

GPG Finance plc



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Chairman's Statement

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

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. It has raised a total of NZ\$465 million through the issue of unsecured subordinated fixed interest Loan Notes in New Zealand ("Capital Notes"). As a consequence, and unusually for a UK company, it reports in New Zealand dollars.

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

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

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

The Company has lent the proceeds from the two issues of Capital Notes to a company within the GPG Group in accordance with the terms of the issue of the Capital Notes and receives interest income on that loan. The loan attracts interest at an average fixed rate of 10.14% per annum and is repayable in respect of an initial election date for the 2001 Notes on or after 15 November 2006 and an initial election date for the 2003 Notes on or after 15 December 2008. No amounts were in arrears at 31 December 2003.

More detailed information on the Capital Notes and their form, can be found in note 11 on page 14.

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

BA Nixon
Chairman
15 March 2004

Directors' Report

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

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, GPG (UK) Holdings plc ("GPGUKH" – formerly Guinness Peat Group plc), under the terms of a subordinated loan agreement. The Company expects to continue in this line of business for the foreseeable future.

On 17 June 2003 the authorised and issued share capital were increased to £50,000, and on 20 June 2003 the Company was registered as a public limited company.

During the year the Company issued a further NZ\$215 million Capital Notes, which have an initial term of five years and may be converted into ordinary shares in the ultimate holding company, Guinness Peat Group plc ("GPG"). See note 11 on page 14 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\$338,367 (2002: profit of NZ\$261,597). No dividends were paid during the year (2002: NZ\$Nil), and the directors do not recommend a final dividend (2002: NZ\$Nil). The retained profit of NZ\$338,367 will be transferred to reserves (2002: NZ\$261,597).

Directors

The directors who served throughout 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 and intermediate holding companies, GPG and GPGUKH respectively, are set out below. All holdings are beneficial.

Ordinary shares of 5p each in Guinness Peat Group plc

B A Nixon held 4,291,155 shares at 31 December 2003 (2002: 3,824,425 shares).
T J N Beyer held 996,146 shares at 31 December 2003 (2002: 887,528 shares).
C J R Gleave held 205,600 shares at 31 December 2003 (2002: 220,246 shares).
J R Russell held no shares at 31 December 2003 (2002: Nil).

Since the year end the following transactions have taken place:

B A Nixon exercised options over 1,401,073 shares on 2 March 2004
T J N Beyer exercised options over 280,206 shares on 2 March 2004 and sold 170,000 of the shares arising on 3 March 2004
J R Russell exercised options over 104,778 shares and sold 22,000 of these shares on 3 March 2004
C J R Gleave exercised options over 140,103 shares on 8 March 2004 and sold 32,470 of these shares on 10 March 2004

8% Convertible subordinated unsecured loan notes of 20p (31 December 2002: 30p) each due 2005 of

GPG (UK) Holdings plc

B A Nixon held 675 loan notes at 31 December 2003 (2002: 675 loan notes).
T J N Beyer held 1,554,705 loan notes at 31 December 2003 (2002: 1,000,000 loan notes).
C J R Gleave held 11,930 loan notes at 31 December 2003 (2002: 11,818 loan notes).
J R Russell held no loan notes at 31 December 2003 (2002: Nil).

Directors' Report

Options under the Group's share option schemes

The comparative figures have been adjusted to take account of the effect of the 2003 capitalisation issue by Guinness Peat Group plc. The exercise price of these options is stated in UK pence, being the currency of these options.

Option type	Option period	31 December 2003		31 December 2002	
		Exercise Price (p)	Number	Exercise Price (p)	Number
B A Nixon					
Super**	12.05.1999 - 11.05.2004	25.34	1,401,073	25.34	1,401,073
Ordinary	08.05.1999 - 07.05.2006	32.78	278,370	32.78	278,370
Super	08.05.2001 - 07.05.2006	32.78	278,370	32.78	278,370
Ordinary	01.09.2000 - 31.08.2007	41.30	460,121	41.30	460,121
Ordinary	22.03.2002 - 21.03.2009	35.39	101,462	35.39	101,462
Super	22.03.2004 - 21.03.2009	35.39	59,588	35.39	59,588
Super	02.09.2004 - 01.09.2009	33.13	2,269,355	33.13	2,269,355
Ordinary	17.10.2004 - 16.10.2011	33.47	1,210,000	33.47	1,210,000
T J N Beyer					
Ordinary**	12.05.1997 - 11.05.2004	25.34	140,103	25.34	140,103
Super**	12.05.1999 - 11.05.2004	25.34	140,103	25.34	140,103
Ordinary	08.05.1999 - 07.05.2006	32.78	187,064	32.78	187,064
Super	08.05.2001 - 07.05.2006	32.78	278,370	32.78	278,370
Ordinary	08.05.1999 - 07.05.2006	32.78	91,303	32.78	91,303
Ordinary	01.09.2000 - 31.08.2007	41.30	184,044	41.30	184,044
Super	02.09.2004 - 01.09.2009	33.13	366,025	33.13	366,025
Ordinary	17.10.2004 - 16.10.2011	33.47	181,500	33.47	181,500
C J R Gleave					
Ordinary**	12.05.1997 - 11.05.2004	25.34	140,103	25.34	140,103
Super	12.05.1999 - 11.05.2004	25.34	140,103	25.34	140,103
Ordinary	25.08.1998 - 24.08.2005	25.11	47,296	25.11	47,296
Super	25.08.2000 - 24.08.2005	25.11	94,598	25.11	94,298
Ordinary	11.04.1999 - 10.04.2006	32.33	56,756	32.33	56,756
Super	11.04.2001 - 10.04.2006	32.33	56,756	32.33	56,756
Ordinary	01.09.2000 - 31.08.2007	41.30	69,016	41.30	69,016
Ordinary	22.03.2002 - 21.03.2009	35.39	86,161	35.39	86,161
Super	22.03.2004 - 21.03.2009	35.39	50,730	35.39	50,730
Super	02.09.2004 - 01.09.2009	33.13	512,435	33.13	512,435
Ordinary	17.10.2004 - 16.10.2011	33.47	181,500	33.47	181,500
Ordinary*	21.03.2006 - 20.03.2013	44.55	55,000	-	-

*Granted during 2003

**Exercised since year end

Option type	Option period	31 December 2003		31 December 2002	
		Exercise Price (p)	Number	Exercise Price (p)	Number
J R Russell					
Super	03.01.2001 - 02.01.2006	28.63	141,898	28.63	141,898
Ordinary**	03.01.1999 - 02.01.2006	28.63	141,895	28.63	141,895
Ordinary	13.01.2000 - 12.01.2007	33.10	101,223	33.10	101,223
Ordinary	01.09.2000 - 31.08.2007	41.30	69,016	41.30	69,016
Ordinary	03.08.2001 - 02.08.2008	28.56	59,024	28.56	59,024
Super	03.08.2003 - 02.08.2008	28.56	29,552	28.56	29,552
Ordinary	22.03.2002 - 21.03.2009	35.39	86,160	35.39	86,161
Super	22.03.2004 - 21.03.2009	35.39	50,729	35.39	50,730
Super	02.09.2004 - 01.09.2009	33.13	512,435	33.13	512,435
Ordinary	17.10.2004 - 16.10.2011	33.47	181,500	33.47	181,500
Ordinary*	21.03.2006 - 20.03.2013	44.55	55,000	–	–

*Granted during 2003

**Of which 104,778 exercised since year end

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 2003. 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 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.

Corporate Governance

The corporate governance policies, practices and procedures of GPG Finance plc depend upon, and are integrated within, those of its ultimate parent company, Guinness Peat Group plc, details of which appear in the Corporate Governance section of that company's Annual Report for the year to 31 December 2003.

Auditor

PricewaterhouseCoopers LLP resigned on 17 June 2003 and the Company appointed Deloitte & Touche LLP, as auditor.

By order of the Board

J R Russell

Secretary

15 March 2004

Supplementary Information

SUPPLEMENTARY INFORMATION REQUIRED BY THE NEW ZEALAND STOCK EXCHANGE LISTING RULES FOR THE YEAR ENDED 31 DECEMBER 2003

a) The top 20 registered holdings of the issued 2001 Notes at 28 February 2004 were as follows:

Holder	Holding
New Zealand Central Securities Depository Limited	25,760,000
Investment Custodial Services Limited (C)	6,768,000
Masfen Holdings Limited	2,900,000
Anderson Holdings Wanganui Limited	1,996,000
Custodial Nominees Limited A/c C	1,911,000
Custodial Services Ltd A/c 3	1,821,000
Forbar Custodians Limited A/c PPM Low	1,385,000
Custodial Services Limited A/c 2	1,168,000
Forbar Custodians Limited A/c PPM Medium	1,161,000
New Zealand Methodist Trust Association	1,100,000
First NZ Capital Custodians Limited	1,059,000
Jeremy Kippenberger & Alister Macalister	1,050,000
Presbyterian Support Services (South Canterbury) Incorporated	1,000,000
Oakwood Securities Limited	942,000
Presbyterian Savings & Development Society of New Zealand Incorporated	750,000
Auckland Medical Research Foundation	700,000
John Richard Avery & Peter Glen Inger & Joanne Adele Inger	700,000
Eeshala Nominees Limited	626,000
Cornwall Park Trust Board	600,000
Woolf Fisher Trust Inc	540,000

b) The spread of holdings in the issued 2001 Capital Notes at 28 February 2004 was as follows:

Holding	No.	%	Value (NZ\$)	%
1 - 1,000	-	-	-	-
1,001 - 5,000	1,496	18.73%	7,446,000	2.98%
5,001 - 10,000	1,987	24.88%	19,154,000	7.66%
10,001 - 50,000	3,899	48.82%	102,477,000	40.99%
50,001 - 100,000	432	5.41%	35,336,000	14.14%
over 100,000	172	2.15%	85,587,000	34.23%
	7,986	100.00%	250,000,000	100.00%

c) The top 20 registered holdings of the issued 2003 Notes at 28 February 2004 were as follows:

Holder	Holding
New Zealand Central Securities Depository Limited	17,841,000
Forbar Custodians Limited A/c PPM Medium	3,768,000
Forbar Custodians Limited A/c PPM Low	3,216,000
Equity Nominees Limited	2,500,000
First NZ Capital Custodians Limited	2,000,000
The West Coast Development Trust	2,000,000
Forbar Custodians Limited A/c PPM High	1,244,000
Forbar Custodians Limited A/c Resident – 19.5%	1,135,000
Forsyth Barr Limited	1,090,000
George Gerbic	1,000,000
Carter Holt Harvey Retirement Plan	1,000,000
Fisher & Paykel Trustee Limited	1,000,000
Alan John Wadams & Walter Hugh Kettelwell	1,000,000
Investment Custodial Services Limited (C)	987,000
Custodial Services Ltd A/c 3	944,000
HSU Holdings Limited	900,000
Stapway Nominees Limited	800,000
Forbar Custodians Limited A/c Residents – 33%	630,000
Portfolio Custodian Limited A/c 084928	500,000
Russell Hilton Pettigrew	500,000

d) The spread of holdings in the issued 2003 Notes at 28 February 2004 was as follows:

Holding	No.	%	Value (NZ\$)	%
1 - 1,000	–	–	–	–
1,001 - 5,000	1,258	17.29%	6,266,000	2.91%
5,001 - 10,000	2,164	29.75%	20,623,000	9.59%
10,001 - 50,000	3,395	46.67%	90,868,000	42.27%
50,001 - 100,000	320	4.40%	27,213,000	12.66%
over 100,000	137	1.88%	70,030,000	32.57%
	7,274	100.00%	215,000,000	100.00%

e) None of the directors has, or had at any time during the year to 31 December 2003, any holding in the issued Capital Notes.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GPG FINANCE PLC

We have audited the financial statements of GPG Finance plc for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes 2 to 18. These financial statements have been prepared under the accounting policies set out therein.

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 Directors' Report, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements 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 are properly prepared in accordance with the Companies Act 1985. We also report 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 is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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. 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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

Profit and Loss Account

Year ended 31 December	Notes	2003 NZ\$	2002 Re-stated NZ\$
Interest receivable	3	29,218,901	24,677,234
Interest payable	4	(31,660,482)	(24,355,021)
		(2,441,581)	322,213
Other operating income	5	2,786,871	–
Other operating expenses	6	(6,923)	(59,945)
Operating profit and profit on ordinary activities before taxation		338,367	262,268
Tax on profit on ordinary activities	7	–	(671)
RETAINED PROFIT FOR THE FINANCIAL YEAR		338,367	261,597

The comparative figures for 2002 have been re-stated to reflect withholding tax deducted at source from bank interest received.

Continuing operations

The Company was incorporated on 2 July 2001, for the specific purpose of issuing NZ\$250 million fixed interest Capital Notes and lending the proceeds to its parent company, GPG (UK) Holdings plc (formerly Guinness Peat Group plc), under the terms of a subordinated loan agreement.

During the year the Company issued a further NZ\$215 million Capital Notes, which have an initial term of five years and may also be converted into ordinary shares in the ultimate holding company, Guinness Peat Group plc. See note 11 on page 14 for further details.

All results are derived from continuing operations.

Statement of total recognised gains and losses

The Company has no recognised gains or losses in the current or prior financial year other than the profit for the year.

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

The notes on pages 12 to 17 form part of these financial statements.

Balance Sheet

Year ended 31 December	Notes	2003 NZ\$	2002 NZ\$
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	12,234,927	5,519,908
Debtors: amounts falling due after more than one year	9	445,390,991	240,724,893
		457,625,918	246,244,801
Cash at bank and in hand		861,382	50,784
TOTAL CURRENT ASSETS		458,487,300	246,295,585
Creditors: amounts falling due within one year	10	(3,655,563)	(2,835,617)
NET CURRENT ASSETS		454,831,737	243,459,968
Creditors: amounts falling due after more than one year			
Capital Notes	11	(454,015,591)	(243,123,113)
NET ASSETS		816,146	336,855
CAPITAL AND RESERVES			
Called up share capital	12	140,931	7
Profit and loss account	13	675,215	336,848
EQUITY SHAREHOLDERS' FUNDS	14	816,146	336,855

These financial statements were approved by the Board of Directors on 15 March 2004.

B A Nixon, Director

J R Russell, Director

The notes on pages 12 to 17 form part of these financial statements.

Cash Flow Statement

Year ended 31 December	Notes	2003 NZ\$	2002 Re-stated NZ\$
Net cash (outflow)/inflow from operating activities	15a	(207,670,688)	48,256
Taxation paid	15b	(325,736)	(671)
Financing:			
Increase in debt	15c	208,666,098	–
Issue of shares	15c	140,924	–
		208,807,022	–
INCREASE IN CASH FOR THE YEAR		810,598	47,585
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in cash for the year		810,598	47,585
Cash inflow from increase in debt		(208,666,098)	–
Change in net debt resulting from cash flows		(207,855,500)	47,585
Non-cash movements		(2,226,380)	(1,855,021)
Movement in net debt for the period		(210,081,880)	(1,807,436)
Net debt as at 1 January		(243,072,329)	(241,264,893)
NET DEBT AS AT 31 DECEMBER	15d	(453,154,209)	(243,072,329)

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

The notes on pages 12 to 17 form part of these financial statements.

Notes to Financial Statements

1. Statement of 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 accounting policies adopted in preparing these financial statements have been consistently applied throughout the year and the preceding year.

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 2003 was NZ\$2.7266: £1 (31 December 2002: NZ\$3.0779: £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) DEBT

Convertible debt is reported as a liability unless and until conversion actually occurs. No gain or loss is recorded on conversion.

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

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.

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 (2002: £Nil).

3. Interest receivable

	2003 NZ\$	2002 Re-stated NZ\$
Bank interest	3,257,414	6,712
Interest on loan to parent undertaking	25,961,487	24,670,522
	<u>29,218,901</u>	<u>24,677,234</u>

4. Interest payable

	2003 NZ\$	2002 NZ\$
Interest payable on Capital Notes	29,434,102	22,500,000
Amortisation of issue costs for Capital Notes	2,226,380	1,855,021
	<u>31,660,482</u>	<u>24,355,021</u>

5. Other operating income

Other operating income in 2003 comprised a one-off payment from the parent undertaking of NZ\$2,786,871 in respect of an arrangement fee.

6. Other operating expenses

Auditors' remuneration is borne by the parent company.

There were no employees (2002: Nil).

7. Tax on profit on ordinary activities

	2003 NZ\$	2002 Re-stated NZ\$
CURRENT TAX		
Overseas withholding tax	-	671
UK corporation tax	-	-
	<u>-</u>	<u>671</u>

The current tax charge is lower (2002: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before taxation	338,367	262,268
Profit on ordinary activities multiplied by standard rate of tax in the UK of 30% (2002: 30%)	101,510	78,680
Effect of group relief surrendered without charge	-	(78,009)
Double tax relief	(101,510)	-
CURRENT TAX CHARGE FOR THE YEAR	<u>-</u>	<u>671</u>

8. Debtors: amounts falling due within one year

31 December	2003 NZ\$	2002 NZ\$
Due from parent undertaking	11,909,191	5,519,908
Amount due from fellow subsidiary undertakings	325,736	-
	<u>12,234,927</u>	<u>5,519,908</u>

Due from parent undertaking includes NZ\$7,009,939 of interest receivable (2002: NZ\$3,548,452), none of which is in arrears (2002: NZ\$Nil).

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

31 December	2003 NZ\$	2002 NZ\$
Loan to parent undertaking	445,390,991	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 an average fixed rate of 10.14% per annum. \$240,724,893 is repayable on or after 15 November 2006, the initial election date for the 2001 Notes, and \$204,666,098 is repayable on or after 15 November 2008, the initial election date for the 2003 Notes.

10. Creditors: amounts falling due within one year

31 December	2003 NZ\$	2002 NZ\$
Accrued interest payable	3,655,563	2,835,617

Notes to Financial Statements – continued

11. Capital Notes

31 December	2003 NZ\$	2002 NZ\$
Capital Notes repayable between two and five years	<u>454,015,591</u>	<u>243,123,113</u>

Between 2 August 2001 and 11 September 2001, the Company issued NZ\$250 million of unsecured, subordinated fixed interest Capital Notes ("the 2001 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 2003, the unamortised balance of these costs was NZ\$5,021,865. The 2001 Notes bear interest at a fixed rate of 9.0% per annum, payable on a quarterly basis.

The 2001 Notes have an initial election date of 15 November 2006, prior to which GPG Finance plc will provide terms and conditions on which noteholders may elect to roll-over their 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. The 2001 Notes are initially convertible into ordinary shares of GPGUKH. However, under the terms of the "Step-up Rights" in GPGUKH's Articles of Association any future requirement to issue or transfer shares in that company on conversion of 2001 Notes will result in those shares being 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 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 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 2001 Notes on liquidation of the Company or 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 2001 Notes which next follows the liquidation of the Company. This guarantee ranks *pari passu* with those 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 2001 Notes in the event of, but following completion of, a liquidation of GPGUKH.

Between 1 August 2003 and 4 September 2003, the Company issued a further NZ\$215 million of unsecured, subordinated fixed interest Capital Notes ("the 2003 Notes"). The issue costs amounted to NZ\$6,333,902, 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\$5,962,542. The 2003 Notes bear interest at a fixed rate of 8.7% per annum, payable on a quarterly basis.

These 2003 Notes have an initial election date of 15 December 2008, prior to which GPG Finance plc will provide terms and conditions on which noteholders may elect to roll-over their 2003 Notes. Noteholders may then elect to retain some or all of their 2003 Notes for a further period on the new terms and conditions and/or to convert some or all of their 2003 Notes into Ordinary shares. 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 Company or of GPG itself. In the event that the Company 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 provided for the Convertible Loan Notes issued by GPGUKH, the loan to GPGUKH from the Company, and the existing Capital Notes, but is subordinated to all other creditors.

12. Share Capital

Year ended 31 December	2003 No.	2003 NZ\$	2002 No.	2002 NZ\$
Authorised:				
Ordinary shares of £1 each	<u>50,000</u>	<u>140,931</u>	<u>100</u>	<u>350</u>
Issued and fully paid:				
Ordinary shares of £1 each	<u>50,000</u>	<u>140,931</u>	<u>2</u>	<u>7</u>

On 17 June 2003 the authorised and issued share capital were increased to £50,000, and on 20 June 2003 the Company was registered as a public limited company. The new shares were issued at par.

The ordinary shares have no pre-determined dividend rate, and each such share has an equal voting right. The ordinary shares have no maturity date or conversion rights and are not redeemable, and each ordinary share has an equal right in any surplus on winding up of the company.

There are no restrictions on the allotment of ordinary shares.

13. Profit and Loss Account

Year ended 31 December	2003 NZ\$	2002 NZ\$
At 1 January	336,848	75,251
Retained profit for the year	338,367	261,597
AT 31 DECEMBER	<u>675,215</u>	<u>336,848</u>

14. Reconciliation of Movements in Shareholders' Funds

Year ended 31 December	2003 NZ\$	2002 NZ\$
At 1 January	336,855	75,251
Shares issued	140,924	7
Retained profit for the year	338,367	261,597
AT 31 DECEMBER	<u>816,146</u>	<u>336,855</u>

15. Notes to Cashflow Statement

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

Year ended 31 December	2003 NZ\$	2002 NZ\$
Operating profit	338,367	262,268
Amortisation of issue costs for Capital Notes	2,226,380	1,855,021
Increase in debtors	(6,389,283)	(2,069,033)
Increase in creditors	819,946	–
Net cash (outflow)/inflow from trading activities	(3,004,590)	48,256
Increase in loan to parent undertaking	(204,666,098)	–
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	<u>(207,670,688)</u>	<u>48,256</u>

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

Notes to Financial Statements – continued

15. Notes to Cashflow Statement - continued

b) Taxation paid

Year ended 31 December	2003 NZ\$	2002 NZ\$
Overseas tax paid	<u>(325,736)</u>	<u>(671)</u>

c) Financing

Year ended 31 December	2003 NZ\$	2002 NZ\$
Capital Notes issued	215,000,000	–
Capital Note issue expenses	<u>(6,333,902)</u>	–
Increase in debt	208,666,098	–
Issue of shares	<u>140,924</u>	–
	<u>208,807,022</u>	<u>–</u>

d) Analysis of net debt

	1 January 2003 NZ\$	Cash flow NZ\$	Non-cash movements NZ\$	31 December 2003 NZ\$
Cash at bank and in hand	50,784	810,598	–	861,382
Debt due after more than one year	<u>(243,123,113)</u>	<u>(208,666,098)</u>	<u>(2,226,380)</u>	<u>(454,015,591)</u>
NET DEBT	<u>(243,072,329)</u>	<u>(207,855,500)</u>	<u>(2,226,380)</u>	<u>(453,154,209)</u>

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).

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 receives 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.

16. Financial instruments - continued

Interest rate profile of financial liabilities

The Company's financial liabilities total NZ\$457,671,154 (2002: NZ\$245,958,730), being the Capital Notes plus accrued interest payable. The Capital Notes are denominated in New Zealand dollars and bear interest at a weighted average fixed rate of 8.86% (2002: 9%). The weighted average period for which the rate is fixed is a further 58 months (2002: 46 months).

Interest rate profile of financial assets

The Company's financial assets total NZ\$458,161,566 (2002: NZ\$246,295,585), being the loan to its parent company, accrued interest receivable and cash at bank. The parent company loan of NZ\$445,390,993 (2002: NZ\$240,724,893) receives a weighted average fixed rate of interest at 10.14% (2002: 10.25%). The weighted average period for which the rate is fixed is a further 58 months (2002: 46 months). The cash deposits of NZ\$861,382 (2002: NZ\$50,784) 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	2003 NZ\$	2002 NZ\$
In more than two years but not more than five years	454,015,591	243,123,113

Fair value of financial assets and financial liabilities

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

	2003 Book value NZ\$	2003 Fair value NZ\$	2002 Book value NZ\$	2002 Fair value NZ\$
Cash at bank	861,382	861,382	50,784	50,784
Short term debtors	11,909,191	11,909,191	5,519,908	5,519,908
Loan to parent company	445,390,993	468,991,225	240,724,893	258,846,966
Short term creditors	(3,655,563)	(3,655,563)	(2,835,617)	(2,835,617)
Capital Notes	(454,015,591)	(472,295,528)	(243,123,113)	(251,337,365)

The fair value of the Capital Notes is based on their market value. The fair value of the parent company loan is 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. GPG is 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 plc

UNITED KINGDOM

First floor, Times Place, 45 Pall Mall, London SW1Y 5GP
 (Registered office)
 Telephone: 00 44 20 7484 3370 Facsimile: 00 44 20 7925 0700

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. 4244726

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 GPG Finance plc, 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	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

