

GPG

Interim Report | 2003

GPG Finance plc



Chairman's Statement

GPG Finance plc is a company established and organised in England. On 20 June 2003 it was re-registered as a Public Limited Company under the UK Companies Act 1985. It is listed only on the New Zealand Stock Exchange ("NZX"). This report has accordingly been prepared in England in a manner which complies with generally accepted accounting practice. It gives a true and fair view of the matters to which the report relates, is based on unaudited accounts but accords with the requirements of the NZX.

The Company is a wholly owned subsidiary of Guinness Peat Group plc ("GPG") and its sole activity is to borrow, by way of Capital Notes, and lend at a margin above average cost to GPG Group companies. 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.

The obligations of the Company under the Capital Notes have been guaranteed by its immediate parent, GPG (UK) Holdings plc ("GPGUKH") on a subordinated basis. GPGUKH covenants not to pay any dividends or make certain other returns of capital or distributions in respect of ordinary shares if the interest payments on the Capital Notes are not paid on the due date and for as long as such payments remain unpaid. GPG has entered into a subordinated and unsecured guarantee in respect of the GPGUKH covenant.

The Company lends all its monies to GPG Group companies in accordance with the terms of the issue of the Capital Notes and receives interest income on such loans. The current 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 30 June 2003.

Prior to the initial election date 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 in GPGUKH. However, under the terms of the "Step-up Rights" in the Articles of Association of GPGUKH, upon any future requirement to issue or transfer shares in that company on conversion of Capital Notes, those shares will automatically be 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 overriding right (at its option) to purchase for cash some or all of the Capital Notes for the principal amount, together with any accrued interest and unpaid interest.

On 30 July 2003 the Company launched an offer in New Zealand for a further NZ\$200 million capital notes with the ability to accept up to NZ\$25 million of over subscriptions. The offer closes on 29 August 2003 for applicants pursuant to firm allocations, and on 4 September 2003 for public pool applications.

The Company does not have a formally constituted audit committee of its Board but is subject to review by the audit committee of GPG.

This half year report was approved by resolution of the Board at its meeting on 28 August 2003.

Blake Nixon
Chairman
 28 August 2003



Statement of Financial Performance

	6 months ended 30 June 2003 Unaudited NZ\$000	6 months ended 30 June 2002 Unaudited NZ\$000	Year ended 31 December 2002 Audited NZ\$000
Operating revenue	-	-	-
Surplus before taxation	64	156	262
NET SURPLUS	64	98	262

CONTINUING OPERATIONS

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

Statement of Movements in Equity

	6 months ended 30 June 2003 Unaudited NZ\$000	6 months ended 30 June 2002 Unaudited NZ\$000	Year ended 31 December 2002 Audited NZ\$000
Opening equity	337	75	75
Shares issued	141	-	-
Net surplus	64	98	262
CLOSING EQUITY	542	173	337

The paid in share capital of the Company is £50,000 (2002:£2)

Statement of Financial Position

	30 June 2003 Unaudited NZ\$000	30 June 2002 Unaudited NZ\$000	31 December 2002 Audited NZ\$000
CURRENT ASSETS			
Due from parent company within 1 year	6,645	4,388	5,520
Due from parent company after more than 1 year	240,725	240,725	240,725
	<u>247,370</u>	<u>245,113</u>	<u>246,245</u>
Cash at bank and in hand	51	142	51
TOTAL CURRENT ASSETS	<u>247,421</u>	<u>245,255</u>	<u>246,296</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR	<u>(2,836)</u>	<u>(2,894)</u>	<u>(2,836)</u>
NET CURRENT ASSETS	<u>244,585</u>	<u>242,361</u>	<u>243,460</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR			
Capital notes	(244,043)	(242,188)	(243,123)
NET ASSETS	<u>542</u>	<u>173</u>	<u>337</u>
CAPITAL AND RESERVES			
Share capital	141	-	-
Profit and loss account	401	173	337
EQUITY SHAREHOLDERS' FUNDS	<u>542</u>	<u>173</u>	<u>337</u>

The paid in share capital of the Company is £50,000 (2002:£2)

Surplus Before Taxation

	6 months ended 30 June 2003 Unaudited NZ\$000	6 months ended 30 June 2002 Unaudited NZ\$000	Year ended 31 December 2002 Audited NZ\$000
The surplus before taxation is arrived at after charging/(crediting):			
Interest paid	11,250	11,158	22,500
Amortisation of issue costs for Capital Notes	920	920	1,855
Interest received	(12,236)	(12,236)	(24,677)



Statement of Cash Flows

	6 months ended 30 June 2003 Unaudited NZ\$000	6 months ended 30 June 2002 Unaudited NZ\$000	Year ended 31 December 2002 Audited NZ\$000
CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES			
Interest received	11,111	11,299	22,553
Payments to suppliers	(2)	(2)	(5)
Interest paid	(11,250)	(11,158)	(22,500)
TOTAL OPERATING CASH FLOWS	(141)	139	48
CASH OUTFLOWS FROM INVESTING ACTIVITIES			
Loans to GPG group companies	-	-	-
TOTAL INVESTING CASH FLOWS	-	-	-
CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITIES			
Issue of shares	141	-	-
Issue of Capital notes	-	-	-
Capital note issue expenses	-	-	-
Repayment of Capital notes	-	-	-
TOTAL FINANCING CASH FLOWS	141	-	-
Net change in cash	-	139	48
Opening cash (cash less bank overdrafts)	51	3	3
Effect of acquisition and disposal of subsidiaries	-	-	-
Effect of exchange rate changes on cash	-	-	-
CLOSING CASH AT BANK AND IN HAND	51	142	51

Reconciliation of Cash Flows from Operating Activities

	6 months ended 30 June 2003 Unaudited NZ\$000	6 months ended 30 June 2002 Unaudited NZ\$000	Year ended 31 December 2002 Audited NZ\$000
Net surplus	64	98	262
Amortisation of issue costs for Capital Notes	920	920	1,855
Due from parent company within 1 year	(1,125)	(937)	(2,069)
Creditors: amounts falling due within 1 year	-	58	-
NET CHANGE IN WORKING CAPITAL ITEMS	(1,125)	(879)	(2,069)
CASH FLOWS FROM OPERATING ACTIVITIES	(141)	139	48

Non Cash Investing and Financing Activities

	6 months ended 30 June 2003 Unaudited NZ\$000	6 months ended 30 June 2002 Unaudited NZ\$000	Year ended 31 December 2002 Audited NZ\$000
Non cash investing activities	-	-	-
Non cash financing activities	-	-	-

Notes to the Financial Statements

- The interim financial information has been prepared on a basis consistent with the accounting policies adopted in the Company's financial statements for the year ended 31 December 2002.
- Abridged accounts (Companies Act 1985) – The information for the year ended 31 December 2002 is based on the latest published accounts which have been delivered to the Registrar of Companies.
- Changes in the issued share capital during the six months to 30 June 2003 comprise the following:

	£
At 31 December 2002	2
Shares issued	49,998
At 30 June 2003	<u>50,000</u>