,989**	12,659
	87,720	51,089	**447,675**	382,563

2. Segmental Analysis - continued – *Profit before tax and Net assets*

Year ended 31 December	**Profit before tax 2003 £000**	Profit before tax 2002 £000	**Net assets 2003 £000**	Net assets 2002 £000
Amounts relating to acquired business (including associates and joint ventures):				
Testing services	**(37)**	–	**316**	–
Thread manufacture	**15,247**	–	**79,733**	–
Goodwill (subsidiaries only)	**(9)**	–	**118**	–
	15,201	–	**80,167**	–
Analysis of goodwill:				
Testing services	**(9)**	–	**118**	–
TOTAL				
Group	**72,512**	48,862	**325,583**	330,579
Joint ventures	**15,918**	(518)	**87,989**	12,659
Associated undertakings	**(710)**	2,745	**34,103**	39,325
	87,720	51,089	**447,675**	382,563

Notes:
i) Profit arising from the investment activities carried out by UK subsidiaries is deemed to be of UK origin although a number of investee companies operate, and are listed, in other regions.
ii) In arriving at the profit before tax figures reported above, interest receivable/payable is allocated to the businesses to which it relates (including interest on loans between Group companies).

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

Year ended 31 December	**Total 2003 £000**	Continuing operations 2002 £000	Discontinued operations 2002 £000	Total 2002 £000
Other interest receivable	**9,170**	6,378	23	6,401
Profit on disposal of shares in associated undertakings	**3,888**	548	–	548
Profit on disposal of other fixed asset investments	**26,907**	26,532	–	26,532
Income from listed investments	**7,589**	9,199	–	9,199
Net (increase)/decrease in investment provisions and write-downs	**(11,082)**	2,438	–	2,438
Gain/(loss) on derivatives held within the investment portfolio	**1,365**	(467)	–	(467)
Other income	**4,031**	2,751	18	2,769
	41,868	47,379	41	47,420

Note:
Total for 2003 is generated only from continuing operations.

Notes to Financial Statements – continued

4. Operating Profit

Year ended 31 December **GROUP**	**Continuing operations 2003 £000**	**Acquisitions 2003 £000**	**Total 2003 £000**	Continuing operations 2002 £000	Discontinued operations 2002 £000	Total 2002 £000
Cost of sales	**(422,997)**	**(32)**	**(423,029)**	(379,968)	(45,324)	(425,292)
Gross profit	**129,742**	**217**	**129,959**	78,580	10,964	89,544
Distribution costs	**–**	**–**	**–**	(20)	(1,371)	(1,391)
Administration expenses	**(104,056)**	**(254)**	**(104,310)**	(86,119)	(2,591)	(88,710)
Net operating expenses	**(104,056)**	**(254)**	**(104,310)**	(86,139)	(3,962)	(90,101)
Profit on disposal of investments and other net investment income	**41,868**	**–**	**41,868**	47,379	41	47,420
Operating profit	**67,554**	**(37)**	**67,517**	39,820	7,043	46,863

5. Operating Profit/(Loss) from Joint Ventures and Associates

During the year, Coats Group Ltd ("Coats"), a company registered in the British Virgin Islands, became a joint venture undertaking. GPG has a 63.97% economic interest in Coats but only a 50% voting interest. The Group's share of the operating profit of Coats in 2003 was £24,281,000.

Also during the year, Turners Auctions Ltd ceased to be an associated undertaking. The Group's share of the operating profit of Turners Auctions was £550,000.

6. Profit on Ordinary Activities Before Taxation

Year ended 31 December	**2003 £000**	2002 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**10,423**	8,775
Amortisation of positive goodwill (including associates and joint ventures)	**901**	241
Release of negative goodwill from the balance sheet (including associates and joint ventures)	**(2,116)**	(2,101)
Release of negative goodwill from reserves	**(333)**	(164)
Group audit fees (see note below)	**492**	645
Operating lease rentals:		
Plant and equipment	**6,332**	4,888
Other	**5,587**	5,788
Net foreign exchange (gains)/losses	**(15,943)**	612
Rental income from land and buildings	**(2,673)**	(1,315)

The audit fee for the Company was £93,000 (2002: £93,000).

Non-audit fees paid to Deloitte & Touche LLP in the UK were £754,000 prior to appointment as auditor and £449,000 post the appointment (2002: PricewaterhouseCoopers LLP £276,000).

7. Interest Payable and Similar Charges

Year ended 31 December	2003 £000	2002 £000
Interest payable on bank loans and overdrafts	**(3,290)**	(2,680)
Unwinding of discount on provisions	**(269)**	(193)
Interest payable on CLNs (see note 21)	**(887)**	(1,072)
Interest payable on Capital Notes (see note 22)	**(9,001)**	(5,758)
Amortisation of issue costs on Capital Notes and CLNs	**(881)**	(603)
	(14,328)	(10,306)
Interest capitalised	**210**	67
	(14,118)	(10,239)
Net interest payable by associated undertakings	**(504)**	(424)
Interest (payable)/receivable by joint ventures (net of amounts capitalised)	**(8,801)**	117
	(23,423)	(10,546)

The cumulative amount of capitalised interest included in development land held at 31 December 2003 was £253,000 (2002: £164,000). Interest is capitalised gross of tax relief, at an average rate of 7.9% (2002: 7.8%).

8. Employee Information

Year ended 31 December	2003	2002
The average number of employees (including executive directors) during the year was:		
Continuing operations:		
Investment/corporate	**28**	27
Property development	**14**	16
Food processing	**215**	–
Fruit/produce distribution	**1,057**	85
Building services	**2,785**	2,621
Testing services	**1,027**	1,132
	5,126	3,881
Discontinued operations:		
Malting	**–**	227
TOTAL NUMBER OF EMPLOYEES	**5,126**	4,108

The average numbers stated above include the average number of employees of acquired businesses from the date they became subsidiaries and the average to the date of disposal for businesses disposed of during the year (rather than the weighted average for the year as a whole).

Year ended 31 December	2003 £000	2002 £000
Group employment costs – all employees including directors:		
Aggregate gross wages and salaries	**122,072**	108,267
Employer's national insurance contributions or foreign equivalents	**10,151**	9,571
Employer's pension contributions	**5,444**	4,123
TOTAL DIRECT COSTS OF EMPLOYMENT	**137,667**	121,961
Directors' emoluments		
Aggregate emoluments	**5,628**	2,316
Gains made on exercise of share options	**–**	1,248
Pension contributions	**114**	89
	5,742	3,653

The aggregate emoluments for the highest paid director were £1,491,414 (2002: £590,237) excluding gains on share options exercised. Contributions paid to money purchase pension schemes in respect of the highest paid director were £50,505 (2002: £41,973).

Further details of directors' emoluments are provided under the heading Report on Remuneration and Related Matters on pages 58 to 60.

Notes to Financial Statements – continued

9. Tax on Profit on Ordinary Activities

Year ended 31 December Current tax:	2003 £000	2002 £000
UK corporation tax at 30% (2002: 30%)	**(1,448)**	(144)
Overseas tax	**(6,654)**	(2,480)
Tax attributable to associated undertakings	**(49)**	(416)
Tax attributable to joint ventures	**(6,717)**	(272)
	(14,868)	(3,312)
Deferred tax	**(6,245)**	(1,891)
TOTAL TAX CHARGE	**(21,113)**	**(5,203)**

The current tax charge is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Year ended 31 December	2003 £000	2002 £000
Profit on ordinary activities before taxation	**87,720**	51,089
Profit on ordinary activities multiplied by standard rate of tax in the UK of 30% (2002: 30%)	**26,316**	15,327
Impact of differences in overseas tax rates	**1,794**	42
Non-taxable income	**(1,401)**	(7,828)
Utilisation of losses	**(11,359)**	(6,090)
Non-deductible expenses	**(1,136)**	1,307
Other permanent differences	**(6,526)**	540
Accelerated capital allowances	**459**	(451)
Other short term timing differences	**801**	(223)
Prior year adjustments	**(846)**	–
Joint ventures and associated undertakings	**6,766**	688
Current tax charge	**14,868**	3,312
Deferred tax charge	**6,245**	1,891
TOTAL TAX CHARGE	**21,113**	5,203

10. Pension Costs

The Group has a liability in respect of former employees' pensions currently being paid, amounting to £48,313 (2002: £46,685) per annum. Provision has been made for the estimated liability based on actuarial advice. The key assumptions made in arriving at the liability are as follows: a growth rate for pension payments of 2.75% (2002: 2.3%), an average life expectancy of 8 years (2002: 8 years) and a discount rate of 5.5% (2002: 5.5%).

Most of the Group's pension arrangements are of the defined contribution type but the Group also operates two significant defined benefit schemes in the UK: the Brunel Holdings Pension Scheme ("Brunel"), which was acquired as part of the 2002 reverse acquisition, and the Staveley Industries Retirement Benefits Scheme ("SIRBS"). Both are administered in accordance with their respective trust deeds and rules and with the advice of independent, professionally qualified actuaries. The assets of the schemes are held separately from those of the relevant companies. SIRBS is now closed to new members.

The charge for the year in respect of the Group's defined contribution arrangements was £2,944,000 (2002: £1,538,000).

The last actuarial valuations of the SIRBS and Brunel schemes were as at 5 April 2002 and 13 December 2002 respectively. These valuations have been updated to 31 December 2002. The assumptions used for the SIRBS and Brunel scheme valuations were, respectively, pre-retirement investment return of 8.1% (both schemes) per annum; post-retirement investment return of 5.0% and 5.5% per annum; inflation of 2.25% (both schemes) per annum; pension increase of 3.25% and 3.3% per annum; and salary growth of 3.25% and nil per annum. The total market value of the aggregated scheme assets of £283.9 million (2002: £285.3 million) represented 99% (2002: 99%) of the accrued liabilities. The valuation method was the projected unit method with surpluses and deficits spread over the future working lifetime of the active membership.

10. Pension Costs - continued

Contributions paid during the year and contributions agreed for future years are based on a percentage of pensionable salaries (14% for SIRBS and 16.4% for Brunel) and amounted to £2,384,000 (2002: £2,531,000). The agreed contribution rate for future years is 14% (SIRBS) and 16.4% (Brunel) of pensionable salaries. The pension charge under SSAP24 for the two schemes amounted to £2,500,000 (2002: £2,585,000) and the net pension liability at the year end was £978,000 (2002: asset £1,423,000). The Brunel scheme was fair valued at 13 December 2002 as part of the reverse acquisition, and the charge to the profit and loss account in 2002 therefore only relates to the period 13 December 2002 to 31 December 2002.

The following disclosures are made for the purposes of Financial Reporting Standard 17 ("FRS 17") and do not include information in respect of schemes operated by joint ventures and associated undertakings:

The major assumptions used by the actuaries for the purposes of FRS 17 were:

			SIRBS			Brunel
	31 December 2003	31 December 2002	31 December 2001	**31 December 2003**	31 December 2002	31 December 2001
Discount rate	**5.50%**	5.50%	5.90%	**5.50%**	5.50%	5.70%
Rate of increase in salaries	**3.75%**	3.25%	3.50% to 4.00%	**3.75%**	3.25%	4.00%
Inflation	**2.75%**	2.25%	2.50%	**2.75%**	2.25%	2.50%
Rate of increase in pensions in payment*	**2.75%**	2.25%	2.50%	**3.40%**	3.30%	3.00%

*There are a variety of different types of pension increases. The rate shown is the average rate but all the assumptions used are consistent with the inflation assumption.

The assets in the schemes as at 31 December 2003 and the expected rates of return were:

	Long term expected rate of return at 31 December 2003	**Value as at 31 December 2003**
Equities	**8.1%**	**84,414**
Bonds	**5.0%**	**211,008**
Other	**4.0%**	**2,382**
Total market value of assets		**297,804**
Present value of schemes' liabilities		**(339,333)**
Deficit in the schemes		**(41,529)**

The effects of adopting the requirements of FRS17 on the primary financial statements are shown below:

	2003 £000	2002 £000	2001 Re-stated £000
Net assets excluding pension asset recognised under SSAP24	**448,360**	382,314	333,345
Net pension (liability)/asset under FRS17	**(41,529)**	(27,143)	218
Net assets including FRS17 pension (liability)/asset	**406,831**	355,171	333,563
Profit and loss reserve excluding pension asset recognised under SSAP24	**131,556**	71,717	245,603
Net pension (liability)/asset under FRS17	**(41,529)**	(27,143)	218
Adjusted FRS17 profit and loss reserve	**90,027**	44,574	245,821

The assets in the schemes as at 31 December 2002 and the expected rates of return were:

	Long term expected rate of return at 31 December 2002	Value as at 31 December 2002 £000
Equities	8.1%	75,731
Bonds	5.0%	208,443
Other	4.0%	2,323
Total market value of assets		286,497
Present value of schemes' liabilities		(313,640)
Surplus/(deficit) in the schemes		(27,143)

Notes to Financial Statements – continued

10. Pension Costs - continued

The assets in the only Group scheme as at 31 December 2001 and the expected rates of return were:

	Long term expected rate of return at 31 December 2001	Value as at 31 December 2001 £000
Equities	6.9%	52,924
Bonds	5.4%	114,729
Other	4.0%	7,265
Total market value of assets		174,918
Present value of scheme liabilities		(174,607)
Surplus in the scheme		311
Related deferred tax liability		(93)
Net pension asset		218

Analysis of amount that would be charged to operating profit under FRS17:

	2003 £000	2002 £000
Current service cost	**2,908**	3,127
Past service cost	**–**	–
Total operating charge	**2,908**	3,127

Analysis of amount that would be credited to other finance income under FRS17:

	2003 £000	2002 £000
Expected return on pension scheme assets	**16,301**	10,383
Interest on pension scheme liabilities	**(16,922)**	(10,577)
Net return	**(621)**	(194)

Analysis of the amount that would be recognised in statement of total recognised gains and losses under FRS17:

	2003 £000	2002 £000
Actual return less expected return on scheme assets	**7,074**	(13,934)
Experience gains and losses arising	**(4,396)**	7,404
Changes in assumptions	**(15,919)**	(7,782)
Actuarial loss recognised in the STRGL	**(13,241)**	(14,312)

Movement in FRS17 (deficit)/surplus during the year:

	2003 £000	2002 £000
(Deficit)/surplus at beginning of year	**(27,143)**	311
Current service cost	**(2,908)**	(3,127)
Contributions	**2,384**	2,530
Deficit attributable to acquired business	**–**	(12,351)
Other finance income (net)	**(621)**	(194)
Actuarial gain/(loss)	**(13,241)**	(14,312)
Deficit at end of year	**(41,529)**	(27,143)

10. Pension Costs - continued

History of experience gains and losses:

	2003	2002
Difference between the expected and actual return on scheme assets:		
amount (£ thousands)	**7,074**	(13,934)
percentage of scheme assets	**2.4%**	(4.9%)
Experience gains and losses on scheme liabilities		
amount (£ thousands)	**(4,396)**	7,404
percentage of the present value of the scheme liabilities	**(1.3%)**	2.4%
Total amount recognised in statement of total recognised gains and losses		
amount (£ thousands)	**(13,241)**	(14,312)
percentage of the present value of the scheme liabilities	**(3.9%)**	(4.6%)

11. Earnings per Ordinary Share

Basic earnings per share ("EPS") is calculated by dividing the earnings attributable to shareholders of £63,966,000 (2002: £42,461,000) by the weighted average number of shares in issue during the year of 689,551,253 (2002: 667,243,575). For this purpose, the weighted average number of shares for 2002 represents the number of former GPG shares in issue up to 13 December 2002 and the number of GPG shares in issue from that date to 31 December 2002. The shareholders in the former GPG received one share in GPG for each of their existing shares in the former GPG as part of the reverse acquisition.

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, Convertible Loan Notes ("CLNs") and Capital Notes.

	Profit 2003 £	Shares	Per share amount pence
Earnings attributable to ordinary shareholders	**63,966,000**	689,551,253	9.28p
Effect of dilutive securities:			
Share options	**–**	21,949,389	
CLNs	**675,000**	23,840,241	
Capital Notes	**6,872,000**	320,190,428	
	71,513,000	1,055,531,311	6.78p

	Profit 2002 £	Shares	Per share amount pence
Earnings attributable to ordinary shareholders	42,461,000	667,243,575	6.36p
Effect of dilutive securities:			
Share options	–	16,060,821	
CLNs	649,000	23,846,145	
Capital Notes	5,113,000	187,139,233	
	48,223,000	894,289,774	5.39p

12. Equity Dividends

The directors of GPG have proposed a final dividend of 1.00p per share for the year (2002: nil). The directors did not declare an interim dividend (2002: 0.91p adjusted for the 2003 Capitalisation Issue).

Notes to Financial Statements – continued

13. Profits of Holding Company

A loss of £8,641,000 (6 months to 31 December 2002: loss of £10,153,000) has been dealt with in the accounts of the Company. As permitted by Section 230 of the Companies Act 1985, the Company has not published a separate profit and loss account in these financial statements.

14. Intangible Fixed Assets

	Positive goodwill £000	Negative goodwill £000	Net negative goodwill £000
COST			
At 1 January 2003	79	(11,939)	(11,860)
Currency translation differences	(11)	(36)	(47)
Additions (note 32)	138	–	138
Fair value adjustments for prior year acquisitions (notes 32 b,c)	1,173	–	1,173
AT 31 DECEMBER 2003	**1,379**	**(11,975)**	**(10,596)**
CUMULATIVE AMOUNTS (CHARGED)/RELEASED			
At 1 January 2003	–	1,126	1,126
Currency translation differences	–	7	7
(Charge)/release for the year	(17)	1,197	1,180
AT 31 DECEMBER 2003	**(17)**	**2,330**	**2,313**
NET BOOK VALUE AT 31 DECEMBER 2003	**1,362**	**(9,645)**	**(8,283)**
NET BOOK VALUE AT 31 DECEMBER 2002	79	(10,813)	(10,734)

Note
Negative goodwill is being released to the profit and loss account over periods between 5 and 10 years. Positive goodwill is all being amortised over 10 years.

15. Tangible Fixed Assets

The Group

	Land and buildings £000	Mineral rights £000	Plant and equipment £000	Vehicles and office equipment £000	Land for development £000	Total £000
COST						
At 1 January 2003	45,925	587	73,950	30,091	786	151,339
Currency translation differences	4,703	–	3,942	2,331	160	11,136
Acquisition of subsidiaries (note 32)	–	–	214	(1,173)	–	(959)
Additions	3,870	–	3,117	1,852	18,971	27,810
Transfer to current assets	–	–	–	–	(14,883)	(14,883)
Reclassifications	73	–	(2,067)	1,975	19	–
Disposals	(926)	–	(2,354)	(836)	(2,370)	(6,486)
Disposal of business (note 34)	(142)	–	(6,317)	(1,046)	–	(7,505)
AT 31 DECEMBER 2003	**53,503**	**587**	**70,485**	**33,194**	**2,683**	**160,452**
ACCUMULATED DEPRECIATION						
At 1 January 2003	6,034	2	49,178	21,776	–	76,990
Currency translation differences	268	–	2,670	1,804	–	4,742
Acquisition of subsidiaries (note 32)	–	–	–	–	–	–
Charge for the year	2,093	–	5,539	2,791	–	10,423
Reclassifications	93	–	(1,727)	1,634	–	–
Disposals	(689)	–	(2,209)	(719)	–	(3,617)
Disposal of business (note 34)	(51)	–	(4,509)	(633)	–	(5,193)
AT 31 DECEMBER 2003	**7,748**	**2**	**48,942**	**26,653**	**–**	**83,345**
NET BOOK VALUE AT 31 DECEMBER 2003	**45,755**	**585**	**21,543**	**6,541**	**2,683**	**77,107**
NET BOOK VALUE AT 31 DECEMBER 2002	39,891	585	24,772	8,315	786	74,349

15. Tangible Fixed Assets - continued

Year ended 31 December	Group 2003 £000	2002 £000
ANALYSIS OF NET BOOK VALUE OF LAND AND BUILDINGS		
Freehold	**45,602**	38,304
Leasehold:		
Over 50 years unexpired	**238**	511
Under 50 years unexpired	**1,503**	1,076
	47,343	39,891

The Company

	Plant and equipment £000
COST	
At 1 January and 31 December 2003	331
ACCUMULATED DEPRECIATION	
At 1 January 2003	319
Charge for the period	7
AT 31 DECEMBER 2003	**326**
NET BOOK VALUE AT 31 DECEMBER 2003	**5**
NET BOOK VALUE AT 31 DECEMBER 2002	12

16. Fixed Asset Investments

Year ended 31 December	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Interests in joint ventures (see note a) below)	**95,253**	12,659	**–**	–
Interests in associated undertakings (see note a) below)	**38,299**	40,008	**–**	–
Interests in group undertakings (see note c) below)	**–**	–	**195,818**	193,236
Other investments (see note b) below)				
– listed investments	**154,124**	199,667	**7,005**	–
– unlisted investments	**3,551**	3,586	**–**	–
– art portfolio	**269**	269	**–**	–
	291,496	256,189	**202,823**	193,236

Notes to Financial Statements – continued

16. Fixed Asset Investments - continued

a) The Group – Interests in joint ventures and associated undertakings

	Joint ventures £000	Associated undertakings £000
At 1 January 2003	12,659	40,008
Currency translation differences	(12,820)	1,635
Reclassified from fixed asset investments	84,637	–
Additions	–	9,781
Dividends receivable	(3,684)	(1,874)
Loans advanced	7,264	4,196
Loans repaid	–	(822)
Share buyback	(2,004)	–
Reclassified to fixed asset investments	–	(3,912)
Share of profit/(loss) after tax and minorities	9,201	(759)
Amounts written off	–	(8,767)
Disposals (note 34)	–	(1,187)
AT 31 DECEMBER 2003	**95,253**	**38,299**

Additions to joint venture and associated undertakings, including amounts reclassified from fixed asset investments, are analysed in note 33.

Year ended 31 December	Joint ventures **2003 £000**	Joint ventures 2002 £000	Associated undertakings **2003 £000**	Associated undertakings 2002 £000
Share of net assets on acquisition	**90,678**	9,992	**49,439**	44,628
Share of post-acquisition reserves	**(7,864)**	(824)	**(7,889)**	1,007
Share of net assets	**82,814**	9,168	**41,550**	45,635
Positive goodwill	**5,175**	3,491	**–**	860
Negative goodwill	**–**	–	**(7,447)**	(7,170)
	87,989	12,659	**34,103**	39,325
Loans to joint ventures and associates	**7,264**	–	**4,196**	683
	95,253	12,659	**38,299**	40,008

	Joint ventures Positive goodwill £000	Associated undertakings Positive goodwill £000	Associated undertakings Negative goodwill £000
At 1 January 2003	3,491	860	(7,170)
Fair value adjustments (note 33)	–	1,037	–
Acquisitions during the year (note 33)	2,135	–	(3,130)
(Amortisation)/amounts released	(451)	(433)	918
Goodwill written off	–	(1,464)	–
Reclassified as a listed investment	–	–	1,935
AT 31 DECEMBER 2003	**5,175**	**–**	**(7,447)**

Positive goodwill is being amortised over 10 years. Negative goodwill, all of which is attributable to fixed assets, is being released over periods ranging from 5 to 10 years.

Note
A discount of £3,099,000 previously arose on acquisition of the Group's investment in Turners & Growers Ltd, which was taken directly to reserves in the year of acquisition. £59,000 of this discount was released in 2002 in respect of a reduction in the Group's interest in Turners Auctions Ltd, and a further £161,000 was released during 2003 when that company ceased to be an associate.

16. Fixed Asset Investments - continued

	Capital and reserves 000	Latest profit/(loss) 000	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
The Group's significant associated undertakings at 31 December 2003 are listed below:							
Capral Aluminium Ltd	A$209,282	A$(4,319)	31.12.03	Australia	Aluminium extrusion	34.26%	Ordinary
Green's Foods Ltd	A$46,933	A$4,257	30.06.03	Australia	Food processing	28.91%	Ordinary
Dawson International PLC	£43,117	£(8,600)	31.12.02	Scotland	Textiles	29.91%	Ordinary
The Group's significant joint ventures at 31 December 2003 are listed below:							
Coats Group Ltd	£196,406	£14,104	Not published	British Virgin Islands	Thread manufacture	63.97%	Ordinary
Nationwide Accident Repair Services plc	£20,016	£2,824	31.12.02	England	Vehicle repair	50.00%	Ordinary
Harcourt Hill Estate Ltd	A$2,675	A$3,204	30.06.03	Australia	Property development	50.00%	Ordinary

These associated and joint venture undertakings are all held indirectly by GPG.

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

Year ended 31 December	**2003 £000**	2002 £000
SUMMARISED PROFIT AND LOSS ACCOUNT INFORMATION		
Turnover	**161,727**	181,788
(Loss)/profit before tax	**(710)**	2,745
Taxation	**(49)**	(416)
PROFIT AFTER TAX	**(759)**	2,329
SUMMARISED BALANCE SHEET INFORMATION		
Fixed assets	**27,515**	28,262
Current assets	**57,314**	51,050
	84,829	79,312
Liabilities due within one year	**(34,187)**	(28,396)
Liabilities due after more than one year	**(4,780)**	(1,250)
Provisions	**(4,312)**	(4,031)
NET ASSETS	**41,550**	45,635

The Group's share of associated undertakings' borrowings is £16,144,000 of which £11,364,000 is repayable within one year and £4,780,000 is repayable after one year. Liabilities due after more than one year are repayable over the period to 2008. These borrowings have not been guaranteed by GPG nor by any of its subsidiary undertakings.

There was one holding at year end that exceeded 20% but was not treated as an associated undertaking. The directors consider that the Group has not exercised significant influence over this company due to the dominant influence of other members and the composition of the Board. The details are as follows:

	Capital and reserves 000	Latest profit/(loss) 000	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Tooth & Co Ltd	A$118,405	A$95,771	30.06.03	Australia	Investment	24.95%	Ordinary

This investment is held indirectly by the Company.

Notes to Financial Statements – continued

16. Fixed Asset Investments - continued

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

Year ended 31 December	2003 £000	2002 £000
SUMMARISED PROFIT AND LOSS ACCOUNT INFORMATION		
Turnover	**541,834**	42,939
Profit/(loss) before tax	**15,918**	(519)
Taxation	**(6,717)**	(272)
PROFIT/(LOSS) AFTER TAX	**9,201**	(791)
SUMMARISED BALANCE SHEET INFORMATION		
Fixed assets	**231,347**	5,661
Current assets	**369,784**	31,849
	601,131	37,510
Liabilities due within one year	**(119,339)**	(14,011)
Liabilities due after more than one year	**(280,213)**	(13,369)
Provisions	**(88,501)**	(962)
	113,078	9,168
Minority interest	**(30,264)**	–
NET ASSETS	**82,814**	9,168

The Group's share of joint venture undertakings' borrowings is £280,213,000 of which £128,429,000 is repayable within one year and £151,784,000 is repayable after more than one year. Liabilities due after more than one year are repayable over the period to 2008. Except as disclosed in note 28, these borrowings have not been guaranteed by GPG nor by any of its subsidiary undertakings.

The Group's principal operating subsidiaries are listed in note 35.

b) The Group – Other investments

	Listed investments £000	Unlisted investments £000	Art portfolio £000	Total £000
COST				
At 1 January 2003	210,341	3,586	269	214,196
Currency translation differences	–	72	–	72
Additions	61,869	51	–	61,920
Disposals	(27,193)	–	–	(27,193)
Reclassification to joint ventures	(84,637)	–	–	(84,637)
Reclassification from associated undertakings	3,912	–	–	3,912
Reclassification to subsidiary undertakings	–	(102)	–	(102)
Reclassification from current investments	3,302	–	–	3,302
Capital redemption	(308)	–	–	(308)
AT 31 DECEMBER 2003	**167,286**	**3,607**	**269**	**171,162**
PROVISIONS				
At 1 January 2003	10,674	–	–	10,674
Charge for the year	2,939	56	–	2,995
Disposals	(451)	–	–	(451)
AT 31 DECEMBER 2003	**13,162**	**56**	**–**	**13,218**
NET BOOK VALUE AT 31 DECEMBER 2003	**154,124**	**3,551**	**269**	**157,944**
NET BOOK VALUE AT 31 DECEMBER 2002	199,667	3,586	269	203,522

The market value of the Group's listed investments at 31 December 2003 (excluding listed subsidiaries and associates) was £232,791,000 (2002: £208,397,000). These listed investments are all quoted on recognised stock exchanges.

16. Fixed Asset Investments - continued

c) The Company

	Investments in subsidiaries £000	Listed investments £000	Total £000
COST			
At 1 January 2003	299,236	–	299,236
Additions	2,582	7,005	9,587
AT 31 DECEMBER 2003	**301,818**	**7,005**	**308,823**
PROVISIONS			
At 1 January and 31 December 2003	**106,000**	**–**	**106,000**
NET BOOK VALUE AT 31 DECEMBER 2003	**195,818**	**7,005**	**202,823**
NET BOOK VALUE AT 31 DECEMBER 2002	193,236	–	193,236

As at 31 December 2003, the market value of the Company's listed investments (excluding subsidiaries) was £18,910,000 (2002: £Nil).

17. Stocks and Development Work in Progress

Year ended 31 December	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Raw materials and consumables	**4,896**	3,936	**–**	–
Work in progress	**605**	867	**–**	–
Finished goods and goods for resale	**7,107**	5,686	**–**	–
	12,608	10,489	**–**	–
Development work in progress	**15,627**	3,492	**–**	–
	28,235	13,981	**–**	**–**

18. Debtors

Year ended 31 December	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Trade debtors	**61,401**	83,891	**3**	–
Amounts recoverable on contracts	**14,446**	12,507	**–**	–
Other debtors	**9,142**	13,303	**204**	253
Pension prepayments	**–**	1,573	**–**	–
Other prepayments and accrued income	**4,603**	5,648	**121**	347
Deferred tax asset	**3,637**	11,805	**1,131**	8,943
	93,229	128,727	**1,459**	9,543

The deferred tax asset for the Group is included within the analysis in note 24. The Company's deferred tax asset relates to capital losses carried forward.

Group debtors receivable after more than one year total £5,602,000 (2002: £16,039,000) including £1,623,000 (2002: £3,550,000) in respect of amounts recoverable on contracts, £3,637,000 (2002: £10,916,000) in respect of deferred tax, and £Nil (2002: £1,573,000) in respect of pension prepayments.

Notes to Financial Statements – continued

18. Debtors - continued

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

	Group £000	Company £000
At 1 January 2003	11,805	8,943
Currency translation differences	326	–
Acquisition of subsidiaries (note 32)	857	–
Charged to the profit and loss account	(9,351)	(7,812)
AT 31 DECEMBER 2003	**3,637**	**1,131**

19. Current Asset Investments

Year ended 31 December	Group **2003** **£000**	Group 2002 £000	Company **2003** **£000**	Company 2002 £000
Listed investments	**17,253**	18,769	**–**	–
Unlisted investments	**173**	18,105	**–**	–
	17,426	36,874	**–**	–

The market value of the Group's listed current asset investments is £18,225,000 (2002: £23,731,000). These investments are all quoted on recognised stock exchanges. Unlisted investments substantially comprise short-term interest-bearing instruments.

20. Trade and Other Creditors

Year ended 31 December	Group **2003** **£000**	Group 2002 £000	Company **2003** **£000**	Company 2002 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade creditors	**51,796**	38,444	**–**	1,742
Corporate taxes	**6,901**	3,876	**–**	–
Other tax and social security payable	**7,775**	6,555	**–**	138
Payments received on account	**20,225**	25,632	**–**	–
Other creditors	**9,060**	14,756	**–**	39
Accruals and deferred income	**21,244**	18,548	**180**	587
Employee entitlements	**2,993**	2,101	**–**	–
Dividends payable	**6,892**	6,219	**6,892**	6,219
	126,886	116,131	**7,072**	8,725
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Other creditors	**1,164**	41	**–**	–
Employee entitlements	**424**	265	**–**	–
	1,588	306	**–**	–

21. Convertible Subordinated Loan Notes ("CLNs")

Year ended 31 December	Group **2003** **£000**	Group 2002 £000	Company **2003** **£000**	Company 2002 £000
CLNs repayable within one year	**5,963**	3,863	**–**	–
CLNs repayable between one and two years	**5,964**	3,863	**–**	–
CLNs repayable between two and five years	**–**	3,862	**–**	–
	11,927	11,588	**–**	–

21. Convertible Subordinated Loan Notes - continued

On 2 June 2000, GPGUKH repurchased 38.6 million ordinary shares for an aggregate consideration of £19,313,000, which was settled through the issue of 38.6 million CLNs of 50p each.

The CLNs are convertible into ordinary shares of GPGUKH. However, under the terms of the 2002 reverse acquisition, "Step-up Rights" were inserted into GPGUKH's Articles of Association with the result that upon any future requirement to issue shares in that company, for example on conversion of CLNs, those shares are automatically transferred to GPG in exchange for the issue initially of an equal number of fully paid shares in GPG. This ratio will be subject to adjustment in future to reflect certain capital events (such as capitalisation issues by the Company).

In addition, GPG has entered into a deed of guarantee pursuant to which it has guaranteed (on a subordinated basis) the obligations of GPGUKH in respect of the payment of principal and accrued interest on the CLNs in the event of, and following completion of, a liquidation of GPGUKH.

Also under the terms of the reverse acquisition, holders of CLNs were given the option to convert their entire holdings into ordinary shares in GPGUKH which, in accordance with the "Step-up Rights", were automatically transferred to GPG in exchange for an issue of an equal number of fully paid GPG shares. On 14 February 2003, 4,378,034 CLNs were converted in this manner.

On 9 July 2003, a further 26,047,862 CLNs were issued, with the same terms and rights as the existing CLNs and with the same face value of 20p per CLN, as part of GPG's share buy-back offer. The issue costs amounted to £176,000, and these costs are being charged to the profit and loss account over the outstanding term of the CLNs. At 31 December 2003 the unamortised balance of these costs was £132,000.

The CLNs are subordinated, unsecured obligations of GPGUKH and carry interest at 8% per annum. The residual principal amount of 20p (2002: 30p) is redeemable in two equal instalments (2002: three equal instalments) of 10p per CLN per annum commencing 30 June 2004 (2002: 30 June 2003) or, at the option of the holder, the instalment due for redemption in any year may be converted to Ordinary Shares on the following effective basis:

on 30 June 2004, one Ordinary Share for every 48.8p in principal of CLNs; and

on 30 June 2005, one Ordinary Share for every 52.5p in principal of CLNs.

Any Ordinary Shares issued will rank *pari passu* with those already in issue, save that they will not rank for dividends or other distributions declared, made or paid in respect of financial periods or parts of financial periods ending on or prior to 30 June in that financial year. Conversion prices are subject to adjustment for capitalisation and rights issues and in certain other circumstances.

22. Capital Notes

		Group		Company
Year ended 31 December	**2003 £000**	2002 £000	**2003 £000**	2002 £000
Capital Notes repayable between two and five years	**166,513**	67,765	**–**	–

Between 2 August 2001 and 11 September 2001, the Group issued NZ$250 million of unsecured, subordinated fixed interest Capital Notes ("the 2001 Notes"). The issue costs amounted to NZ$9,275,000, and these costs are being charged to the profit and loss account over the initial five year term of the debt. As at 31 December 2003, the unamortised balance of these costs was NZ$5,022,000. The 2001 Notes bear interest at a fixed rate of 9.0% per annum, payable on a quarterly basis. Under the terms of a cross currency interest rate swap, GPGUKH fixed the sterling principal amount of the 2001 Notes at £70 million. Through that same transaction, the effective interest charge on the 2001 Notes was reduced to a fixed rate of 8.25% on this sterling amount. This interest rate swap was closed out during 2003.

The 2001 Notes have an initial election date of 15 November 2006, prior to which GPG Finance plc, being the issuing subsidiary, will provide terms and conditions on which noteholders may elect to rollover their 2001 Notes. Noteholders may then elect to retain some or all of their 2001 Notes for a further period on the new terms and conditions and/or to convert some or all of their 2001 Notes into Ordinary shares. The 2001 Notes are initially convertible into ordinary shares of GPGUKH. However, under the terms of the 2002 reverse acquisition, "Step-up Rights" were inserted into GPGUKH's Articles of Association with the result that upon any future requirement to issue or transfer shares in that company on conversion of 2001 Notes, those shares will be automatically transferred to GPG in exchange for the issue of an equal number of fully paid shares in GPG. Conversion of the 2001 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 2001 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 on each of the five business days prior to the election date. These elections are subject to GPGUKH's over-riding 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.

Notes to Financial Statements – continued

22. Capital Notes - continued

GPGUKH has provided a subordinated and unsecured guarantee in respect of the repayment of principal and the payment of interest and unpaid interest due on the 2001 Notes on liquidation of the issuing subsidiary or of GPGUKH itself. In the event that the issuing subsidiary is in liquidation and GPGUKH is not, the guarantee is only enforceable after the scheduled election date for the 2001 Notes which next follows the liquidation of the subsidiary. This guarantee ranks *pari passu* with those provided for the CLNs (see note 21) and the loan to GPGUKH from GPG Finance plc, but is subordinated to all other creditors. GPG has entered into a deed of guarantee pursuant to which it has guaranteed (on a subordinated basis) the obligations of GPGUKH as guarantor in respect of the payment of principal, interest and accrued interest on the 2001 Notes in the event of, but following completion of, a liquidation of GPGUKH.

Between 1 August 2003 and 4 September 2003, the Group issued a further NZ$215 million of unsecured, subordinated fixed interest Capital Notes ("the 2003 Notes"). The issue costs amounted to NZ$6,334,000, and these costs are being charged to the profit and loss account over the initial five year term of the debt. At 31 December 2003 the unamortised balance of these costs was NZ$5,963,000. The 2003 Notes bear interest at a fixed rate of 8.7% per annum, payable on a quarterly basis.

These Notes have an initial election date of 15 December 2008, prior to which GPG Finance plc, being the issuing subsidiary, will provide terms and conditions on which noteholders may elect to rollover 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. 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.

GPG has provided a subordinated and unsecured guarantee in respect of the repayment of principal and the payment of interest and unpaid interest due on the 2003 Notes on liquidation of the issuing subsidiary or of GPG itself. In the event that the issuing subsidiary is in liquidation and GPG is not, the guarantee is only enforceable after the scheduled election date for the 2003 Notes which next follows the liquidation of the subsidiary. This guarantee ranks *pari passu* with the guarantees given in respect of the CLNs, the 2001 Notes and the loans to GPGUKH from GPG Finance plc, but is subordinated to all other creditors.

23. Other Borrowings

		Group		Company
Year ended 31 December	**2003 £000**	2002 £000	**2003 £000**	2002 £000
Bank overdraft	**–**	509	**–**	–
Borrowings repayable within one year	**838**	4,895	**–**	–
	838	5,404	**–**	–
Borrowings repayable between one and two years	**22,584**	2,381	**–**	–
Borrowings repayable between two and five years	**–**	9,419	**–**	–
Borrowings repayable after more than five years	**–**	1,872	**–**	–
	23,422	19,076	**–**	–
Bank overdraft	**–**	509	**–**	–
Bank borrowings	**23,422**	18,567	**–**	–
	23,422	19,076	**–**	–

Note:
At 31 December 2003, the Group's borrowings comprised £23,422,000 in secured borrowings (2002: £19,023,000) and £Nil in unsecured borrowings (2002: £53,000). Of the secured borrowings, £15,516,000 (2002: £16,184,000) was secured against property and the balance was secured against inventories.

24. Provisions for Liabilities and Charges

Year ended 31 December	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Deferred tax	**1,849**	7,388	**–**	–
Pension liabilities	**978**	1,068	**–**	–
Onerous lease commitments	**6,980**	6,116	**1,087**	966
Other provisions	**855**	1,212	**–**	–
	10,662	**15,784**	**1,087**	**966**

	Deferred tax £000	Pension liabilities £000	Onerous leases £000	Other provisions £000	Total £000
GROUP					
At 1 January 2003	7,388	1,068	6,116	1,212	15,784
Currency translation differences	1,067	(63)	294	40	1,338
Acquisition of subsidiaries (note 32)	–	–	1,068	–	1,068
Utilised in year	–	(53)	(1,217)	(547)	(1,817)
Charged to the profit and loss account	(3,105)	26	499	135	(2,445)
Unwinding of discount	–	–	220	15	235
Released from reserves	(3,501)	–	–	–	(3,501)
AT 31 DECEMBER 2003	**1,849**	**978**	**6,980**	**855**	**10,662**

Overseas taxation of £200,000 (2002: £3,500,000) has been provided in respect of timing differences that are not expected to reverse in the foreseeable future.

Notes:

i) Included in the Group's provisions for onerous leases, pensions and other commitments are amounts totalling £1,738,000 (2002: £2,590,000) which are payable within one year. The leases relate to buildings which are no longer occupied by the Group. In many cases, sub-leases have been granted in respect of these buildings but where the rent receivable is insufficient to cover the lease commitments a provision has been made for the deficit. The provision covers the period to 2023 (2002: 2023) and is based on assumptions concerning the outcome of rent reviews and the rent receivable from new sub-tenants, both of which are uncertain. The expected future cash flows have been discounted on a pre-tax basis at nominal interest rates of 5.0% (UK) and 3.0% (Germany).

ii) Other provisions mainly comprise post retirement healthcare obligations for former employees of Staveley in the UK and the US. These liabilities expire on the death of the beneficiaries. They are based on management's estimate of future costs, having regard to past experience, and have been discounted at 5.3%.

Year ended 31 December **DEFERRED TAX IS ANALYSED AS FOLLOWS:**	**2003 Provided £000**	**2003 Unprovided £000**	2002 Provided £000	2002 Unprovided £000
Accelerated capital allowances	**(470)**	**–**	1,958	–
Short term timing differences	**(187)**	**(581)**	4,517	(4,270)
Revenue losses carried forward	**–**	**(14,480)**	(2,670)	(10,266)
Capital losses carried forward	**(1,131)**	**(72,743)**	(8,222)	(37,100)
	(1,788)	**(87,804)**	(4,417)	(51,636)
Comprising:				
Deferred tax assets	**(3,637)**		(11,805)	
Deferred tax liabilities	**1,849**		7,388	
	(1,788)		(4,417)	

Notes to Financial Statements – continued

24. Provisions for Liabilities and Charges - continued

A number of Group companies have losses carried forward. 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.

Year ended 31 December **COMPANY**	**2003 £000**
Onerous leases	
At 1 January 2003	**966**
Discount unwound	**47**
Utilised in the year	**(50)**
Charged to the profit and loss account	**124**
AT 31 DECEMBER 2003	**1,087**

25. Operating Lease Commitments

Year ended 31 December	**Land and buildings 2003 £000**	**Other 2003 £000**	Land and buildings 2002 £000	Other 2002 £000
Annual commitments under operating leases expiring:				
Within one year	**453**	**863**	1,220	278
Between one and two years	**1,121**	**2,542**	1,210	2,121
Between two and five years	**2,552**	**372**	1,560	99
Over five years	**3,457**	**147**	3,207	365
	7,583	**3,924**	7,197	2,863

26. Share Capital

Year ended 31 December	**2003 Number**	**2003 £000**	2002 Number	2002 £000
Authorised				
Ordinary Shares of 5p each	**5,000,000,000**	**250,000**	2,000,000,000	100,000
Issued and fully paid				
Ordinary Shares of 5p each	**689,220,175**	**34,461**	621,888,241	31,094

The issued ordinary share capital of GPG increased during the year to 31 December 2003 as follows:

Date of event	Stock event	No. of shares	£000
1 January 2003	Brought forward	621,888,241	31,094
6 January 2003	Exercise of options	161,036	8
28 January 2003	Exercise of options	13,310	1
14 February 2003	Conversion of CLNs	2,886,368	144
16 May 2003	Scrip dividend	8,211,461	411
27 May 2003	Capitalisation issue	63,301,316	3,165
4 July 2003	Conversion of CLNs	2,886,806	144
9 July 2003	Share buy-back	(10,419,320)	(521)
10 July 2003	Exercise of options	121,000	6
16 July 2003	Exercise of options	27,292	1
20 October 2003	Exercise of options	15,298	1
11 December 2003	Exercise of options	127,367	7
31 December 2003	Carried forward	689,220,175	34,461

Since the year end as a result of the exercise of options an additional 7,548,382 shares have been issued increasing the number of shares in issue to 696,768,557.

26. Share Capital - continued

Following adjustments, grants, exercises and lapses during the year, options outstanding under the Group's various share option schemes at 31 December 2003 were as set out below:

Share Option Scheme	Number	Date granted	Exercise price (p per share)	Exercise period
1992 SHARE OPTION SCHEME				
Ordinary	5,884,505	12.05.94	25.34	12.05.97 to 11.05.04
Super	4,553,482	12.05.94	25.34	12.05.99 to 11.05.04
Ordinary	955,271	06.10.94	23.95	06.10.97 to 05.10.04
Super	636,843	06.10.94	23.95	06.10.99 to 05.10.04
Ordinary	1,116,280	25.08.95	25.11	25.08.98 to 24.08.05
Super	2,516,377	25.08.95	25.11	25.08.00 to 24.08.05
Ordinary	37,117	03.01.96	28.63	03.01.99 to 02.01.06
Super	141,898	03.01.96	28.63	03.01.01 to 02.01.06
Ordinary	282,157	11.04.96	32.33	11.04.99 to 10.04.06
Super	225,401	11.04.96	32.33	11.04.01 to 10.04.06
Ordinary	1,578,916	08.05.96	32.78	08.05.99 to 07.05.06
Super	1,670,222	08.05.96	32.78	08.05.01 to 07.05.06
Ordinary	1,366,554	13.01.97	33.10	13.01.00 to 12.01.07
Super	253,065	13.01.97	33.10	13.01.02 to 12.01.07
Ordinary	2,848,134	01.09.97	41.30	01.09.00 to 31.08.07
Ordinary	101,223	07.11.97	40.21	07.11.00 to 06.11.07
Super	220,856	07.11.97	40.21	07.11.02 to 06.11.07
Ordinary	59,024	03.08.98	28.56	03.08.01 to 02.08.08
Super	29,552	03.08.98	28.56	03.08.03 to 02.08.08
Ordinary	2,053,393	22.03.99	35.39	22.03.02 to 21.03.09
Super	1,199,823	22.03.99	35.39	22.03.04 to 21.03.09
Ordinary	25,621	02.09.99	33.13	02.09.02 to 01.09.09
Super	12,774,273	02.09.99	33.13	02.09.02 to 01.09.09
1994 SHARE OPTION SCHEME				
Ordinary	140,103	12.05.94	25.34	12.05.97 to 11.05.04
Super	140,103	12.05.94	25.34	12.05.99 to 11.05.04
Ordinary	198,655	25.08.95	25.11	25.08.98 to 24.08.05
Super	397,318	25.08.95	25.11	25.08.00 to 24.08.05
Ordinary	104,778	03.01.96	28.63	03.01.99 to 02.01.06
Ordinary	17,021	11.04.96	32.33	11.04.99 to 10.04.06
Ordinary	91,303	08.05.96	32.78	08.05.99 to 07.05.06
Ordinary	32,204	01.09.97	41.30	01.09.00 to 31.08.07
Ordinary	24,157	22.03.99	35.39	22.03.02 to 21.03.09
Super	29,282	02.09.99	33.13	02.09.04 to 01.09.09
2001 SHARE OPTION SCHEME				
Ordinary	7,387,050	17.10.01	33.47	17.10.04 to 16.10.11
Ordinary	302,500	19.03.02	44.21	19.03.05 to 18.03.12
2002 SHARE OPTION SCHEME				
Ordinary	737,000	08.01.03	39.55	08.01.06 to 07.01.13
Ordinary	1,990,999	21.03.03	44.55	21.03.06 to 20.03.13
Ordinary	630,000	16.10.03	63.50	16.10.03 to 15.10.13

Super options are normally exercisable after five years from the date of grant. Options exercised during the year comprised 303,701 shares under the 1992 scheme, 40,602 shares under the 1994 scheme and 121,000 shares under the 2001 scheme (all adjusted for the 2003 Capitalisation Issue). Since the year-end, options have been exercised as to 6,849,423 shares under the 1992 scheme and 698,959 shares under the 1994 scheme.

Options granted before 13 December 2002, being 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 the shares of Guinness Peat Group plc ("GPG") (formerly Brunel Holdings plc). Following the reverse acquisition, certain option holders "rolled over" their rights. Those who rolled over their rights are entitled to exercise their options directly into the 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 initially on a one-for-one basis as an automatic consequence of exercise.

Prior to the reverse acquisition, Brunel Holdings plc had granted share options under the various executive share option schemes it then had in place. These schemes have all now ceased to operate, and all share options over Brunel shares extant at the time of the reverse acquisition lapsed during 2003.

Notes to Financial Statements – continued

27. Reserves

GROUP	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Profit and loss account £000
At 1 January 2003	1,344	–	263,761	71,966
Premium on shares issued (net of expenses)	2,456	–	–	–
Capitalisation issue of shares	–	–	(3,165)	–
Scrip dividend alternative	(411)	–	–	4,105
Currency translation differences	–	–	–	515
Release of negative goodwill on disposals	–	–	–	(333)
Deferred tax on foreign currency translation differences	–	–	–	3,501
Buy back of shares	–	521	–	(5,955)
Retained profit for the year	–	–	–	57,072
AT 31 DECEMBER 2003	**3,389**	**521**	**260,596**	**130,871**

The "other reserve" resulted from the 2002 reverse acquisition following the issue of shares by GPG as part of its acquisition of GPGUKH.

Cumulative negative goodwill taken directly to reserves in respect of acquisitions prior to 1998 amounts to £2,774,000.

The profit and loss account includes £2,490,000 of unrealised profits on the part disposal of ENZA in 2002.

COMPANY	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Profit and loss account £000
At 1 January 2003	1,344	–	157,761	88,278
Premium on shares issued (net of expenses)	2,456	–	–	–
Capitalisation issue of shares	–	–	(3,165)	–
Scrip dividend alternative	(411)	–	–	4,105
Buy back of shares	–	521	–	(5,955)
Retained loss for the year	–	–	–	(15,535)
AT 31 DECEMBER 2003	**3,389**	**521**	**154,596**	**70,893**

28. Contingent Liabilities

GPG has guaranteed the repayment of principal, interest and unpaid accrued interest due on the NZ$250 million 2001 Capital Notes and on the NZ$215 million 2003 Capital Notes in the event of a liquidation of the issuing subsidiary or GPGUKH (see note 22). In addition, it has guaranteed (on a subordinated basis) the obligations of GPGUKH in respect of the payment of principal and accrued interest under the CLNs (see note 21).

As at 31 December 2003, Staveley had contingent liabilities in respect of performance bonds, tender bonds and guarantees for third parties amounting to £2,000,000 (2002: £3,200,000). In addition, Staveley and certain of its subsidiaries are parties to legal actions and claims arising in the ordinary course of business, which the directors are advised and believe are likely to be resolved without significant effect on the net assets of the Group.

A subsidiary of Canberra Investment Corporation Ltd ("Canberra") is jointly and severally liable for all the liabilities of the Harcourt Hill Estate joint venture. The assets of the joint venture at year-end were sufficient to meet such liabilities. In addition, Canberra has guaranteed the bank facilities of a joint arrangement in which it has a 50% interest. As at 31 December 2003, these facilities amounted to £Nil (2002: £Nil).

29. Capital Commitments

As at 31 December 2003, the Group had commitments of £5,739,000 in respect of contracts placed for future capital expenditure (2002: £5,480,000). Its share of the capital commitments reported by associated undertakings was £3,270,000 (2002: £6,322,000). The Company did not have any capital commitments.

30. Notes to the Consolidated Cashflow Statement

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

Year ended 31 December	**2003 £000**	2002 £000
Operating profit	**67,517**	46,863
Depreciation	**10,423**	8,775
Profit on disposal of tangible fixed assets	**(353)**	(142)
Release of negative goodwill	**(1,180)**	(1,343)
Amounts written off/(written back) against investments	**11,026**	(2,438)
Decrease in debtors	**17,287**	9,257
(Increase)/decrease in land under development	**(15,303)**	3,010
(Increase)/decrease in stocks	**(1,725)**	44,475
Decrease in provisions	**(1,159)**	(191)
Increase/(decrease) in creditors	**5,621**	(21,808)
Decrease/(increase) in current asset investments	**21,774**	(9,645)
Currency and other adjustments	**(11,562)**	(664)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**102,366**	**76,149**

Net cash inflow from operating activities includes the profits and losses resulting from the sale of investments, together with interest and dividends received, all of which are considered to be cash inflows generated in the normal course of business.

b) Dividends received from associates and joint ventures

Dividends received from associated undertakings	**1,874**	1,818
Dividends received from joint ventures	**3,684**	1,137
	5,558	2,955

c) Returns on investments and servicing of finance

Interest paid	**(12,880)**	(9,462)
Dividends paid by subsidiaries to minority interests	**(366)**	(686)
	(13,246)	(10,148)

d) Taxation paid

Overseas tax paid	**(5,274)**	(3,475)
UK tax paid	**(684)**	(618)
	(5,958)	(4,093)

e) Capital expenditure and financial investment

Payments to acquire property, plant and equipment	**(8,840)**	(7,314)
Purchase of fixed asset investments	**(62,084)**	(100,473)
Receipts from the disposal of property, plant and equipment	**852**	1,081
Sale of fixed asset investments, at book value	**27,050**	47,687
Share buyback	**2,004**	–
Loans (advanced to)/repaid by associated undertakings	**(3,374)**	(113)
Loans (advanced to)/repaid by joint venture undertakings	**(7,264)**	–
	(51,656)	(59,132)

Notes to Financial Statements – continued

30. Notes to the Consolidated Cashflow Statement - continued

f) Acquisitions and disposals

Year ended 31 December	2003 £000	2002 £000
Net receipts from sale of shares in subsidiary undertakings (see note 34)	**16,633**	10,291
Net receipts from sale of business	**23,391**	–
Cash held by subsidiaries sold	**–**	(1,366)
Net payments arising from the purchase of subsidiary undertakings (see note 32)	**(1,694)**	(23,117)
Cash held by subsidiaries acquired (net of bank overdrafts)	**35**	4,276
Net payments arising from the purchase of associated undertakings (see note 33)	**(8,943)**	(2,210)
Net payments arising from the purchase of joint venture undertakings (see note 33)	**–**	(7,103)
Net receipts from sale of shares in associated undertakings	**1,187**	–
	30,611	(19,229)

g) Equity dividends paid

Balance payable as at 1 January	**(6,219)**	(5,393)
Dividends payable re additional shares issued	**(2)**	(33)
Less: shares issued in lieu of cash dividend	**4,105**	3,502
	(2,116)	(1,924)

h) Management of liquid resources

Cash placed on short term deposit	**(168,546)**	(21,586)
Withdrawals from short term deposits	**10,607**	107,452
	(157,939)	85,866

i) Financing

Issue of ordinary shares by Company	**156**	1,255
Issue of ordinary shares to minority shareholders in subsidiaries	**–**	415
Expenses of share buy-back and share issues	**(380)**	–
NET PROCEEDS FROM ISSUE OF ORDINARY SHARES	**(224)**	1,670
New loans raised (including Capital Notes)	**148,918**	25,020
Capital Note and CLN issue expenses	**(2,520)**	–
Loans repaid	**(47,476)**	(69,375)
INCREASE/(DECREASE) IN DEBT	**98,922**	(44,355)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	**98,698**	**(42,685)**

j) Analysis of net funds

	1 January 2003 £000	Cash flow £000	Exchange and other non-cash movements £000	**31 December 2003 £000**
Cash at bank and in hand	113,827	163,689	11,947	**289,463**
Bank overdrafts	(509)	568	(59)	**–**
Less: liquid resources	(57,125)	(157,939)	(10,603)	**(225,667)**
"FRS1" cash	56,193	6,318	1,285	**63,796**
Debt due within 1 year	(8,758)	5,777	(3,820)	**(6,801)**
Debt due after 1 year	(89,162)	(104,699)	(1,200)	**(195,061)**
	(97,920)	(98,922)	(5,020)	**(201,862)**
Liquid resources	57,125	157,939	10,603	**225,667**
NET FUNDS	15,398	65,335	6,868	**87,601**

Liquid resources comprise cash deposits with an original maturity of more than 24 hours.

31. Analysis of Changes in Cash and Liquid Resources

Year ended 31 December	2003 £000	2002 £000
Opening balance	**113,827**	169,985
Net cash inflow	**6,318**	27,759
Increase/(decrease) in liquid resources	**157,939**	(85,866)
(Decrease)/increase in bank overdraft	**(509)**	509
Currency translation differences	**11,888**	1,440
CLOSING BALANCE	**289,463**	**113,827**

32. Purchase of Subsidiary Undertakings

a) In April 2003, the Group acquired control of Cal-Matrix Technical Services Inc, an electronics calibration operation in Canada.

	Book value £000	Fair value adjustments £000	Fair value £000
ACQUISITION SUMMARY			
Tangible fixed assets	53	161	214
Debtors	81	–	81
Cash	35	–	35
Creditors	(87)	–	(87)
Net assets acquired	**82**	**161**	**243**
Goodwill arising on acquisition			**138**
Total consideration			**381**

The fair value adjustment relates to the revaluation of certain tangible fixed assets.

b) In May 2003, Turners & Growers Ltd acquired the remaining 10.00% of Status Produce Ltd from minority shareholders.

	Book value £000	Fair value adjustments £000	Fair value £000
ACQUISITION SUMMARY			
Tangible fixed assets	8,907	–	8,907
Stocks	494	–	494
Debtors	1,330	–	1,330
Cash	177	–	177
Trade and other creditors	(3,630)	–	(3,630)
Borrowings	(4,179)	–	(4,179)
Net assets	**3,099**	**–**	**3,099**
Less: share of Status Produce Ltd's net assets previously recognised			(2,802)
Net assets attributable to purchase consideration paid this year			**297**
Consideration – satisfied by shares in Turners & Growers Ltd			**(297)**
Goodwill arising on purchase of minority interest			**–**

Notes to Financial Statements – continued

32. Purchase of Subsidiary Undertakings - continued

c) **Reassessment of 2002 Fair Values**

In addition, the fair value of the net assets of Brunel Holdings plc (now Guinness Peat Group plc), and ENZA Ltd, both of which were acquired in 2002, have been reassessed during the current year to reflect additional information which has become available concerning the conditions that existed on the respective dates of acquisition. The resulting changes are analysed below:

GUINNESS PEAT GROUP PLC (formerly Brunel Holdings plc)	Provisional fair value as previously reported £000	2003 fair value adjustments £000	Fair value as restated £000
Tangible fixed assets	598	–	598
Debtors	9,994	857	10,851
Properties held for resale	450	–	450
Trade and other creditors	(956)	211	(745)
Provisions for liabilities and charges	(1,456)	(1,068)	(2,524)
Net assets acquired	**8,630**	**–**	**8,630**
Goodwill arising on acquisition			–
Total consideration			8,630
Consideration comprises:			
Shares in Brunel Holdings plc prior to reverse acquisition (at fair value)			4,076
Acquisition costs			3,895
Cash settlement paid by GPG to Dickinson Legg Group			659
			8,630

The 2003 fair value adjustments relate to:

i) Additional provision for onerous leases based on the directors' assessment of the expected future income from sub-tenants (£1,068,000);

ii) A reduction in the costs of acquisition (£211,000); and

iii) Additional value attributed to capital losses carried forward (£857,000).

ENZA LTD	Provisional fair value as previously reported £000	2003 fair value adjustments £000	Fair value as restated £000
Tangible fixed assets	29,935	(1,173)	28,762
Investment in associates	1,152	–	1,152
Stocks	43,312	–	43,312
Debtors	20,651	–	20,651
Cash	4,725	–	4,725
Creditors	(21,557)	–	(21,557)
Borrowings – short term	(33,163)	–	(33,163)
Borrowings – long term	(10,744)	–	(10,744)
Provisions	(1,305)	–	(1,305)
Net assets at acquisition	**33,006**	**(1,173)**	**31,833**
Negative goodwill arising on acquisition	**(12,975)**	**1,173**	**(11,802)**
Total consideration	20,031	–	20,031
Consideration reported above			20,031
Cash paid in earlier years			(1,980)
CASH PAYMENTS MADE IN 2002			**18,051**

The 2003 fair value adjustments relate to the impairment of certain tangible fixed assets.

32. Purchase of Subsidiary Undertakings - continued

d) The subsidiary undertakings acquired during the year contributed an outflow of £8,000 to the Group's net operating cash flows, paid £Nil in respect of returns on investments and servicing of finance, paid £Nil in respect of taxation and utilised £Nil for capital expenditure.

33. Purchase of Associated and Joint Venture Undertakings

During the year, the Group increased its investment in two existing associated undertakings and one investee company became a joint venture undertaking. The Group increased its stake in Green's Foods Ltd from 22.93% to 28.91%, and in Capral Aluminium Ltd from 31.26% to 34.26%. In April 2003 the Group became a joint venture partner in Coats Group Ltd, with a 63.97% economic interest but with only 50.00% of the voting rights.

The goodwill arising from these transactions is analysed as follows:

	Associates		Joint venture	
	Green's Foods Ltd £000	Capral Aluminium Ltd £000	Coats Group Ltd £000	Total £000
Book value of net assets (GPG share)	2,475	8,558	82,502	93,535
Fair value adjustments	–	325	–	325
Fair value of net assets (GPG share)	2,475	8,883	82,502	93,860
Consideration	(2,244)	(5,983)	(84,637)	(92,864)
NEGATIVE/(POSITIVE) GOODWILL	**231**	**2,900**	**(2,135)**	**996**

The aggregate consideration of £92,864,000 includes £84,637,000 paid in prior years. The net assets of the associates are based on their published accounts, as adjusted to reflect any identified differences between book values and fair values (including relevant accounting policy adjustments).

The fair value adjustment for Capral Aluminium relates to the revaluation of property and plant and equipment at depreciated replacement cost.

In addition, the fair values attributed to Dawson International PLC ("Dawson"), which was acquired in 2002, have been re-assessed during the current year to reflect additional information made available by this company during 2003 concerning the conditions which existed on the date of acquisition. The resulting changes are analysed below:

	Dawson International plc £000
Book value of net assets (GPG share)	13,829
Fair value adjustments:	
As previously reported	(2,258)
2003 fair value adjustments	(1,037)
As re-stated	(3,295)
Fair value of net assets (GPG share)	10,534
Consideration	(12,433)
POSITIVE GOODWILL	**(1,899)**

The 2003 fair value adjustments relate to the revaluation of property and plant and equipment at depreciated replacement cost. The balance of the unamortised positive goodwill in Dawson was written off in 2003.

Notes to Financial Statements – continued

34. Disposal of Subsidiary and Associated Undertakings

There were no disposals of subsidiary undertakings during the year.

a) In August 2003 Staveley Inc disposed of the non-destructive testing division of its North American subsidiary Staveley Services North America Inc. The profit on disposal of that division was as follows:

	2003 £000
Tangible fixed assets	2,623
Stocks	132
Debtors	1,580
Group share of net assets at disposal	**4,335**
Consideration received	23,391
Profit on disposal	**19,056**

b) In May 2003 the Group sold 18.79% of its 38.78% investment in Turners Auctions Ltd. The gain on that sale arose as follows:

	£000
Net assets (GPG share) at date of disposal	1,187
Negative goodwill previously written off to reserves	(161)
	1,026
Consideration received	5,003
Profit on disposal	3,977

The shares in Turners Auctions Ltd were sold for cash.

Following the sale, GPG's representation on the Turners Auctions Ltd Board ceased, and the Group's remaining 19.99% investment in Turners Auctions Ltd was reclassified from associated undertaking to fixed asset investment. That fixed asset investment was sold in November 2003.

35. Principal Subsidiary Undertakings

The Group's principal subsidiary undertakings at 31 December 2003, 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 (formerly Guinness Peat Group plc)	England	100% ordinary shares	Investment company
GPG Securities Trading Ltd*	England	100% ordinary shares 100% preference shares	Securities trading
Staveley Industries plc*	England	100% ordinary shares	Building services
Staveley Inc*	USA	100% ordinary shares	Testing services
Guinness Peat Group (Australia) Pty Ltd*	Australia	100% ordinary shares 100% preference shares	Investment company
Canberra Investment Corporation Ltd*	Australia	68.63% ordinary shares	Property development
Turners & Growers Ltd*	New Zealand	78.96% ordinary shares	Fresh produce wholesaler
MEM Group Ltd*	Australia	100% ordinary shares	Investment company
Guinness Peat Group New Zealand Ltd*	New Zealand	100% ordinary shares 100% preference shares	Securities trading
GPG Finance plc*	England	100% ordinary shares	Finance

*These subsidiaries are owned indirectly by the Company.

36. Related Party Transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8(3) not to disclose transactions or balances between Group entities that have been eliminated on consolidation.

37. Derivatives and Other Financial Instruments

The Group's main financial instruments comprise:

– investments in equity shares with both UK and international exposure. These investments are held both as fixed and current asset investments
– other investments, such as non-equity shares and guaranteed bank bills
– derivatives, including forward foreign currency contracts, cross-currency interest rate swaps, interest rate swaps, equity swaps, equity options and Low Exercise Price Options ("LEPOs")
– trade debtors and trade creditors that arise directly from the Group's operations
– cash and bank deposits
– bank borrowings and commercial bills
– convertible subordinated loan notes
– capital notes.

Guinness Peat Group plc 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 and the issue of new subordinated debt. The currency profile of the Group's financial assets is similarly affected by the timing of investment transactions, and also tends to vary during the year.

Most of the Group's investments are listed on a recognised stock exchange and so could be converted into cash or liquid resources at short notice. In addition, the Group typically holds cash balances in deposits with a short maturity, and further resources can be drawn through committed borrowing facilities. In managing liquidity, the Group's objective is to ensure it has access to the funds needed to take advantage of any attractive investment opportunities that may arise.

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

– market price risk
– currency risk
– interest rate fluctuation risk.

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

MARKET PRICE RISK

The Group can be affected by market price movements on its equity investments. Since it generally invests for the medium or long term, the Board does not believe it is economic or necessary to hedge market price risk, which in any event it considers to be a relatively short term factor. No significant equity investment is made without exhaustive research and unless a margin of safety has been identified. Once a significant investment has been made, the investment is 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.

Equity swaps, equity options and LEPOs 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.

Notes to Financial Statements – continued

37. Derivatives and Other Financial Instruments - continued

FOREIGN 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 are denominated in currencies other than Sterling, which is the Group's reporting 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 balance sheet will be affected by short term movements in exchange rates, particularly the value of the Australian and New Zealand 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 and Australian dollars, being the two currencies in which it mainly invests.

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 dollar. 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.

As explained in note 22, during 2001 the Group issued Capital Notes denominated in NZ dollars. The Board of GPGUKH decided to hedge the Sterling value of this debt, which was achieved using a cross-currency interest rate swap of NZ$250 million in value, maturing in November 2006. The principal amount of the 2001 Notes was translated into Sterling at the exchange rate implicit in the cross-currency interest rate swap. The net interest receivable under the swap was offset against the interest expense on the 2001 Capital Notes, on an accruals basis. The contract involved net settlement with a single counterparty, so the interest payable and receivable at year-end was presented on a net basis. In December 2003 the cross-currency interest rate swap was closed out. The gain on the currency element of the net proceeds received has been accounted for as an increase in the Sterling value of the 2001 Notes, and the loss on the interest element of the settlement has been accounted for as an expense in 2003.

Staveley Inc and Turners & Growers Ltd use forward foreign currency contracts to eliminate the currency exposure that arises on business transacted in currencies other than their own reporting currencies. These companies only enter into such foreign currency contracts when there is a firm commitment to the transaction. The contracts used to hedge future transactions typically have a maturity of between 6 months and 2 years.

The borrowings drawn by the Group as at 31 December 2003 were all denominated in the reporting currency of the relevant company of which they were liabilities.

INTEREST RATE RISK

In 2003, the Group financed its operations through shareholders' funds, bank borrowings, commercial bills, the CLNs and the Capital Notes. The CLNs and 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 £153 million, of which £23 million had been drawn down at year-end. This includes facilities negotiated by certain trading subsidiaries to meet their local needs.

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.

In adopting the requirements of FRS13, *Derivatives and other Financial Instruments,* the Group has taken advantage of the exemption that short term debtors and creditors can be excluded from the following disclosures (other than the currency disclosures).

37. Derivatives and Other Financial Instruments

INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL LIABILITIES

The interest rate and currency profile of the Group's financial liabilities, after taking account of the cross-currency interest rate swap, interest rate swaps and forward foreign currency contracts used to manage the interest and currency profile, was as follows:

Currency	2003 Floating rate £000	2003 Fixed rate £000	2003 Interest free £000	2003 Total £000	2002 Floating rate £000	2002 Fixed rate £000	2002 Interest free £000	2002 Total £000
Australian dollars	**7,906**	**–**	**–**	**7,906**	2,839	–	–	2,839
Sterling	**3,945**	**11,927**	**254**	**16,126**	3,038	79,353	216	82,607
New Zealand dollars	**16,222**	**166,514**	**–**	**182,736**	16,894	–	–	16,894
Other	**2,328**	**–**	**–**	**2,328**	2,421	–	–	2,421
	30,401	**178,441**	**254**	**209,096**	25,192	79,353	216	104,761

The financial liabilities included above comprise the Group's borrowings, onerous lease commitments, contractual employee entitlements and certain derivatives.

Details of fixed and non interest-bearing liabilities are provided below:

Currency	2003 Fixed rate financial liabilities: Weighted average interest rate %	2003 Fixed rate financial liabilities: Weighted average period for which rate is fixed (months)	2003 Financial liabilities on which no interest is paid: Weighted average period until maturity (months)	2002 Fixed rate financial liabilities: Weighted average interest rate %	2002 Fixed rate financial liabilities: Weighted average period for which rate is fixed (months)	2002 Financial liabilities on which no interest is paid: Weighted average period until maturity (months)
Sterling	**8.00%**	**12**	**–**	8.21%	42	–
New Zealand dollars	**8.86%**	**46**	**–**	–	–	–
	8.80%	**44**	**–**	8.21%	42	–

The benchmark for determining floating rate liabilities in the UK is LIBOR. In New Zealand, floating rates are determined by reference to the New Zealand 90 Day Bank Bill rate.

INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL ASSETS

The interest rate and currency profile of the Group's financial assets, after taking account of forward foreign currency contracts, was as follows:

Currency	2003 Investments and other assets £000	2003 Cash at bank and in hand £000	2003 Total £000	2002 Investments and other assets £000	2002 Cash at bank and in hand £000	2002 Total £000
Sterling	**79,651**	**28,588**	**108,239**	165,747	11,553	177,300
Australian dollars	**59,049**	**126,476**	**185,525**	57,839	78,692	136,531
New Zealand dollars	**47,732**	**102,032**	**149,764**	23,980	8,632	32,612
United States dollars	**823**	**30,541**	**31,364**	823	9,214	10,037
Other currencies	**930**	**1,825**	**2,755**	914	5,736	6,650
	188,185	**289,462**	**477,647**	249,303	113,827	363,130
Floating rate	**12,886**	**282,758**	**295,644**	11,269	111,473	122,742
No rate	**–**	**6,704**	**6,704**	683	2,354	3,037
	12,886	**289,462**	**302,348**	11,952	113,827	125,779

The investments included above comprise listed and unlisted investments in shares (excluding associates and joint ventures), equity options, equity swaps and guaranteed bank bills. Other assets comprise amounts recoverable on contracts after more than one year, loans to associates and certain derivatives.

Notes to Financial Statements – continued

37. Derivatives and Other Financial Instruments - continued

Deposits of £282,758,000 (2002: £111,473,000) which have been placed on deposit with banks for a variety of fixed periods, not exceeding six 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 and derivatives. All such investments have been excluded from the interest rate analysis because the investments do not generate a fixed entitlement to interest. The interest-bearing investments principally comprise guaranteed bank bills with a maturity of less than six months. Interest-bearing loans of £3,369,000 (2002: £Nil) and £7,264,000 (2002: £Nil) have been provided to an associated undertaking and a joint venture respectively. A non-interest bearing loan of £827,000 (2002: £683,000), which has no fixed repayment date, is owed by an associate. Non-interest bearing deposits are payable on demand.

MATURITY OF FINANCIAL LIABILITIES

The maturity of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, was as follows:

Year ended 31 December	**2003 £000**	2002 £000
In one year or less, or on demand	**8,705**	10,742
In more than one year but not more than two years	**29,258**	7,127
In more than two years but not more than five years	**169,217**	82,830
In more than five years	**1,916**	4,062
	209,096	104,761

BORROWING FACILITIES

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

Year ended 31 December	**2003 £000**	2002 £000
Expiring within one year	**36,000**	9,291
Expiring between one and two years	**94,092**	123,608
Expiring between two and five years	**–**	1,624
	130,092	134,523

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Primary financial instruments	**2003 Book value £000**	**2003 Fair value £000**	2002 Book value £000	2002 Fair value £000
Cash at bank	**289,463**	**289,463**	113,827	113,827
Investments (fixed and current)	**186,283**	**265,644**	240,808	254,500
Amount recoverable on contracts	**1,623**	**1,469**	3,550	3,213
CLNs	**(11,927)**	**(17,691)**	(11,588)	(14,484)
Capital Notes	**(166,513)**	**(174,558)**	(78,990)	(82,580)
Other borrowings	**(23,422)**	**(23,422)**	(19,076)	(19,078)
Other financial liabilities	**(7,234)**	**(7,234)**	(6,332)	(6,332)
Derivative financial instruments held as part of the investment portfolio				
Equity options and equity swaps	**278**	**278**	4,752	4,752
Contracts for differences	**1,275**	**1,275**	–	–
Derivative financial instruments held to hedge currency exposures				
Forward foreign currency contracts	**–**	**113**	–	320
Cross-currency interest rate swaps	**–**	**–**	11,418	10,658

37. Derivatives and Other Financial Instruments - continued

Investments are held for strategic growth or trading purposes. Market values have been used to derive the fair value of all listed investments, the CLNs and the Capital Notes. Unlisted investments are valued according to the most recent price at which they have been traded. For floating rate financial assets and liabilities, and for fixed rate financial assets and liabilities with a maturity of less than six 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 cross-currency interest rate swap 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 until the exposure to which they relate is itself recognised. Such gains and losses are incorporated in the value of the transaction being hedged.

CURRENCY EXPOSURE

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency after taking account of forward foreign currency contracts and cross-currency interest rate swaps held as hedges. Foreign exchange differences arising on retranslation of these assets and liabilities are taken to the Group's profit and loss account. 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. It also excludes investments held in equity shares, which are translated into the investing company's reporting currency at the historical rate on the date of acquisition and are not subsequently re-translated.

	Net foreign currency monetary assets/(liabilities)					
Functional currency 2003	**Sterling £000**	**Australian dollars £000**	**New Zealand dollars £000**	**US dollars £000**	**Other £000**	**Total £000**
Sterling	**–**	**98,412**	**(91,068)**	**18,500**	**(19,250)**	**6,594**
US dollars	**–**	**–**	**–**	**–**	**290**	**290**
Australian dollars	**–**	**–**	**–**	**(427)**	**(15)**	**(442)**
New Zealand dollars	**(62)**	**872**	**–**	**1,577**	**106**	**2,493**
	(62)	**99,284**	**(91,068)**	**19,650**	**(18,869)**	**8,935**

	Net foreign currency monetary assets/(liabilities)					
Functional currency 2002	Sterling £000	Australian dollars £000	New Zealand dollars £000	US dollars £000	Other £000	Total £000
Sterling	–	72,962	13,907	(3,206)	(11,384)	72,279
US dollars	–	–	–	–	612	612
New Zealand dollars	40	54	–	275	1,594	1,963
	40	73,016	13,907	(2,931)	(9,178)	74,854

Notes to Financial Statements – continued

37. Derivatives and Other Financial Instruments - continued

HEDGES

During 2003, 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.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account.

	Gains £000	Losses £000
Gains/(losses) not yet taken at 1 January 2003	320	(760)
(Gains)/losses arising in previous years included in 2003 profit	(320)	760
(Gains)/losses not included in 2003 profit arising before 1 January 2003	–	–
Unrecognised gains arising in 2003	113	–
Gains not yet taken at 31 December 2003	**113**	**–**
Of which		
Gains expected to be recognised in 2004	113	–
Gains expected to be recognised after 2004	–	–

GAINS/(LOSSES) ON FINANCIAL ASSETS/LIABILITIES

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

Year ended 31 December	**2003 £000**	2002 £000
Gains on disposal of investments (excluding derivatives)	**40,904**	26,601
Gains on disposal of equity options, equity swaps and LEPOs	**1,365**	–
Net (write-down)/write-back of investments (excluding derivatives)	**(11,083)**	2,433
Net write-back/(write-down) of equity options, equity swaps and LEPOs	**1**	(462)
	31,187	28,572

Corporate Governance

COMPLIANCE

GPG's corporate governance arrangements comply with Section 1 of the Combined Code appended to the Listing Rules of the UK Financial Services Authority ("the Code") insofar as its terms are considered relevant and practical: being an investment company GPG has a different board structure and operational controls than the norm.

Set out below is an overview of the Group's size, structure and management style. Given the direct involvement of the directors in the day-to-day activities of the Group and their geographically diverse locations, full compliance with the Code (or its equivalent in New Zealand and Australia) is considered inappropriate. Exceptions are mentioned under the appropriate subject headings, and the position is continually reviewed and monitored by the directors and management.

DIRECTORS

As shareholders are aware, GPG is a strategic investment holding company which, together with certain of its subsidiaries, is principally involved in managing a portfolio of cash and investments. Its interests are mainly based in the United Kingdom, Australia and New Zealand. The Board now consists of two non-executive directors, being the Chairman, Sir Ron Brierley, and Trevor Beyer, together with four executive directors. Short biographies of each of the directors appear on page 8.

Each of the executive directors has a contract of service with the Company and both non-executive directors have a letter of appointment. 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.

GPG's Remuneration Committee considers that it is necessary to offer such rolling contracts and notice periods in order to retain, motivate and in the future recruit individuals of the right calibre and to ensure continuity of the Group's management. This view takes into account the remuneration and notice period practices in the industry and the countries in which the Group operates.

The non-executive directors are not appointed for a specified term but, in accordance with the Company's Articles of Association, retire by rotation.

The Board as a whole is responsible for the Group's assets and operations, the management of which, on a day-to-day basis, is delegated to the executive directors – one of whom is situated in the United Kingdom, two in Australia and one in New Zealand. The directors are in frequent regular contact with each other and have put in place suitable communication and reporting systems which enable them to have a clear appreciation and measure of the Group's investment activities on a timely basis. The Board meets at least three times a year and the directors also hold further meetings as required to discuss matters which merit formal Board attention.

The London office is responsible for all corporate activities including compliance requirements for the three Stock Exchanges on which the Company's shares are listed and also all treasury and communication functions. Executive responsibility for the Group's operations is shared as follows: Blake Nixon is responsible for the London office, Gary Weiss is in charge of Guinness Peat Group (Australia) Pty Ltd and Tony Gibbs is in charge of Guinness Peat Group New Zealand Ltd.

The Company has a procedure in place by which directors can seek independent professional advice at the Company's expense if the need arises.

As mentioned above, given the nature of the Group's business, the small size of the Board, the close proximity of and the direct involvement of the executive directors in the Group's investment activities and the geographically diverse locations, some aspects of the Combined Code are considered inappropriate. For example, there is no extended reporting structure within the Company that requires extensive or additional controls, and the Group's assets, being investments, are carefully scrutinised before an investment is made and regularly thereafter.

In addition to those matters described elsewhere in this report:

- Both Sir Ron Brierley and Trevor Beyer, who acted as non-executive directors for GPG during the year, have considerable experience on the boards of a variety of companies and have reputations for independent mindedness at the companies on whose boards they serve. However, it is accepted that as the interests of both are linked to those of shareholders *(inter alia)* by means of the granting of share options, and as they have had a long association with the Group as directors, neither would be regarded as "independent" as defined in the Code. Both of these directors are remunerated by way of bonuses and share options, although Sir Ron Brierley received no salary or directors' fees.
- The small size of the Board of directors and the fact that they take direct responsibility for all significant matters affecting GPG, including the appointment of other directors (should such requirement arise), make the establishment of a formal procedure for new appointments or a Nomination Committee unnecessary.

Corporate Governance – continued

- Under the Articles of Association of the Company, up to one-third of the Board is required to retire by rotation each year, which is similar to the requirement of the Code for all directors to submit themselves for re-election at least every three years. The Articles require the number nearest to, but not exceeding one-third of the Board (after taking into account any new directors who are automatically required to submit to election and any directors intending to retire shortly) to retire by rotation and (if eligible) submit themselves for re-election by shareholders. In practice, over the past six years, each director has retired and been elected or re-elected at least once every three years.
- It has not been considered necessary formally to identify a senior non-executive director.

The Board has two non-executive directors, one of whom is the Chairman. Given the geographic distribution of the Company's shareholders between (largely) New Zealand, the UK and Australia, it is expected that shareholders in those countries will normally seek to speak to their locally-based executive director(s) if they cannot speak to the Chairman or the other non-executive director, Trevor Beyer.

In accordance with the Articles of Association, Sir Ron Brierley and Graeme Cureton retire by rotation at the conclusion of the 2004 Annual General Meeting and, being eligible, offer themselves for re-election.

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.

INTERNAL CONTROLS

The directors describe below the system of internal control established within the Group. This has been in place throughout the year for GPG and its principal subsidiaries and has continued in force up to the date of approval of the Annual Report. Management distinguishes for this and other purposes between the Parent Group, being the long term structural entities within the Group, the Operating Subsidiaries and the Group's Joint Ventures of significant value. The Operating Subsidiaries, being self-contained entities acquired by the Parent Group as investments, have their own boards of directors who operate and control these businesses independently. The object of the internal control process is to identify, evaluate and manage risk, including the risk of non-compliance with the laws and regulations of the countries within which the Group operates. The system is regularly reviewed by the Board and, except as described below, accords with the Turnbull guidance issued to companies listed on the London Stock Exchange.

The directors acknowledge that they are responsible for the Group's system of internal controls and for reviewing its effectiveness. However, it must be recognised that any system cannot provide absolute assurance against material misstatement or loss.

The Board as a whole is responsible for setting and achieving the Group's objectives and policies, and the maintenance and custody of its assets. It meets with such frequency as is practical and necessary to ensure full and effective control over the Group. Clear management responsibilities have been established in relation to internal controls, and clear procedures exist for Board notification of control failures.

Risks are identified by management and Board review. The identification and consequent management of risk 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 referred to in detail in note 37 to the financial statements, Derivatives and Other Financial Instruments, under the heading "Market price risk".

For the Group'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. In addition, the Board monitors and regularly reviews the progress of investment strategies.

The major control procedures in place include the following:

- Clear management responsibilities in relation to internal controls
- Board and Audit Committee review of control procedures
- Continual monitoring of the investments
- Investment policy and strategy implemented by the local executive directors, in consultation with the boards of investing group companies
- Investment transactions effected under the supervision of the relevant local investment manager pursuant to the agreed investment policy
- Board approval required for any investment in excess of £2 million
- Documents of title are held either within the Group or by a reputable custodian.

In addition, the directors have carried out an annual review of the effectiveness of the internal controls across the Group's investment activities and report as follows:

As at 31 December 2003, the Group had four principal operating subsidiaries of which two were partly owned. All are involved in activities other than strategic investment. In aggregate, the Group's share of the consolidated net assets (including goodwill) of the relevant subsidiaries ("Group Share") represents some 37% of GPG's shareholders' funds of £430 million. At least one GPG director is appointed to the board of each principal subsidiary. He is charged with ensuring that the appropriate resources are committed by the subsidiary to respond to the requirements of the Combined Code on a basis which in each case is commensurate with GPG's Group Share, and that all material risks to the value of that investment are controlled. Each 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. The systems operated by these companies are reviewed annually through the completion of internal control questionnaires, the results of which are reported to the Audit Committee and the Board.

Staveley Industries plc, Group Share £38 million, has a continuous programme of risk assessment enabling its board continually to monitor its internal controls.

Staveley Inc, Group Share £65 million, is a US operation which is unconnected to Staveley Industries plc. It has incorporated into its operations a set of systems and procedures that are intended to ensure that the businesses have an embedded risk management programme. The key issues emerging from these procedures are reported to the board of Staveley Inc, which is satisfied that all major risks have been identified and are monitored and controlled.

The Group's partly owned subsidiaries are Canberra Investment Corporation ("CIC"), Group Share £13 million, which is listed on the Australian Stock Exchange and Turners & Growers (of which ENZA is a wholly owned subsidiary) in New Zealand, Group Share £42 million. CIC has prime reporting responsibility to a recognised exchange, whose rules are similar to, but not the same as, those of the London Stock Exchange. In addition, the directors believe that Turners & Growers including ENZA is being managed and operated to a similar standard. 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 Turnbull guidance (or their local equivalents). The position has been reviewed with CIC and Turners & Growers during the year, and these companies have both submitted an annual report on their internal controls. Whilst neither has a comprehensive formal procedure for reviewing the effectiveness of internal controls, their directors are closely involved in most of their day-to-day activities.

The Group has an investment in Coats Group Ltd ("Coats Group"), which is a Joint Venture operation. The Group Share of this investment £80 million is such that the Board deem it important to monitor its internal controls, notwithstanding that it is not a subsidiary of the Group.

Coats Group became a Joint Venture investment of the Group in February 2003. Its wholly owned subsidiary, Coats plc, formerly had a full listing on the London Stock Exchange until it de-listed in June 2003, and had procedures in place to meet its Continuing Obligations, including internal controls. These procedures have been substantially kept in place and have been reviewed by GPG's management.

For completeness the Board has also continued to review and monitor the internal controls procedures of Nationwide, which became a Joint Venture in 2002.

The Board of GPG is satisfied that each of the partly owned subsidiaries and the Joint Ventures have satisfactory procedures to identify, monitor and control their major risks, commensurate with the relevant Group Share. At least one director is appointed to the board of each associate or joint venture. This enables them to review the investee company's procedures for dealing with major risks. Associates are encouraged to review the effectiveness of their own internal controls, but the Group is not able to enforce this. Associates are not normally requested to complete an internal control questionnaire each year.

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 Group is not sufficiently large or complex to justify a centralised internal audit function, although Staveley Industries plc and Coats Group consider their operations to be sufficiently widespread to justify their own internal audit functions.

SHAREHOLDER MEETINGS

In 2003, GPG held an Annual General Meeting and an Extraordinary General Meeting in London. The level of proxies lodged in each resolution was announced during the meetings. In its annual and interim reports and other corporate announcements, GPG (and previously GPGUKH) endeavours to present an accurate, objective and balanced picture in a style and format which is appropriate for the intended audience.

Corporate Governance – continued

AUDIT COMMITTEE

The Group established an Audit Committee on 19 December 1995. It consists of two non-executive directors, Sir Ron Brierley, who chairs the committee and Trevor Beyer, plus one executive director, Blake Nixon. The Board considers that given the direct participation by all members of the Board in the operation, structure and financial control of the Group the appointment of both non-executive directors to the Audit Committee is sufficient to ensure the integrity of the Group's financial reporting and controls. The Audit Committee was supplied on establishment with written terms of reference, which are reviewed periodically to ensure they remain appropriate.

GOING CONCERN

Giving due consideration to the nature of the Group's business and underlying investments, the directors consider that the Company and the Group are a going concern and the financial statements are prepared on that basis.

REPORT ON REMUNERATION AND RELATED MATTERS

Introduction

For completeness, 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 Committee.

Remuneration Committee

The Group established a Remuneration Committee on 12 December 1995. The committee is chaired by Trevor Beyer, a non-executive director. The Chairman of the Company, Sir Ron Brierley, has delegated full responsibility and authority to Trevor Beyer to chair the committee. It is the view of the Board that the appointment of Trevor as the only non-executive director on the Committee is sufficient to ensure the integrity and independence of the Remuneration Committee in fulfilling its duties. The Committee also includes two executive directors. It has access to the professional advice it requires from the Group's management or, on an ad-hoc basis, from the Group's legal or other professional advisers. It sets the remuneration packages for all the directors. No director is involved in deciding his own remuneration. Save as aforesaid, this Committee complies with the Principles of Good Governance regarding directors' remuneration as set out in Section B of Part 1 of the Combined Code. It meets with such frequency as may be required to fulfil its responsibilities. The Committee gives full consideration to the provisions in Schedule A to the Combined Code in carrying out its duties.

Current membership of the Committee is indicated on page 8.

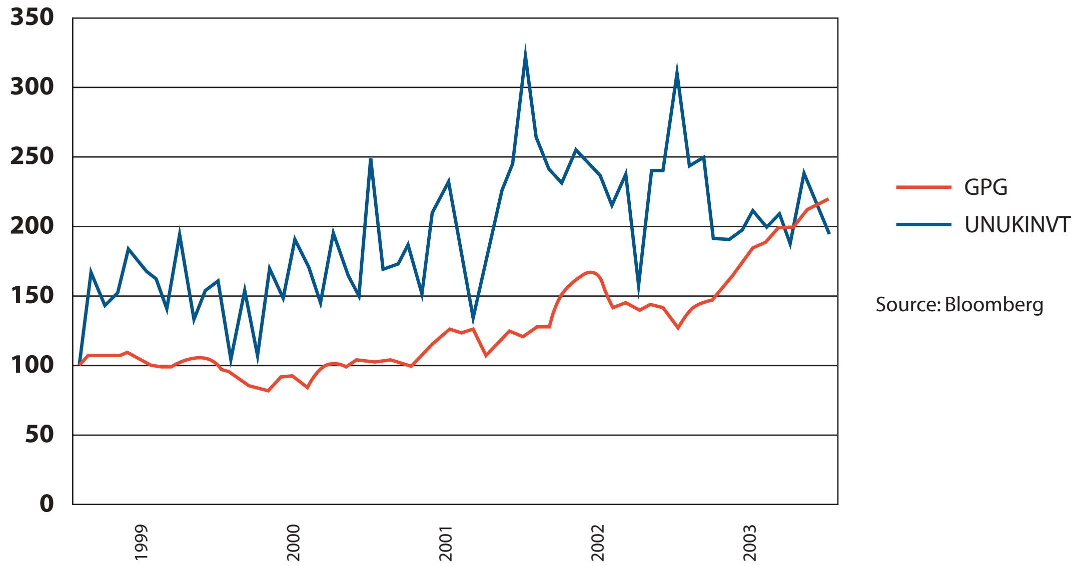
Directors' Remuneration Policy

The Remuneration 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.

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 term incentives: directors are entitled to receive awards of options under the Group's share option schemes.
- Pension contributions: see the Notes below the following table.
- Staff bonus scheme: directors are eligible to participate in a non-contractual bonus scheme, under which cash bonuses may be paid to all staff. No 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 opening shareholders' funds, as adjusted for share issues during the year. If this target is achieved a bonus pool is established by the Remuneration 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.

Performance Graph (Unaudited) – Total Shareholder Return
5 year Comparison of GPG shares against Unchanged UK Investment Trust Index



Details of individual directors' emoluments (audited figures)

The emoluments of the current directors of GPG are set out below. These amounts comprise emoluments payable to the directors by GPG and its subsidiaries for the year ended 31 December 2003 and by GPGUKH and its subsidiaries for the year ended 31 December 2002.

	Sir Ron Brierley £	T J N Beyer £	A I Gibbs £	B A Nixon £	Dr. G H Weiss £	G J Cureton £
Salaries and fees	–	115,000	396,188	354,166	391,414	302,357
Accrued bonus	75,000	–	1,000,000	1,000,000	1,100,000	876,500
Benefits in kind	–	7,277	–	10,311	–	–
TOTAL 2003	**75,000**	**122,277**	**1,396,188**	**1,364,477**	**1,491,414**	**1,178,857**
Total 2002	52,500	151,383	567,120	581,556	590,237	373,378
Gains on Options 2003	–	–	–	–	–	–
Gains on Options 2002	–	5,624	25,708	1,183,285	12,435	21,423
Pension 2003	–	–	–	29,273	50,505	34,343
Pension 2002	–	–	–	26,100	41,973	20,776

The aggregate emoluments and gains on share options exercised for the highest paid director were £1,491,414 (2002: £1,764,841). Contributions paid to money purchase pension schemes in respect of the highest paid director were £50,505 (2002: £26,100). The emoluments for Mr Cureton in 2002 are from 2 April 2002 (date of appointment) to 31 December 2002.

Corporate Governance – continued

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 and senior staff in accordance with the terms of the Group's share option schemes, the terms of which have been approved by the relevant 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. Awards are made in most years 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) In addition to his salary, B A Nixon receives contributions to a Personal Pension arrangement of his choice assessed at 10% of his salary. The remaining executive directors are entitled to direct that a variable amount of their total salary, as determined by the Remuneration 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) "Benefits in kind" may include, *inter alia,* the provision of a fully expensed company car and private health insurance.

vi) Directors are entitled to direct that a variable amount of their total salary, as determined by the Remuneration Committee each year, be paid in a form other than cash.

vii) T J N Beyer's remuneration figure includes £45,000 by way of director's fees and £25,000 from a joint venture undertaking. Mr Beyer is the jointly elected Chairman of the joint venture and his annual fees are borne by the joint venture (the Group's share being 50%). This is a departure from the Company's usual policy on directors' remuneration, which is to remit directors' fees from such entities back to the Company, because Mr Beyer is expected to act independently in this instance.

viii) The table set out above, and these notes, comprise the auditable part of the directors' remuneration report, being the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985.

Directors' Interests

1 The interests 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 2003 and 2002, are set out below.

i) Guinness Peat Group plc

Ordinary 5p shares

	31 December 2003	31 December 2002
Sir Ron Brierley	26,716,702	23,905,935
T J N Beyer*	996,146	887,528
A I Gibbs	466,421	359,341
B A Nixon*	4,291,155	3,824,425
Dr G H Weiss*	4,253,018	3,864,698
G J Cureton	151,408	112,200

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

	31 December 2003 Number	31 December 2002 Number	Effective exercise price (pence per share)	Exercise period
Sir Ron Brierley				
Ordinary	2,802,149	2,802,149	25.34	12.05.97 to 11.05.04
Super	1,401,073	1,401,073	25.34	12.05.99 to 11.05.04
Ordinary	278,370	278,370	32.78	08.05.99 to 07.05.06
Super	278,370	278,370	32.78	08.05.01 to 07.05.06
Ordinary	605,000	605,000	33.47	17.10.04 to 16.10.11
T J N Beyer				
Ordinary*	140,103	140,103	25.34	12.05.97 to 11.05.04
Super*	140,103	140,103	25.34	12.05.99 to 11.05.04
Ordinary	187,064	187,064	32.78	08.05.99 to 07.05.06
Super	278,370	278,370	32.78	08.05.01 to 07.05.06
Ordinary	91,303	91,303	32.78	08.05.99 to 07.05.06
Ordinary	184,044	184,044	41.30	01.09.00 to 31.08.07
Super	366,025	366,025	33.13	02.09.04 to 01.09.09
Ordinary	181,500	181,500	33.47	17.10.04 to 16.10.11

A I Gibbs				
Ordinary	140,104	140,104	25.34	12.05.97 to 11.05.04
Super	210,158	210,158	25.34	12.05.99 to 11.05.04
Ordinary	636,849	636,849	23.95	06.10.97 to 05.10.04
Super	318,421	318,421	23.95	06.10.99 to 05.10.04
Ordinary	567,602	567,602	25.11	25.08.98 to 24.08.05
Super	1,419,010	1,419,010	25.11	25.08.00 to 24.08.05
Ordinary	278,370	278,370	32.78	08.05.99 to 07.05.06
Super	278,370	278,370	32.78	08.05.01 to 07.05.06
Ordinary	506,133	506,133	33.10	13.01.00 to 12.01.07
Ordinary	460,121	460,121	41.30	01.09.00 to 31.08.07
Ordinary	405,848	405,848	35.39	22.03.02 to 21.03.09
Super	238,355	238,355	35.39	22.03.04 to 21.03.09
Super	2,269,355	2,269,355	33.13	02.09.04 to 01.09.09
Ordinary	1,210,000	1,210,000	33.47	17.10.04 to 16.10.11
G J Cureton				
Ordinary	318,421	318,421	23.95	06.10.97 to 05.10.04
Super	318,421	318,421	23.95	06.10.99 to 05.10.04
Ordinary	227,039	227,039	25.11	25.08.98 to 24.08.05
Super	454,081	454,081	25.11	25.08.00 to 24.08.05
Ordinary	85,136	85,136	32.33	11.04.99 to 10.04.06
Super	85,136	85,136	32.33	11.04.01 to 10.04.06
Ordinary	759,198	759,198	33.10	13.01.00 to 12.01.07
Super	253,065	253,065	33.10	13.01.02 to 12.01.07
Ordinary	460,121	460,121	41.30	01.09.00 to 31.08.07
Ordinary	405,848	405,848	35.39	22.03.02 to 21.03.09
Super	238,355	238,355	35.39	22.03.04 to 21.03.09
Super	2,122,945	2,122,945	33.13	02.09.04 to 01.09.09
Ordinary	1,210,000	1,210,000	33.47	17.10.04 to 16.10.11
B A Nixon				
Super*	1,401,073	1,401,073	25.34	12.05.99 to 11.05.04
Ordinary	278,370	278,370	32.78	08.05.99 to 07.05.06
Super	278,370	278,370	32.78	08.05.01 to 07.05.06
Ordinary	460,121	460,121	41.30	01.09.00 to 31.08.07
Ordinary	101,462	101,462	35.39	22.03.02 to 21.03.09
Super	59,588	59,588	35.39	22.03.04 to 21.03.09
Super	2,269,355	2,269,355	33.13	02.09.04 to 01.09.09
Ordinary	1,210,000	1,210,000	33.47	17.10.04 to 16.10.11
Dr G H Weiss				
Ordinary*	2,802,149	2,802,149	25.34	12.05.97 to 11.05.04
Super*	1,401,073	1,401,073	25.34	12.05.99 to 11.05.04
Ordinary	278,370	278,370	32.78	08.05.99 to 07.05.06
Super	278,370	278,370	32.78	08.05.01 to 07.05.06
Ordinary	460,121	460,121	41.30	01.09.00 to 31.08.07
Ordinary	528,246	528,246	35.39	22.03.02 to 21.03.09
Super	309,218	309,218	35.39	22.03.04 to 21.03.09
Super	2,562,175	2,562,175	33.13	02.09.04 to 01.09.09
Ordinary	1,210,000	1,210,000	33.47	17.10.04 to 16.10.11

*On 2 March 2004 Blake Nixon exercised options over 1,401,073 shares, and Trevor Beyer exercised options over 280,206 shares, 170,000 of which he sold the following day. On 8 March 2004 Gary Weiss exercised options over 4,203,221 shares.

No options granted to directors lapsed during the year and no options have been granted to directors or have lapsed since the year end.

The 2002 comparative figures have been adjusted to reflect the 2003 capitalisation issue of 1 new share for every 10 shares held.

As part of the reverse acquisition of Brunel Holdings plc, Trevor Beyer and Blake Nixon "rolled over" their options into replacement options over the Ordinary 5p shares of GPG. The other directors' existing GPGUKH options are over Ordinary shares of 10p each in GPGUKH. Under the Step-Up rights in that company's Articles of Association, any shares issued by GPGUKH in respect of options will be acquired automatically by GPG in exchange for Ordinary 5p shares in GPG, initially on a one-for-one basis.

Corporate Governance – continued

The middle market price of GPG's shares at 31 December 2003 was 67.0p and the range during the year was 39.55p to 68.5p.

ii) GPG (UK) Holdings plc – Convertible Subordinated Loan Notes

	31 December 2003	31 December 2002
Sir Ron Brierley	1,966,789	1,966,789
T J N Beyer	1,554,705	1,000,000
G J Cureton	–	–
A I Gibbs	913,433	686,846
B A Nixon	675	675
Dr G H Weiss	–	–

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of financial statements for the year ended 31 December 2003. The directors also confirm that, except as disclosed in note 1 to the financial statements, applicable accounting standards have been followed and the Group's accounting policies have been applied consistently.

The directors are responsible for keeping proper accounting records, for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report

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

We have audited the financial statements of Guinness Peat Group plc for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the statement of accounting policies and the related notes 2 to 37. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2003 and of the profit of the group for the year then ended; and
- the financial statements and that part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
15 March 2004

Notice of Annual General Meeting

Notice is hereby given that the 2004 Annual General Meeting of Guinness Peat Group plc ("the Company") will be held at 11.00 am on 12 May 2004 at The Army and Navy Club, 36 Pall Mall, London SW1Y 5JW to consider and, if thought fit, to pass the following resolutions which will be proposed as:

Ordinary Resolutions

1 To receive the directors' report, auditor's report and the financial statements for the year ended 31 December 2003.

2 To declare a final dividend of 1.00 pence per share, payable in cash.

3 To receive and approve the directors' remuneration report, as set out in the 2003 Annual Report, for the year ended 31 December 2003.

4 To re-elect Sir Ron Brierley a director of the Company.

5 To re-elect Graeme Cureton a director of the Company.

6 To re-appoint Deloitte & Touche LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

7 To authorise the directors to fix the remuneration of the auditor.

8 That the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate maximum nominal amount of £15,653,850, provided that this authority shall expire on the fifth anniversary of the passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry, and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot relevant securities be and are hereby revoked.

9 That, in addition and without prejudice to the authorisations set out in Resolution 8, the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate maximum nominal amount of £60,000,000 in connection with the issue by the Company of ordinary shares pursuant to the step-up rights set out in Article 46A of the Articles of Association of GPG (UK) Holdings plc ("GPGUKH"), as amended from time to time ("the Step-up Rights") in consideration for the transfer to the Company (or as the Company may direct) of any shares in GPGUKH which have been issued on conversion of the Convertible Loan Notes or the Capital Notes (as those terms are defined in the Step-up Rights), provided that this authority shall expire on the fifth anniversary of the date of passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired.

10 That, upon the recommendation of the directors, it is desirable to capitalise up to £3,533,611.95 being part of the amount standing to the credit of the Other reserve of the Company and accordingly such amount be set free for distribution among the holders of the ordinary shares of 5p of the Company ("ordinary shares") whose names are entered on the register of members at the close of business on the UK register of members or on the New Zealand or Australian branch registers on 21 May 2004, in proportion to the number of such ordinary shares then held by them respectively, on the basis that it be not paid in cash but be applied in paying up in full at par up to 70,672,239 new ordinary shares and that such shares be allotted and distributed, credited as full paid up, to and among the said holders of ordinary shares in the proportion of 1 new ordinary share for every 10 ordinary shares held by them, and that the directors be authorised and directed to apply the said £3,533,611.95 and generally and unconditionally authorised to allot the said new ordinary shares accordingly on or prior to 31 December 2004 upon such terms that such new ordinary shares shall rank in all respects *pari passu* with such of the existing issued ordinary shares as are fully paid or credited as fully paid.

Special Resolutions

11 That the directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 8 above, as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares, as the directors of the Company may determine, in any or all jurisdictions where equity securities are listed on any recognised stock exchange, in favour of ordinary shareholders where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on the record date of such allotment but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or the legal or practical problems in respect of overseas holders or otherwise; and

Notice of Annual General Meeting – continued

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities for cash up to an aggregate nominal value not exceeding £2,009,047,

such power, unless renewed or otherwise varied by the Company in general meeting, shall expire upon the expiry of the general authority conferred by Resolution 8 above. The Company may make an offer or agreement before this power has expired, which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired. Any earlier power of the directors to allot equity securities as aforesaid be and is hereby revoked.

12 That the Company be generally and unconditionally authorised for the purpose of Section 166 of the Act to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares in the capital of the Company provided that:

i) the maximum number of ordinary shares hereby authorised to be acquired is 104,445,600;

ii) the minimum price which may be paid for any such share is 5p;

iii) the maximum price which may be paid for any such share is the amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased (exclusive of associated expenses);

iv) the authority hereby conferred shall expire on 11 November 2005 or the date of the next Annual General Meeting of the Company whichever shall be the later;

vi) the Company may contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or might be executed wholly or partly after the expiration of such authority, and may purchase its ordinary shares in pursuance of any such contract.

13 That:

(a) pursuant to Article 123 of the Articles of Association of the Company, the directors be and they are hereby authorised to offer those shareholders entitled to any dividend declared or payable prior to the beginning of the fifth annual general meeting next following the date on which this resolution is passed the right to elect to receive additional ordinary shares, credited as fully paid, in lieu of the cash dividend on the terms and subject to any conditions that the directors consider to be in the best interests of the Company and provided that no partial elections be permitted unless the directors in their absolute discretion think fit and provided that any earlier power of the directors to offer shares in lieu of a cash dividend as aforesaid be and is hereby revoked;

(b) pursuant to Article 123(f) of the Articles of Association of the Company, the directors be and are hereby authorised to capitalise out of the amount for the time being standing to the credit of any reserve or fund whether or not the same is available for distribution, or any profits which could otherwise have been applied in paying dividends in cash, as the directors may determine, a sum equal to the aggregate nominal amount of the additional ordinary shares to be allotted pursuant to elections made as aforesaid, and to apply such sum in paying up in full the appropriate number of unissued ordinary shares in the Company and to allot such ordinary shares to the members of the Company who have validly so elected;

(c) in the event that the middle market quotation of an ordinary share of the Company on The Official Daily List of the London Stock Exchange as at the latest reasonably practicable date prior to the issue of the shares described in (a) above as determined by the directors in their absolute discretion is below the middle market quotation of an ordinary share on the date on which the proposed scrip dividend issue is publicly announced, the directors be and they are hereby entitled to withdraw the offer to shareholders who have elected to receive additional ordinary shares in lieu of the relevant cash dividend, who will receive the relevant cash dividend instead.

REGISTERED OFFICE:
First Floor
Times Place
45 Pall Mall
London SW1Y 5GP
Registered Number: 103548

By order of the Board
Richard Russell
Secretary
15 March 2004

Notes to Notice of Meeting

1 The venue for this year's AGM is The Army and Navy Club, which is a private members' club. Shareholders intending to attend the AGM are requested to conform to the Club's dress code.

2 A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of the member. A proxy need not be a member of the Company. A relevant form of proxy is enclosed.

3 Forms of proxy and a power of attorney or other authority, if any, under which they are signed or a notarially certified copy of a power or authority should be sent to Computershare Investor Services PLC, PO Box BS13, The Pavilions, Bridgwater Road, Bristol BS99 7DS (from UK registered members), Computershare Investor Services Limited, Private Bag 92119, Auckland 1020 (from New Zealand registered members) or Registries Limited, PO Box R67, Royal Exchange, Sydney, NSW 1224 (from Australian registered members) so as to arrive not later than 48 hours before the time appointed for the meeting. Completion and return of the appropriate form of proxy enclosed with this Notice will not preclude a member from attending and voting at the meeting in person should he find himself able to do so.

4 The Chairman intends to vote any undirected proxies in favour of all the Resolutions set out in the Notice of the AGM.

5 Copies of the service contracts of Graeme Cureton, Tony Gibbs, Blake Nixon and Gary Weiss will be available for inspection at the offices of Herbert Smith, Exchange House, Primrose Street, London EC2 during normal business hours any week day (Saturdays and public holidays excepted) from the date of this document until 12 May 2004 being the date of the Annual General Meeting.

6 A summary of the proceedings at the Annual General Meeting of the Company will be made available upon request to any shareholder applying to any one of the Company's share registrars whose locations are set out on page 68 or to the Secretary, Guinness Peat Group plc, First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP.

7 To have the right to attend and vote at the Annual General Meeting (and also for the purposes of calculating how many votes a person may cast), a person must have his/her name entered on the register by no later than 3.00pm UK time on 10 May 2004. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Guinness Peat Group plc

UNITED KINGDOM

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

AUSTRALIA

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

NEW ZEALAND

c/o Computershare Investor Services Limited
Private Bag 92119, Auckland 1020
Telephone: 09 488 8700 Facsimile: 09 488 8787

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:

Register	Telephone and postal enquiries	Inspection of Register
UK Main Register: Computershare Investor Services PLC	PO Box 82, The Pavilions, Bridgwater Road Bristol BS99 7NH Tel: 0870 702 0000 Facsimile: 0870 703 6143	PO Box 82, The Pavilions Bridgwater Road Bristol BS99 7NH
Australian Branch Register: 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
New Zealand Branch Register: 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