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Chairman's Statement

GPG Finance Limited is a company established and organised in England and listed on the New Zealand Stock Exchange ("NZSE"). This report has been prepared in a manner which complies with the UK Companies Act 1985 and UK generally accepted accounting practice.

The Company's sole activity is to borrow, by way of capital notes, and lend to companies within the Guinness Peat Group at a margin above average cost. During 2001 it raised NZ\$250 million through the issue of unsecured subordinated 9% fixed interest Loan Notes in New Zealand ("Capital Notes"). As a consequence, and unusually for a UK company, it reports in New Zealand dollars.

On 13 December 2002 the Company's immediate parent company, Guinness Peat Group plc, was acquired by Brunel Holdings plc by virtue of a Court approved Scheme of Arrangement ("the Brunel Merger"). A circular was sent to holders of Capital Notes on 4 November 2002 setting out in detail the transaction, and its effects in relation to the holders of Capital Notes.

Following the Brunel Merger, the companies changed their names, such that the Company's immediate parent, Guinness Peat Group plc, was renamed GPG (UK) Holdings plc ("GPGUKH") and Brunel Holdings plc then changed its name to Guinness Peat Group plc ("GPG").

The obligations of the Company under the Capital Notes are guaranteed by GPGUKH on a subordinated basis. If the interest payments on the Capital Notes are

not paid on the due date, for as long as such payments remain unpaid GPGUKH covenants not to pay any dividends or make certain other returns of capital or distributions in respect of its ordinary shares.

Following the Brunel Merger, GPG entered into a subordinated and unsecured guarantee in respect of the GPGUKH covenant.

The Company has lent the proceeds from the issue of the Capital Notes to a company within the GPG Group in accordance with the terms of the issue of the Capital Notes and has received interest income on that loan. The loan attracts interest at a fixed rate of 10.25% per annum and is repayable on or after 15 November 2006, the initial election date for the Capital Notes ("the Capital Note Election Date"). No amounts were in arrears at 31 December 2002.

A more detailed report on the Capital Notes, their form, and the effect of the Brunel Merger, can be found in note 11 on page 13.

The Company does not have a formally constituted audit committee of its Board.

BA Nixon
Chairman
24 April 2003



Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal Activities and Review of the Business

The Company was incorporated on 2 July 2001, for the specific purpose of issuing NZ\$250 million of fixed interest Capital Notes and lending the proceeds to its parent company, GPGUKH, under the terms of a subordinated loan agreement.

The Capital Notes have an initial term of five years and may be converted into ordinary shares in the ultimate holding company, Guinness Peat Group plc. See note 11 on page 13 for further details.

Reporting Currency

The Company's assets, liabilities and cash flows are mainly denominated in New Zealand dollars ("NZ\$"), and the directors have therefore decided to present the financial statements in that currency.

Results and Dividends

The profit for the year after taxation amounted to NZ\$261,597 (period ended 31 December 2001: NZ\$75,251). No dividends were paid during the year (period ended 31 December 2001: NZ\$Nil), and the directors do not recommend a final dividend (period ended 31 December 2001: NZ\$Nil). The retained profit of NZ\$261,597 will be transferred to reserves (period ended 31 December 2001: NZ\$75,251).

Directors

The directors who served during the year were as follows:

B A Nixon (chairman)
T J N Beyer
C J R Gleave
J R Russell

Directors' Interests

Throughout the year no director held an interest in the shares of the Company.

The interests of the directors and their connected persons in the shares and securities of the ultimate holding companies, being GPG and previously GPGUKH, are set out below. All holdings are beneficial.

Ordinary shares of 5p (2001: 10p) each in Guinness Peat Group plc (2001: GPG (UK) Holdings plc)

B A Nixon held 3,824,425 shares at 31 December 2002 (2001: 100,708 shares).

T J N Beyer held 887,528 shares at 31 December 2002 (2001: 595,141 shares).

C J R Gleave held 220,245 shares at 31 December 2002 (2001: 193,961 shares).

J R Russell held no shares at 31 December 2002 (2001: Nil).

Directors' Report - continued

8% Convertible subordinated unsecured loan notes of 30p (31 December 2001: 40p) each due 2005 of GPG (UK) Holdings plc

B A Nixon held 675 loan notes at 31 December 2002 (2001: 675 loan notes).

T J N Beyer held 1,000,000 loan notes at 31 December 2002 (2001: 1,000,000 loan notes).

C J R Gleave held 11,818 loan notes at 31 December 2002 (2001: 11,818 loan notes).

J R Russell held no loan notes at 31 December 2002 (2001: Nil).

Options under the Group's share option schemes

The comparative figures have been adjusted to take account of the effect of the 2002 capitalisation issue. The exercise price of these options is stated in UK pence, being the currency of these options.

| Option type | Option period | 31 December 2002 | | 31 December 2001 | |
|------------------|-------------------------|--------------------|------------------|--------------------|-----------|
| | | Exercise Price (p) | Number | Exercise Price (p) | Number |
| B A Nixon | | | | | |
| Ordinary | 05.06.1995 - 04.06.2002 | – | – | 11.31 | 1,308,897 |
| Ordinary | 19.04.1996 - 18.04.2003 | – | – | 13.37 | 1,374,341 |
| Ordinary | 12.05.1997 - 11.05.2004 | – | – | 27.87 | 955,276 |
| Super | 12.05.1999 - 11.05.2004 | 27.87 | 1,273,703 | 27.87 | 1,273,703 |
| Ordinary | 08.05.1999 - 07.05.2006 | 36.06 | 253,064 | 36.06 | 253,064 |
| Super | 08.05.2001 - 07.05.2006 | 36.06 | 253,064 | 36.06 | 253,064 |
| Ordinary | 01.09.2000 - 31.08.2007 | 45.43 | 418,292 | 45.43 | 418,292 |
| Ordinary | 22.03.2002 - 21.03.2009 | 38.93 | 92,238 | 38.93 | 92,238 |
| Super | 22.03.2004 - 21.03.2009 | 38.93 | 54,171 | 38.93 | 54,171 |
| Super | 02.09.2004 - 01.09.2009 | 36.44 | 2,063,050 | 36.44 | 2,063,050 |
| Ordinary | 17.10.2004 - 16.10.2011 | 36.82 | 1,100,000 | 36.82 | 1,100,000 |

During the year, B A Nixon exercised 3,638,514 options over the shares in GPG (UK) Holdings plc, at an average price of 16.44p per share. The average market price, adjusted to reflect the 2002 capitalisation issue, was 52.5p per share.

T J N Beyer

| | | | | | |
|----------|-------------------------|--------------|----------------|-------|---------|
| Ordinary | 12.05.1997 - 11.05.2004 | 27.87 | 127,367 | 27.87 | 127,367 |
| Super | 12.05.1999 - 11.05.2004 | 27.87 | 127,367 | 27.87 | 127,367 |
| Ordinary | 08.05.1999 - 07.05.2006 | 36.06 | 170,058 | 36.06 | 170,058 |
| Super | 08.05.2001 - 07.05.2006 | 36.06 | 253,064 | 36.06 | 253,064 |
| Ordinary | 08.05.1999 - 07.05.2006 | 36.06 | 83,003 | 36.06 | 83,003 |
| Ordinary | 01.09.2000 - 31.08.2007 | 45.43 | 167,313 | 45.43 | 167,313 |
| Super | 02.09.2004 - 01.09.2009 | 36.44 | 332,750 | 36.44 | 332,750 |
| Ordinary | 17.10.2004 - 16.10.2011 | 36.82 | 165,000 | 36.82 | 165,000 |

C J R Gleave

| | | | | | |
|----------|-------------------------|--------------|----------------|-------|---------|
| Ordinary | 12.05.1997 - 11.05.2004 | 27.87 | 127,367 | 27.87 | 127,367 |
| Super | 12.05.1999 - 11.05.2004 | 27.87 | 127,367 | 27.87 | 127,367 |
| Ordinary | 25.08.1998 - 24.08.2005 | 27.62 | 42,996 | 27.62 | 42,996 |
| Super | 25.08.2000 - 24.08.2005 | 27.62 | 85,998 | 27.62 | 85,998 |
| Ordinary | 11.04.1999 - 10.04.2006 | 35.57 | 50,609 | 35.57 | 50,609 |
| Super | 11.04.2001 - 10.04.2006 | 35.57 | 50,609 | 35.57 | 50,609 |
| Ordinary | 01.09.2000 - 31.08.2007 | 45.43 | 62,742 | 45.43 | 62,742 |
| Ordinary | 22.03.2002 - 21.03.2009 | 38.93 | 78,328 | 38.93 | 78,328 |
| Super | 22.03.2004 - 21.03.2009 | 38.93 | 46,118 | 38.93 | 46,118 |
| Super | 02.09.2004 - 01.09.2009 | 36.44 | 465,850 | 36.44 | 465,850 |
| Ordinary | 17.10.2004 - 16.10.2011 | 36.82 | 165,000 | 36.82 | 165,000 |



| Option type | Option period | 31 December 2002 | | 31 December 2001 | |
|--------------------|-------------------------|--------------------|----------------|--------------------|---------|
| | | Exercise Price (p) | Number | Exercise Price (p) | Number |
| J R Russell | | | | | |
| Super | 03.01.2001 - 02.01.2006 | 31.49 | 128,998 | 31.49 | 128,998 |
| Ordinary | 03.01.1999 - 02.01.2006 | 31.49 | 128,998 | 31.49 | 128,998 |
| Ordinary | 13.01.2000 - 12.01.2007 | 36.41 | 92,021 | 36.41 | 92,021 |
| Ordinary | 01.09.2000 - 31.08.2007 | 45.43 | 62,742 | 45.43 | 62,742 |
| Ordinary | 03.08.2001 - 02.08.2008 | 31.42 | 53,658 | 31.42 | 53,658 |
| Super | 03.08.2003 - 02.08.2008 | 31.42 | 26,865 | 31.42 | 26,865 |
| Ordinary | 22.03.2002 - 21.03.2009 | 38.93 | 78,328 | 38.93 | 78,328 |
| Super | 22.03.2004 - 21.03.2009 | 38.93 | 46,118 | 38.93 | 46,118 |
| Super | 02.09.2004 - 01.09.2009 | 36.44 | 465,850 | 36.44 | 465,850 |
| Ordinary | 17.10.2004 - 16.10.2011 | 36.82 | 165,000 | 36.82 | 165,000 |

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 as at the end of the financial year and of the profit or loss of the Company 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 the financial statements for the year ended 31 December 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis. The directors are also responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

GPG Finance Ltd's corporate governance procedures depend on, and are encompassed within, the corporate governance policies, practices and procedures of its ultimate parent company, Guinness Peat Group plc, details of which appear in the Corporate Governance section of that company's Report and Accounts for the year to 31 December 2002.

Auditors

Following the conversion of our auditors, PricewaterhouseCoopers, to a limited liability partnership ("LLP") from 1 January 2003, PricewaterhouseCoopers resigned on 13 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By order of the Board
 J R Russell
 Secretary
 24 April 2003

Supplementary Information

SUPPLEMENTARY INFORMATION REQUIRED BY THE NEW ZEALAND STOCK EXCHANGE LISTING RULES FOR THE YEAR ENDED 31 DECEMBER 2002

a) The top 20 registered holdings of the issued Capital Notes at 31 March 2003 were as follows:

| Holding | Holder |
|------------|--|
| 23,447,000 | New Zealand Central Securities Depository Limited |
| 7,132,000 | Investment Custodial Services Limited (C) |
| 4,500,000 | Masfen Holdings Limited |
| 4,000,000 | Rect Funds Management Limited |
| 1,490,000 | Hornchurch Limited |
| 1,332,000 | Custodial Services Ltd A/C 3 |
| 1,208,000 | Custodial Nominees Limited |
| 1,024,000 | Custodial Services Limited A/C 2 |
| 942,000 | Oakwood Securities Limited |
| 800,000 | Jeremy Kippenberger & Alister Macalister |
| 746,000 | Eeshala Nominees Limited |
| 700,000 | Auckland Medical Research Foundation |
| 700,000 | John Richard Avery & Peter Glen Inger & Joanne Adele Inger |
| 600,000 | Cornwall Park Trust Board |
| 600,000 | New Zealand Methodist Trust Association |
| 600,000 | Brian Albert Powell |
| 600,000 | Roman Catholic Bishop of Palmerston North |
| 550,000 | Presbyterian Savings & Development Society |
| 540,000 | Noel Stuart Robinson & Nigel Thomas Evans |
| 500,000 | The Fletcher Trust |

b) The spread of holdings in the issued Capital Notes at 31 March 2003 was as follows:

| Holding | No. | % | Value (NZ\$) | % |
|------------------|--------------|----------------|--------------------|----------------|
| 1 - 1,000 | – | – | – | 0.00% |
| 1,001 - 5,000 | 1,553 | 19.11% | 7,759,000 | 3.10% |
| 5,001 - 10,000 | 2,027 | 24.95% | 19,592,000 | 7.85% |
| 10,001 - 50,000 | 3,924 | 48.29% | 103,232,000 | 41.29% |
| 50,001 - 100,000 | 453 | 5.57% | 37,406,000 | 14.96% |
| over 100,000 | 169 | 2.08% | 82,011,000 | 32.80% |
| | 8,126 | 100.00% | 250,000,000 | 100.00% |

c) None of the directors has, or had at any time during the year to 31 December 2002, any holding in the issued Capital Notes.



Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GPG FINANCE LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Directors' Report and the Supplementary Information required by the New Zealand Stock Exchange Listing Rules.

Basis of audit opinion

We conducted our audit in accordance with 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. 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 Company's circumstances, 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
24 April 2003

Profit and Loss Account

| | Notes | Year ended 31 December 2002 NZ\$ | Period ended 31 December 2001 NZ\$ |
|--|-------|--|--|
| Interest receivable | 3 | 24,676,563 | 8,297,155 |
| Interest payable | 4 | <u>(24,355,021)</u> | <u>(8,984,060)</u> |
| | | 321,542 | (686,905) |
| Other operating income | 5 | - | 763,674 |
| Other operating expenses | 6 | <u>(59,945)</u> | <u>(1,518)</u> |
| Profit on ordinary activities before taxation | | 261,597 | 75,251 |
| Tax on profit on ordinary activities | 7 | - | - |
| RETAINED PROFIT FOR THE PERIOD | | <u>261,597</u> | <u>75,251</u> |

Continuing operations

The Company was incorporated on 2 July 2001, and was set up for the specific purpose of issuing NZ\$250 million of fixed interest Capital Notes and lending the proceeds to its parent company.

Statement of total recognised gains and losses

The Company has no recognised gains or losses other than the profit for the financial period.

The movements in reserves are disclosed in note 13 to the financial statements.



Balance Sheet

| 31 December | Notes | 2002 NZ\$ | 2001 NZ\$ |
|--|-------|--------------------|---------------|
| CURRENT ASSETS | | | |
| Debtors: amounts falling due within one year | 8 | 5,519,908 | 3,450,875 |
| Debtors: amounts falling due after more than one year | 9 | 240,724,893 | 240,724,893 |
| | | 246,244,801 | 244,175,768 |
| Cash at bank and in hand | | 50,784 | 3,199 |
| TOTAL CURRENT ASSETS | | 246,295,585 | 244,178,967 |
| Creditors: amounts falling due within one year | 10 | (2,835,617) | (2,835,617) |
| NET CURRENT ASSETS | | 243,459,968 | 241,343,350 |
| Creditors: amounts falling due after more than one year | | | |
| Capital Notes | 11 | (243,123,113) | (241,268,092) |
| NET ASSETS | | 336,855 | 75,258 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 7 | 7 |
| Profit and loss account | 13 | 336,848 | 75,251 |
| EQUITY SHAREHOLDERS' FUNDS | 14 | 336,855 | 75,258 |

These financial statements were approved by the Board of Directors on 24 April 2003.

B A Nixon, Director

J R Russell, Director

The notes on pages 11 to 15 form part of these financial statements.

Cash Flow Statement

| | Notes | Year ended 31 December 2002 NZ\$ | Period ended 31 December 2001 NZ\$ |
|--|-------|--|--|
| Net cash inflow/(outflow) from operating activities | 15a | 47,585 | (240,721,701) |
| Financing: | | | |
| Increase in debt | 15b | - | 240,724,893 |
| Issue of shares | 15b | - | 7 |
| | | - | 240,724,900 |
| INCREASE IN CASH FOR THE PERIOD | | 47,585 | 3,199 |
| RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT | | | |
| Increase in cash for the period | | 47,585 | 3,199 |
| Cash inflow from increase in debt | | - | (240,724,893) |
| Change in net debt resulting from cash flows | | 47,585 | (240,721,694) |
| Non-cash movements | | (1,855,021) | (543,199) |
| Movement in net debt for the period | | (1,807,436) | (241,264,893) |
| Net debt as at 1 January | | (241,264,893) | - |
| NET DEBT AS AT 31 DECEMBER | 15c | (243,072,329) | (241,264,893) |

The non-cash movements comprise the amortisation of issue costs for Capital Notes.



Notes to Financial Statements

1. Accounting policies

a) ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom, on the going concern basis.

The Company operates as a finance vehicle, and accordingly its interest receivable and interest payable are presented within operating profit.

The Company has implemented FRS 19 "Deferred Tax", which requires that full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date. The adoption of FRS 19 has not impacted on the Company's accounts because it does not have any timing differences.

b) REPORTING CURRENCY

The Company's assets, liabilities and cash flows are mainly denominated in New Zealand dollars ("NZ\$"), and the Directors have therefore decided to present the financial statements in that currency. The exchange rate on 31 December 2002 was NZ\$3.0779: £1 (31 December 2001: NZ\$3.4952: £1).

c) FOREIGN CURRENCIES

Transactions in currencies other than the New Zealand dollar are recorded at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the New Zealand dollar are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

d) ISSUE COSTS

The costs incurred in issuing Capital Notes are deducted from the proceeds of issue. The issue costs are then charged to the profit and loss account as a financing cost over the initial term of the Capital Notes.

e) TAXATION

The Company does not pay for group relief surrendered from fellow Group companies.

2. Directors' emoluments

The Directors are employed and remunerated as directors or executives of the ultimate holding company, and received no emoluments in respect of their services to the Company.

3. Interest receivable

| | Year ended 31 December 2002 NZ\$ | Period ended 31 December 2001 NZ\$ |
|--|---|---|
| Bank interest | 6,041 | 1,267,746 |
| Interest on loan to parent undertaking | <u>24,670,522</u> | <u>7,029,409</u> |
| | <u>24,676,563</u> | <u>8,297,155</u> |

4. Interest payable

| | Year ended 31 December 2002 NZ\$ | Period ended 31 December 2001 NZ\$ |
|---|---|---|
| Interest payable on Capital Notes | 22,500,000 | 8,440,861 |
| Amortisation of issue costs for Capital Notes | <u>1,855,021</u> | <u>543,199</u> |
| | <u>24,355,021</u> | <u>8,984,060</u> |

Notes to Financial Statements - continued

5. Other operating income

Other operating income in 2001 comprised a one-off payment from the parent undertaking of NZ\$763,674 in respect of an arrangement fee.

6. Other operating expenses

Auditors' remuneration is borne by the parent company.

There were no employees.

7. Tax on profit on ordinary activities

| | Year ended 31 December 2002 NZ\$ | Period ended 31 December 2001 NZ\$ |
|---|---|---|
| CURRENT TAX | | |
| UK corporation tax | - | - |
| The current tax charge is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below: | | |
| Profit on ordinary activities before taxation | 261,597 | 75,251 |
| Profit on ordinary activities multiplied by standard rate of tax in the UK of 30% (2001: 30%) | 78,479 | 22,575 |
| Effect of group relief surrendered without charge | (78,479) | (22,575) |
| CURRENT TAX CHARGE FOR THE PERIOD | - | - |

8. Debtors: amounts falling due within one year

| | 2002 NZ\$ | 2001 NZ\$ |
|-----------------------------|------------------|--------------|
| 31 December | | |
| Due from parent undertaking | 5,519,908 | 3,450,875 |

9. Debtors: amounts falling due after more than one year

| | 2002 NZ\$ | 2001 NZ\$ |
|----------------------------|--------------------|--------------|
| 31 December | | |
| Loan to parent undertaking | 240,724,893 | 240,724,893 |

The loan to GPG (UK) Holdings plc (formerly Guinness Peat Group plc), which is denominated in New Zealand dollars, is unsecured and subordinated to all other creditors except the 8% Convertible Loan Notes of GPG (UK) Holdings plc, with which it ranks *pari passu*. The loan attracts interest at a fixed rate of 10.25% per annum and is repayable on or after 15 November 2006, the initial election date for the Capital Notes.

10. Creditors: amounts falling due within one year

| | 2002 NZ\$ | 2001 NZ\$ |
|--------------------------|------------------|--------------|
| 31 December | | |
| Accrued interest payable | 2,835,617 | 2,835,617 |



11. Capital Notes

| 31 December | 2002 NZ\$ | 2001 NZ\$ |
|--|--------------------|--------------------|
| Capital Notes repayable between two and five years | <u>243,123,113</u> | <u>241,268,092</u> |

Between 2 August 2001 and 11 September 2001, the Company issued NZ\$250 million of unsecured, subordinated fixed interest Capital Notes. The issue costs amounted to NZ\$9,275,107, 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 2002, the unamortised balance of these costs was NZ\$6,876,887. The Capital Notes bear interest at a fixed rate of 9.0% per annum, payable on a quarterly basis.

The Capital Notes have an initial election date of 15 November 2006, prior to which GPGUKH will provide terms and conditions on which noteholders may elect to roll-over their Capital Notes. Noteholders may then elect to retain some or all of their Capital Notes for a further period on the new terms and conditions and/or to convert some or all of their Capital Notes. The Capital Notes are initially convertible into ordinary shares of GPGUKH. However, under the terms of the Brunel Merger (defined in the Chairman's Statement on page 2), "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 Capital 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 Capital Notes will be into such number of GPGUKH shares as is equal to the number of GPG shares having a value equal to the aggregate of the principal amount of, and any accrued interest and unpaid interest on, the Capital Notes being converted, such GPG shares being valued for this purpose at a price of 97% of the weighted average sale price of an Ordinary Share in GPG over the five business days prior to the election date. These elections are subject to GPGUKH's over-riding right (at its option) to purchase for cash some or all of the Capital Notes for their principal amount, together with any accrued interest and unpaid interest.

GPGUKH has provided a subordinated and unsecured guarantee in respect of the repayment of principal and the payment of accrued interest and unpaid interest due on the Capital Notes on liquidation of the Company of GPGUKH itself. In the event that the Company is in liquidation and GPGUKH is not, the guarantee is only enforceable after the scheduled election date for the Capital Notes which next follows the liquidation of the Company. This guarantee ranks *pari passu* with that provided for the Convertible Loan Notes issued by GPGUKH and the loan to GPGUKH from the Company, 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, accrued interest and unpaid interest on the Capital Notes in the event of, but following completion of, a liquidation of GPGUKH.

12. Share Capital

| 31 December | 2002 No. | 2002 NZ\$ | 2001 No. | 2001 NZ\$ |
|-------------------------------|-------------|--------------|-------------|--------------|
| Authorised: | | | | |
| Ordinary shares of £1 each | <u>100</u> | <u>350</u> | <u>100</u> | <u>350</u> |
| Issued and fully paid: | | | | |
| Ordinary shares of £1 each | <u>2</u> | <u>7</u> | <u>2</u> | <u>7</u> |

13. Profit and Loss Account

| | Year ended 31 December 2002 NZ\$ |
|------------------------------|---|
| At 1 January | <u>75,251</u> |
| Retained profit for the year | <u>261,597</u> |
| AT 31 DECEMBER | <u>336,848</u> |

Notes to Financial Statements - continued

14. Reconciliation of Movements in Shareholders' Funds

| | Year ended 31 December 2002 NZ\$ |
|------------------------------|---|
| At 1 January | 75,258 |
| Retained profit for the year | 261,597 |
| AT 31 DECEMBER | 336,855 |

15. Notes to Cashflow

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

| | Year ended 31 December 2002 NZ\$ | Period ended 31 December 2001 NZ\$ |
|--|---|---|
| Operating profit | 261,597 | 75,251 |
| Amortisation of issue costs for Capital Notes | 1,855,021 | 543,199 |
| Increase in debtors | (2,069,033) | (3,450,875) |
| Increase in creditors | - | 2,835,617 |
| Net cash inflow from trading activities | 47,585 | 3,192 |
| Increase in loan to parent undertaking | - | (240,724,893) |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 47,585 | (240,721,701) |

The net cash inflow/(outflow) from operating activities includes interest received and interest paid, since the Company operates as a finance vehicle.

b) Financing

| | Year ended 31 December 2002 NZ\$ | Period ended 31 December 2001 NZ\$ |
|-----------------------------|---|---|
| Capital Notes issued | - | 250,000,000 |
| Capital Note issue expenses | - | (9,275,107) |
| Increase in debt | - | 240,724,893 |
| Issue of shares | - | 7 |
| | - | 240,724,900 |

c) Analysis of net debt

| | 1 January 2002 NZ\$ | Cash flow NZ\$ | Non-cash movements NZ\$ | 31 December 2002 NZ\$ |
|-----------------------------------|---------------------------|-------------------|-------------------------------|-----------------------------|
| Cash at bank and in hand | 3,199 | 47,585 | - | 50,784 |
| Debt due after more than one year | (241,268,092) | - | (1,855,021) | (243,123,113) |
| NET DEBT | (241,264,893) | 47,585 | (1,855,021) | (243,072,329) |

16. Financial Instruments

The Company's main financial instruments comprise:

- trade debtors and creditors that arise from its operations
- loans to group companies
- cash and bank deposits
- Capital Notes.

The main risk arising from the Company's financial instruments relates to interest rate fluctuations, which impact on the fair value of its most significant financial instruments (being the Capital Notes in issue and the loan to its parent company).

16. Financial Instruments - continued

The Company's sole activity is to borrow, by way of Capital Notes, and then lend the proceeds to other companies owned by Guinness Peat Group plc at a margin. The Company pays and received interest at a fixed rate on the Capital Notes and on the loan to its parent company.

All of the Company's financial assets and liabilities are denominated in New Zealand dollars, with the result that the Company is not subject to a significant exchange rate risk.

The maturity period for the Company's loan to its parent company has been set to coincide with the initial election date for the Capital Notes.

In adopting the requirements of FRS 13, Derivatives and other Financial Instruments, the Company has taken advantage of the exemption that short term debtors and creditors can be excluded from the following disclosures.

Interest rate profile of financial liabilities

The Company's financial liabilities total NZ\$250,000,000 (2001: NZ\$250,000,000), being the principal value of the Capital Notes. The Capital Notes are denominated in New Zealand dollars and bear interest at a fixed rate of 9% (2001: 9%). The period for which the rate is fixed is a further 46 months (2001: 58 months).

Interest rate profile of financial assets

The Company's financial assets total NZ\$240,775,677 (2001: NZ\$240,728,092), being the loan to its parent company and its cash at bank. The parent company loan of NZ\$240,724,893 (2001: 240,724,893) receives a fixed rate of interest at 10.25% (2001: 10.25%). The weighted average period for which the rate is fixed is a further 46 months (2001: 58 months).

The cash deposits of NZ\$50,784 (2001: NZ\$3,199) earn a floating rate interest based on LIBID equivalents.

Maturity of financial liabilities

The maturity profile of the Company's financial liabilities is shown below:

| 31 December | 2002 NZ\$ | 2001 NZ\$ |
|---|--------------|--------------|
| In more than two years but not more than five years | 243,123,113 | 249,190,284 |

Fair value of financial assets and financial liabilities

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

| | 2002 Book value NZ\$ | 2002 Fair value NZ\$ | 2001 Book value NZ\$ | 2001 Fair value NZ\$ |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Cash at bank | 50,784 | 50,784 | 3,199 | 3,199 |
| Loan to parent company | 240,724,893 | 261,864,462 | 240,724,893 | 256,730,983 |
| Capital Notes | (243,123,113) | (254,172,982) | (241,268,092) | (249,190,284) |

The fair value of the Capital Notes is based on their market value. The fair value of the parent company loan has been determined by discounting the future cash flows using the discount rate implicit in the market value of the Capital Notes.

The fair value of the cash at bank has been assumed to approximate to its book value because of the short maturity of the year-end balances.

17. Related Parties

There were no transactions with entities that are part of the Guinness Peat Group or investees of the Guinness Peat Group other than as disclosed in these financial statements.

18. Controlling Parties

The Company is controlled by GPGUKH, a company incorporated in the United Kingdom and registered in England and Wales, which owns 100% of the issued share capital. Following a reverse acquisition on 13 December 2002, GPG became the parent company of GPGUKH and the ultimate holding company of the Company. Copies of the accounts of GPG are available from the Company Secretary, First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP, England.

GPGUKH and GPG are the parent undertakings of the smallest and largest groups respectively to consolidate the Company's financial statements.

GPG Finance Limited

UNITED KINGDOM

First floor, Times Place, 45 Pall Mall, London SW1Y 5GP
(Registered office)
Telephone: 020 7484 3370 Facsimile: 020 7925 0700

Registered in England No. 4244726.

NEW ZEALAND

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

LOCATION OF CAPITAL NOTE REGISTER

The Company's register of Capital Notes is maintained in New Zealand.
Register enquiries may be addressed direct to the Company's registrars named below:

| Registrar | Telephone and postal enquiries | Inspection of Register |
|---|---|---|
| Computershare Investor Services Limited | Private Bag 92119, Auckland 1020 Telephone: 09 488 8777 Facsimile: 09 488 8787 | Level 2, 159 Hurstmere Road Takapuna North Shore City |

LOCATION OF SHARE REGISTERS OF GUINNESS PEAT GROUP PLC

The register of members of Guinness Peat Group plc, the listed parent company of GPGUKH, is maintained in the UK with branch registers in Australia and New Zealand. Register enquiries may be addressed direct to its share registrars named below:

| Register | Telephone and postal enquiries | Inspection of Register |
|--|--|---|
| UK Main Register: Computershare Investor Services PLC | Owen House, 8 Bankhead Crossway North Edinburgh EH11 4BR Telephone: 0870 702 0010 Facsimile: 0870 703 6143 | 7th Floor, Jupiter House Triton Court, 14 Finsbury Square London EC2A 1BR |
| Australian Branch Register: Registries Ltd | PO Box R67 Royal Exchange, Sydney NSW 1224 Telephone: 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 Telephone: 09 488 8777 Facsimile: 09 488 8787 | Level 2, 159 Hurstmere Road Takapuna North Shore City |