

Guinness Peat Group plc



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This summarised report is derived from the Company's full annual financial statements and directors' report, on which the Company's auditor has given an unqualified opinion.

The Annual General Meeting will be held on 12 May 2004 in London. The Notice of Annual General Meeting, details of the business to be transacted and arrangements for the Meeting are set out at the end of this booklet.

[The Companies \(Summary Financial Statement\) Regulations 1995](#)

The Summary Financial Statement on pages 12 to 15 does not contain sufficient information to allow as full an understanding of the results and state of affairs of Guinness Peat Group plc as would be provided by the full annual financial statements and directors' report. Shareholders who require more detailed information may elect to receive the full annual accounts and directors' report for 2003, or for future years, free of charge by writing to the Registrars, the addresses for which appear on page 20.

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.

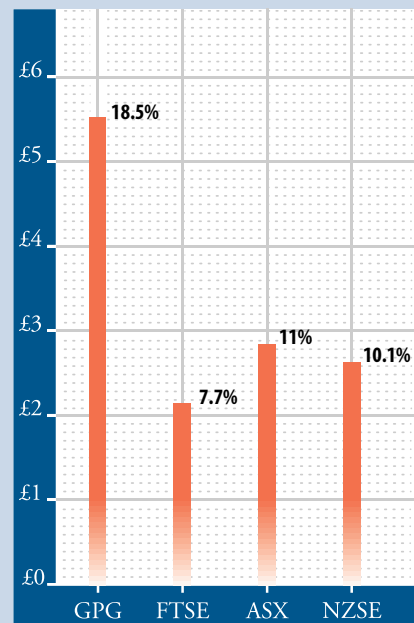
In December, we sold our residual holding of **Turners Auctions** shares, thus concluding a role which proved very successful for GPG and other investors in the company. GPG was at the helm from the original spin off ex Turners & Growers and leaves what has now become a strongly growing independent company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

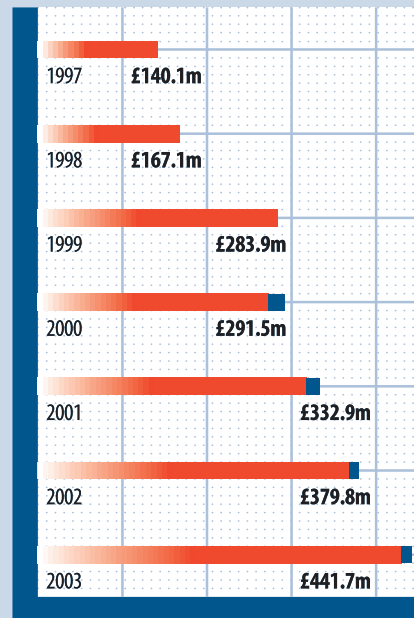
Other than the standard 1p dividend and 1 for 10 bonus issue (this year's is the 11th in succession, multiplying an original 1990 shareholding 2.85 times) GPG's preferred allocation of resources will be solely to achieve organic growth in the value of the shares, which is always the top priority in any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

	Consolidated Figures Year ended 31 December 2003			Consolidated Figures At 31 December 2003	
	GPG Holding 31 December 2003 %	Net profits before Minority interests £000	Group Turnover £000	Total Assets £000	Net Assets £000
Subsidiaries					
UNITED KINGDOM					
Staveley Industries plc <i>Building services</i>	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					
NEW ZEALAND					
Turners & Growers Ltd <i>Fresh produce wholesaler</i>	78.96%	4,995	218,293	95,865	61,389
AUSTRALIA					
Cannera Investment Corporation Ltd <i>Property Developer</i>	68.63%	4,937	10,035	34,573	19,134
UNITED STATES OF AMERICA					
Staveley Inc <i>Testing services</i>	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%				
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:

- np: This information had not been published by the relevant company at 15 March 2004, the last practicable date before printing this Annual Report.
- 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:

	Release for year £000	Net Negative Goodwill at 31 December 2003 £000
Subsidiaries – Goodwill		
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%
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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 Remuneration 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

Summary Directors' Report

The directors present their summarised annual report and summarised 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 Summarised Annual Report as "the former GPG" or "GPGUKH" by Guinness Peat Group plc (formerly Brunel Holdings plc)).

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 the 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 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

A summary of the results of the Group are shown on page 12 and movements on shareholders' funds are set out on page 15. 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.

The directors propose to offer an enhanced scrip dividend alternative of 1 new Ordinary Share for every 70 held in lieu of the final cash dividend for the year ended 31 December 2003.

Share Capital

Details of changes to the share capital of GPG during the year are set out in the Share Capital note on page 14.

At the 2004 Annual General Meeting, separate resolutions will be put to shareholders relating to the share capital of the Company.

These broadly mirror resolutions approved by shareholders in 2003 and relate to the issue of shares in certain circumstances (sections 80 and 95 of the Companies Act 1985), the proposed Capitalisation Issue of 1 new Ordinary Share for every 10 shares held and authorities for the directors to buy back the Company's shares on market and to offer shares in lieu of a cash dividend.

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 authority to purchase its issued Ordinary Shares on market were to be exercised by the Company these options would then represent 7.63% of the reduced issued share capital.

GPG'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 20.

Summary Directors' Report – continued

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.

Directors

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

Auditors

Shareholders will recall that Deloitte & Touche were appointed as auditor 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 them as auditors on 12 September 2003. A resolution to re-appoint Deloitte & Touche LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

Richard Russell

Secretary

15 March 2004

Report on Directors' Remuneration

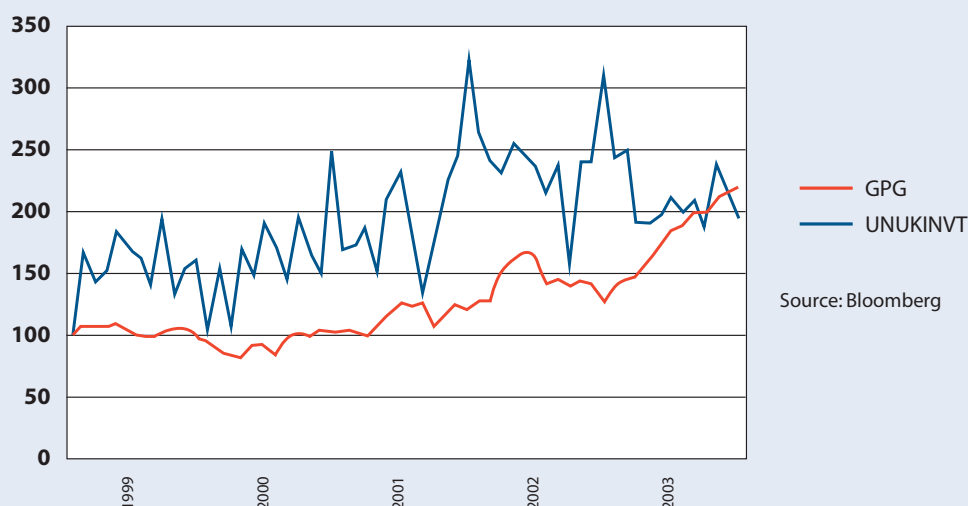
Directors' Remuneration Policy

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



Source: Bloomberg

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 £	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 schemes in respect of the highest paid director were £50,505 (2002: £26,100).

The 2002 emoluments for Mr Cureton are from 2 April 2002 (date of appointment) to 31 December 2002.

The total remuneration of the directors was £5,628,000 (2002: £3,565,000), including gains on exercise of options of £Nil (2002: £1,248,000). The Group paid contributions to money purchase schemes in respect of 3 directors (2002: 3 directors).

Notes

- Overseas directors' emoluments, which are paid in local currency, have been translated at the relevant year-end exchange rate.
- 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 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.
- 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.
- All pension contributions are in respect of defined contribution arrangements.
- "Benefits in kind" may include, *inter alia*, the provision of a fully expensed company car and private health insurance.
- 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.
- T J N Beyer's remuneration figure includes £45,000 by way of directors' fees and £25,000 payable 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 Company'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.
- 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.

Summary Consolidated Profit and Loss Account

Year ended 31 December	2003 £000	2002 £000
Group turnover	552,988	514,836
Cost of sales	(423,029)	(425,292)
Gross profit	129,959	89,544
Profit on disposal of investments and other net investment income	41,868	47,420
Net operating expenses	(104,310)	(90,101)
Group operating profit	67,517	46,863
Share of operating profit of associates and joint ventures	24,570	2,534
Profit on sale of business (2002: subsidiary)	19,056	12,238
Interest payable and similar charges	(23,423)	(10,546)
Profit on ordinary activities before taxation	87,720	51,089
Tax on profit on ordinary activities	(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	(6,894)	(6,252)
RETAINED PROFIT FOR THE YEAR	57,072	36,209
Earnings per Ordinary Share - Basic (pence)	9.28p	6.36p
Earnings per Ordinary Share - Diluted (pence)	6.78p	5.39p
Dividends per Ordinary Share (pence)	1.00p	0.91p

Summarised Consolidated Balance Sheet

Year ended 31 December	2003 £000	2002 £000
FIXED ASSETS		
Investments	291,496	256,189
Other	68,824	63,615
TOTAL FIXED ASSETS	360,320	319,804
CURRENT ASSETS		
Stocks and development work in progress	28,235	13,981
Debtors	93,229	128,727
Investments	17,426	36,874
Cash	289,463	113,827
TOTAL CURRENT ASSETS	428,353	293,409
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Convertible subordinated loan notes	(5,963)	(3,863)
Other creditors	(127,724)	(121,535)
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		
Convertible subordinated loan notes	(5,964)	(7,725)
Capital notes	(166,513)	(67,765)
Other creditors	(24,172)	(13,978)
	(196,649)	(89,468)
PROVISIONS FOR LIABILITIES AND CHARGES	(10,662)	(15,784)
NET ASSETS	447,675	382,563
CAPITAL AND RESERVES		
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

Investments

Year ended 31 December	2003 £000	2002 £000
FIXED ASSETS INVESTMENTS		
Listed investments	154,124	199,667
Unlisted investments	3,551	3,586
Art portfolio	269	269
	157,944	203,522
Interests in associated undertakings	38,299	40,008
Interests in joint ventures	95,253	12,659
TOTAL FIXED ASSET INVESTMENTS	291,496	256,189

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). All listed shares are quoted on recognised stock exchanges.

CURRENT ASSET INVESTMENTS

Listed investments	17,253	18,769
Unlisted investments	173	18,105
TOTAL CURRENT ASSET INVESTMENTS	17,426	36,874

The market value of the listed current asset investments is £18,225,000 (2002: £23,731,000). These investments are all quoted on recognised stock exchanges.

Share Capital

	Number of shares
During the year, the movements in the Company's share capital were as follows:	
Ordinary shares of 5p each of the Company at 1 January 2003	621,888,241
Employee options exercised	465,303
Scrip dividend alternative	8,211,461
Capitalisation issue	63,301,316
Conversion of CLNs	5,773,174
Share buy-back	(10,419,320)
Ordinary shares of 5p each of the Company at 31 December 2003	<u>689,220,175</u>

All the shares are fully paid.

The Company's authorised share capital is 5,000,000,000 ordinary shares of 5p each.

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

Reconciliation of Movements in Shareholders' Funds

Year ended 31 December	2003 £000	2002 £000
Profit attributable to ordinary shareholders	63,966	42,461
Unrealised gain on sale 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)
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
Buy back of ordinary shares (including expenses)	(5,434)	–
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

ACQUISITIONS

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.

OTHER INFORMATION

The Summary Financial Statement has been extracted from the Company's full financial statements, which have been reported on by the auditors, and will be filed with the United Kingdom Registrar of Companies. The auditors' report on the full financial statements is unqualified and does not contain a statement under either Section 237(2) or Section 237(3) of the United Kingdom Companies Act 1985.

Independent Auditor's Statement to the Members of Guinness Peat Group plc

AUDITOR'S STATEMENT

We have examined the summary financial statement which comprises the summary directors' report, the summary report on directors' remuneration, the summary profit and loss account and the summary balance sheet.

This report is made solely to the company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the company's members those matters we are required to state 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, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summarised annual report in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual accounts and directors' report and the directors' remuneration report, and its compliance with the relevant requirements of section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the summarised annual report as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 *The Auditors' Statement on the Summary Financial Statement* issued by the United Kingdom Auditing Practices Board.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts, the directors' report and the directors' remuneration report of Guinness Peat Group plc for the year ended 31 December 2003 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

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 11.00am 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 20 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
<p>UK Main Register: Computershare Investor Services PLC</p>	<p>PO Box 82, The Pavilions, Bridgwater Road Bristol BS99 7NH Tel: 0870 702 0000 Facsimile: 0870 703 6143</p>	<p>PO Box 82, The Pavilions Bridgwater Road Bristol BS99 7NH</p>
<p>Australian Branch Register: Registries Ltd</p>	<p>PO Box R67 Royal Exchange, Sydney NSW 1224 Tel: 02 9279 0677 Facsimile: 02 9279 0664</p>	<p>Level 2, 28 Margaret Street Sydney NSW 2000</p>
<p>New Zealand Branch Register: Computershare Investor Services Limited</p>	<p>Private Bag 92119, Auckland 1020 Tel: 09 488 8777 Facsimile: 09 488 8787</p>	<p>Level 2, 159 Hurstmere Road Takapuna North Shore City</p>