

GPG

Annual Report & Accounts | 2002

GPG (UK) Holdings plc





Contents

Chairman's Statement	2
Directors' Report	4
Profit and Loss Accounts	10
Balance Sheets	11
Statements of Total Recognised Gains and Losses and Movements in Shareholders' Funds	12
Cash Flow Statements	13
Notes to Financial Statements	14
Independent Auditors' Report	51
Addresses	52

Chairman's Statement

On 13 December 2002, Guinness Peat Group plc (now renamed GPG (UK) Holdings plc) ("GPGUKH" or "the former GPG") was acquired by Brunel Holdings plc (now renamed Guinness Peat Group plc) ("GPG" or "the former Brunel") by means of a Court approved Scheme of Arrangement ("the Brunel Merger"). As a result GPG now owns the entire issued share capital of GPGUKH. The operations of GPGUKH and its subsidiary undertakings are reported, along with those of the rest of the companies in the Guinness Peat Group, in the Annual Report of GPG.

In particular, since the operations of GPGUKH during the year to 31 December 2002 very substantially comprised those operations reported by GPG for that period, I consider it most helpful and informative to reproduce here an extract from the Statement made by the Chairman of GPG, Sir Ron Brierley, in his introduction to that company's 2002 Annual Report.

B A Nixon
CHAIRMAN
29 April 2003

Extract from the statement by the Chairman of Guinness Peat Group plc, in respect of the year ended 31 December 2002

"Although the reported net profit for 2002 was marginally less than for 2001, it was nevertheless a very good result - particularly having regard to the resources required on several large projects which are important to GPG, but did not contribute to earnings for the year. These include:

- The Brunel deal, which converted the corporate structure of the former **Brunel Holdings plc** to the "new" GPG to provide a more appropriate UK tax and administrative base, but otherwise with no change to existing profile and activities.
- The merger of **ENZA Ltd** and **Turners & Growers Ltd** (GPG 80%) to create a significant new force in the New Zealand fruit and produce distribution business.
- The "spin-off" of **Turners Auctions Ltd** as a separate listed public company. The new listing has been well received by the market with the shares trading well above the book value of GPG's 39% residual shareholding.

- Extensive preparation and planning of the takeover offer for **Coats plc**. Although Coats is no longer the textile manufacturing giant of the bygone era of British industrial supremacy it is still by far the world leader in thread manufacture. It is located in 63 countries worldwide, with a level of technical excellence which allows considerable scope for further growth and expansion.

GPG has an 80% economic interest in the joint venture company which is bidding for all of Coats' capital. This is a big investment for GPG which we are confident will be vindicated by future performance.

- A greater proprietorial involvement in **Premier Investments Ltd** (GPG 16%), which is the largest single shareholder in Coles Myer Ltd. Unfortunately, Coles Myer's recent performance has been very disappointing, particularly having regard to its dominant position as Australia's biggest retail organisation. Premier is an



advocate for major Board and management changes in 2003 as a first step to restoring results to a more acceptable level.

- An investment of NZ\$56.1m (£18.2m) in the shares of **Rubicon Ltd** and **Fletcher Challenge Forests Ltd**, with a view to influencing the most appropriate structure for the ownership of New Zealand's major forest assets has so far been frustrating and unproductive. A rather complex situation has evolved, but should be resolved in the current term.

A major contributor to realised profits was the year end sale of shares in **Joe White Maltings Ltd** when we accepted a takeover offer by Ausbulk Ltd. The three year life cycle of this shareholding represents a classic investment exercise for GPG - the original identification of potential value, the acquisition of a strategic stake, the success of a "hostile" partial offer (a rare occurrence), the implementation of management changes and sale of non-core assets to maximise the impact of an uplift in the malt price cycle. The market capitalisation doubled during the GPG period of control and the change of ownership successfully concluded our role in the Joe White corporate revival.

Particular mention should be made of **Canberra Investment Corporation Ltd** (CIC) (GPG 69%) which has always been a solid performer and which excelled in 2002 with a net profit of A\$8.7m. CIC has a low profile, notwithstanding it is Canberra's only publicly listed corporation, but has become an increasingly valuable member of the GPG group. A booming Federal bureaucracy should ensure a continuation of the steady demand for sub-divided housing land in Canberra, which is CIC's core activity.

GPG's involvement in the rationalisation of the UK motor vehicle distributors again proved rewarding with favourable sales of shares in **Quicks plc** and **Ryland Group plc**. Our 50% joint venture, **Nationwide Accident Repair Services**, incurred an overall loss in the course of selling or closing uneconomic operations but the company is strongly cash positive and value is being created for the future, albeit at a cost to current profitability.

Tower Ltd - in GPG's 1998 Annual Report, we predicted the demutualised Tower was "likely to struggle to survive in a fully competitive market environment." That is what duly transpired with Tower reporting a substantial loss for 2002. We recently acquired a 10% stake and two GPG representatives are proposed for election as Directors at the AGM on 27 March. Tower obviously has some problems and legacies to overcome, but there is also considerable strength in its undoubted intrinsic value as one of New Zealand and Australia's oldest financial institutions.

Whether the same level of profit can be achieved in 2003 depends to some extent upon the certainty and timing of events beyond our control. More importantly, we are confident of continuing to fulfil our commitment to the steady enhancement of long term shareholder value."

Ron Brierley
CHAIRMAN
Guinness Peat Group plc
London, 14 March 2003

Directors' Report

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

Review of Activities

The Company is a strategic investment holding company. Significant events during the year ended 31 December 2002 are summarised below.

a. The Brunel Acquisition

On 13 December 2002 ("the Effective Date"), Guinness Peat Group plc (now renamed GPG (UK) Holdings plc) ("the former GPG" or "GPGUKH") was acquired by Brunel Holdings plc (now renamed Guinness Peat Group plc) ("the former Brunel" or "GPG") by means of a Scheme of Arrangement which was approved by shareholders at a Court Meeting and subsequent Extraordinary General Meeting both held on 13 November 2002. Due to the relative value of the companies, the shareholders in the former GPG received more than 98% of the share capital of the enlarged group. Although the legal form of this transaction is that the former Brunel acquired the former GPG, the substance of the transaction is that the former GPG acquired the former Brunel. These consolidated financial statements presented within this report are those of GPGUKH, excluding the former Brunel.

b. Other Significant Events

On 18 April 2002 GPGUKH acquired 100% control of ENZA Ltd ("ENZA"), a New Zealand fruit storage and distribution company. On 31 December 2002, ENZA was merged with Turners & Growers Ltd ("Turners & Growers"). The merger between ENZA and Turners & Growers increased GPGUKH's interest in Turners & Growers from 46% to 80%. It also had the effect of reducing GPGUKH's interest in ENZA from 100% to 80%.

During the year the then Turners & Growers Ltd was split into two separate businesses, Turners & Growers and Turners Auctions Ltd. Turners Auctions Ltd obtained a full listing on the New Zealand Stock Exchange and raised NZ\$6m in cash through a share issue. As a result, GPGUKH's interest was diluted from 45% to 39%.

Three further investments became associates / joint ventures during the year: Nationwide Accident Repair Services plc (a 50% joint venture) and Dawson International PLC (a 30% associate), both of which are registered in the UK, and Green's Foods Ltd (a 23% associate) which is registered in Australia.

In October 2002, GPGUKH purchased the minority shareholdings in MEM Group Ltd ("MEM") in Australia and this subsidiary is now wholly owned. Also in Australia the group disposed of its interest in Joe White Maltings Ltd under a takeover by Ausbulk.

Since the year-end, MEM has merged its associate, Aurora Gold Ltd ("Aurora"), with another listed mining company, Abelle Ltd. This has reduced GPGUKH's effective interest in Aurora to 20%.

Details of other activities during the year and a commentary on the outlook for 2003 are set out in the accompanying extract from the Statement by the Chairman of GPG.

Results and Dividends

The results of the Group are shown on page 10 and movements on reserves are set out in note 25. An interim dividend of 17.28p per Ordinary Share for the year ended 31 December 2002 was paid on 16 December 2002, and represents the total payable for the year. In respect of the year ended 31 December 2001 GPGUKH paid an interim dividend of 0.91p, adjusted for the 2002 Capitalisation Issue, in May 2002. This was the only dividend for that year.

Share Capital

The reverse acquisition referred to in the Review of Activities resulted in the Company's entire issued share capital being acquired by GPG (see note 24), and hence the Company's shares are no longer listed.

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 GPG's shares are listed are set out on page 52.



Directors

The directors who served during the year are as follows:

Sir Ron Brierley (Resigned 16 December 2002)
 T J N Beyer
 G J Cureton (Appointed 2 April 2002, resigned 16 December 2002)
 A I Gibbs (Resigned 16 December 2002)
 B A Nixon (Appointed Chairman 16 December 2002)
 Dr G H Weiss (Resigned 17 April 2003)

A M Butcher was appointed as a director on 17 April 2003

Directors' Interests

The interests of the directors who held office during the year, and their connected persons (if any) in the shares, options, CLNs and Capital Notes of the Company, its parent company GPG, and its subsidiaries as at 31 December 2002 and 2001, are set out below.

i) Guinness Peat Group plc

a) Ordinary 5p shares*

	31 December 2002	31 December 2001, or on appointment
Sir Ron Brierley	23,905,935	21,392,226
T J N Beyer	887,528	595,141
G J Cureton	112,200	112,200
A I Gibbs	359,341	185,336
B A Nixon	3,824,425	100,708
Dr G H Weiss	3,864,698	3,464,011

* Comparatives for 31 December 2001 are for Ordinary 10p shares in GPG UK Holdings plc, which were exchanged on 13 December 2002 under the Brunel Merger in consideration for 5p shares in GPG on a 1 for 1 basis.

Options under the share option schemes of the Guinness Peat Group

	31 December 2002 or on resignation Number	31 December 2001 or on appointment Number	Effective exercise price (pence per share)	Exercise period
Sir Ron Brierley				
Ordinary	2,547,408	2,547,408	27.87	12.05.97 to 11.05.04
Super	1,273,703	1,273,703	27.87	12.05.99 to 11.05.04
Ordinary	253,064	253,064	36.06	08.05.99 to 07.05.06
Super	253,064	253,064	36.06	08.05.01 to 07.05.06
Ordinary	550,000	550,000	36.82	17.10.04 to 16.10.11
T J N Beyer				
Ordinary	127,367	127,367	27.87	12.05.97 to 11.05.04
Super	127,367	127,367	27.87	12.05.99 to 11.05.04
Ordinary	170,058	170,058	36.06	08.05.99 to 07.05.06
Super	253,064	253,064	36.06	08.05.01 to 07.05.06
Ordinary	83,003	83,003	36.06	08.05.99 to 07.05.06
Ordinary	167,313	167,313	45.43	01.09.00 to 31.08.07
Super	332,750	332,750	36.44	02.09.04 to 01.09.09
Ordinary	165,000	165,000	36.82	17.10.04 to 16.10.11

Directors' Report - continued

Options under the share option schemes of the Guinness Peat Group (continued)

	31 December 2002 or on resignation Number	31 December 2001 or on appointment Number	Effective exercise price (pence per share)	Exercise period
G J Cureton				
Ordinary	289,474	289,474	26.34	06.10.97 to 05.10.04
Super	289,474	289,474	26.34	06.10.99 to 05.10.04
Ordinary	206,399	206,399	27.62	25.08.98 to 24.08.05
Super	412,801	412,801	27.62	25.08.00 to 24.08.05
Ordinary	75,917	75,917	35.57	11.04.99 to 10.04.06
Super	75,917	75,917	35.57	11.04.01 to 10.04.06
Ordinary	690,180	690,180	36.41	13.01.00 to 12.01.07
Super	230,059	230,059	36.41	13.01.02 to 12.01.07
Ordinary	418,292	418,292	45.43	01.09.00 to 31.08.07
Ordinary	368,953	368,953	38.93	22.03.02 to 21.03.09
Super	216,686	216,686	38.93	22.03.04 to 21.03.09
Super	1,929,950	1,929,950	36.44	02.09.04 to 01.09.09
Ordinary	1,100,000	1,100,000	36.81	17.10.04 to 16.10.11
A I Gibbs				
Ordinary	127,367	127,367	27.87	12.05.97 to 11.05.04
Super	191,053	191,053	27.87	12.05.99 to 11.05.04
Ordinary	578,954	578,954	26.34	06.10.97 to 05.10.04
Super	289,474	289,474	26.34	06.10.99 to 05.10.04
Ordinary	516,002	516,002	27.62	25.08.98 to 24.08.05
Super	1,290,009	1,290,009	27.62	25.08.00 to 24.08.05
Ordinary	253,064	253,064	36.06	08.05.99 to 07.05.06
Super	253,064	253,064	36.06	08.05.01 to 07.05.06
Ordinary	460,121	460,121	36.41	13.01.00 to 12.01.07
Ordinary	418,292	418,292	45.43	01.09.00 to 31.08.07
Ordinary	368,953	368,953	38.93	22.03.02 to 21.03.09
Super	216,686	216,686	38.93	22.03.04 to 21.03.09
Super	2,063,050	2,063,050	36.44	02.09.04 to 01.09.09
Ordinary	1,100,000	1,100,000	36.82	17.10.04 to 16.10.11
B A Nixon				
Super	1,273,703	1,273,703	27.87	12.05.99 to 11.05.04
Ordinary	253,064	253,064	36.06	08.05.99 to 07.05.06
Super	253,064	253,064	36.06	08.05.01 to 07.05.06
Ordinary	418,292	418,292	45.43	01.09.00 to 31.08.07
Ordinary	92,238	92,238	38.93	22.03.02 to 21.03.09
Super	54,171	54,171	38.93	22.03.04 to 21.03.09
Super	2,063,050	2,063,050	36.44	02.09.04 to 01.09.09
Ordinary	1,100,000	1,100,000	36.82	17.10.04 to 16.10.11

Options under the share option schemes of the Guinness Peat Group (continued)

	31 December 2002 or on resignation Number	31 December 2001 or on appointment Number	Effective exercise price (pence per share)	Exercise period
Dr G H Weiss				
Ordinary	2,547,408	2,547,408	27.87	12.05.97 to 11.05.04
Super	1,273,703	1,273,703	27.87	12.05.99 to 11.05.04
Ordinary	253,064	253,064	36.06	08.05.99 to 07.05.06
Super	253,064	253,064	36.06	08.05.01 to 07.05.06
Ordinary	418,292	418,292	45.43	01.09.00 to 31.08.07
Ordinary	480,224	480,224	38.93	22.03.02 to 21.03.09
Super	281,107	281,107	38.93	22.03.04 to 21.03.09
Super	2,329,250	2,329,250	36.44	02.09.04 to 01.09.09
Ordinary	1,100,000	1,100,000	36.82	17.10.04 to 16.10.11

On 12 March 2002 B A Nixon exercised 1,308,896 options expiring 4 June 2002, 1,374,340 options expiring 18 April 2003 and 955,276 options expiring 11 May 2004 all of which were in GPGUKH. No options granted to directors lapsed during the year and no options have been granted to directors or have lapsed since the year end.

Options outstanding at 31 December 2001 and those exercised by B A Nixon have been restated as to price and number to reflect the effect of the 2002 Capitalisation Issue.

A description of the terms of exercise of Super options is set out in note 24 to the financial statements.

The middle market price of GPG's shares at 31 December 2002 was 43.50p and the range during the period from 16 December 2002 to 31 December 2002 was 43.50p to 48.00p. At 13 December 2002 the middle market price of GPGUKH's shares was 48.00p and the range during the period from 1 January 2002 to 13 December 2002 was 41.82p to 57.50p (as adjusted for the 2002 Capitalisation Issue). (Information is provided in relation to the shares of GPGUKH up to 13 December 2002 and GPG for the remainder of the year, these being the listed shares into which exercised GPGUKH options would ultimately convert).

There is no difference between the options disclosed above as at 31 December 2002 and those held by the directors on 13 December 2002, immediately following the reverse takeover, when they were appointed as directors of GPG.

ii) GPG (UK) Holdings plc – Convertible subordinated loan notes

	31 December 2002 or on resignation	31 December 2001 or on appointment
Sir Ron Brierley	1,966,789	1,966,789
T J N Beyer	1,000,000	1,000,000
G J Cureton	–	–
A I Gibbs	686,846	686,846
B A Nixon	675	675
Dr G H Weiss	–	–

There is no difference between the holdings disclosed above as at 31 December 2002 and those held by the directors on 13 December 2002, immediately following the reverse acquisition, when they were appointed as directors of GPG or on 16 December 2002, when certain directors resigned as directors of GPGUKH.

Directors' Report - continued

iii) GPG Finance Ltd – Capital Notes

No director had an interest in the Capital Notes during 2001 or during 2002.

iv) Turners & Growers Ltd

On 31 December 2002, the day on which that company became a Group subsidiary, Mr A I Gibbs held 49,602 shares in Turners & Growers Ltd.

v) MEM Group Limited

MEM Group became a wholly-owned subsidiary company on 27 December 2002 after Guinness Peat Group (Australia) Pty Ltd compulsorily acquired all remaining shares and options on the close of an off-market takeover offer.

Ordinary shares, fully paid

	31 December 2002 or on resignation	31 December 2001
T J N Beyer	–	60,000
B A Nixon	–	125,000
Dr G H Weiss	–	21,654

During the year G J Cureton exercised 35,000 options at A\$0.93 and 90,000 options at A\$1.00 which had been issued during the year under the Employee Share Option Scheme. In addition A I Gibbs exercised 125,000 options at A\$1.00 and Dr G H Weiss exercised 125,000 options at A\$0.93. These options were held as at the beginning of the year under the Employee Share Option Scheme.

Each of the above directors accepted the takeover offer at A\$1.35 per share for all their shares.

No other director had an interest in the shares of this company during 2002, save in respect of the following:

Bonus Options over ordinary shares

	31 December 2002 or on resignation	31 December 2001
T J N Beyer	–	24,000
B A Nixon	–	50,000
Dr G H Weiss	–	8,662

During the year G J Cureton, A I Gibbs and Dr G H Weiss each received 50,000 bonus options on conversion of options issued under the terms of an Employee Share Option Scheme.

Each of the above directors accepted the takeover offer at A\$0.67 per option for all their bonus options.

No other director had an interest in the shares of this company during 2002.

Fixed Assets

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

Creditor Payment Policy

The majority of the Group's investment activity takes place on regulated exchanges and the Group abides by the terms of payment laid down by those exchanges. Otherwise, and in the absence of dispute, amounts due to trade and other suppliers are settled within their terms of payment. The Group does not follow a specific code or standard in respect of such creditors. As at 31 December 2002, the Company's trade creditors (excluding amounts attributable to investments) represented 35 days' purchases – adjusted to eliminate certain significant non-recurring items relating to the reverse acquisition.



Employees

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

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

Donations

In the year ended 31 December 2002 the Company and its subsidiaries made charitable donations of £24,500 (2001: £8,020). No contributions to political parties were made during the year, but a contribution of NZ\$10,000 (£3,000) was paid to the New Zealand National Party in 2001 by the Company and its subsidiaries.

Post Balance Sheet Events

Details of significant post balance sheet events are provided in note 37 to the financial statements.

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 year. They have also presented consolidated financial information dealing with the state of affairs and profit of the Group.

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 except as disclosed in Note 1 to the financial statements, 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The Corporate Governance procedures of GPGUKH depend on, and are encompassed within the corporate governance policies, practices and procedures of its ultimate parent company, GPG, 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 the Company's auditors, PricewaterhouseCoopers to a Limited Liability Partnership 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
29 April 2003

Profit and Loss Accounts

Year ended 31 December		2002	Group 2001 Re-stated £000	2002 £000	Company 2001 Re-stated £000
	Notes	£000			
Turnover					
Group and share of joint ventures		335,552	309,697	–	–
Less: share of joint ventures		(2,954)	(5,524)	–	–
Continuing operations (excluding acquisitions)		332,598	304,173	–	–
Acquisitions		165,935	–	–	–
Less: share of joint ventures		(39,985)	–	–	–
		125,950	–	–	–
Group turnover – continuing operations		458,548	304,173	–	–
Group turnover – discontinued operations		56,288	46,651	–	–
Group turnover	2	514,836	350,824	–	–
Cost of sales	4	(425,292)	(268,951)	–	–
Gross profit		89,544	81,873	–	–
Profit on disposal of investments and other net investment income	3	47,377	60,706	48,931	60,328
Net operating expenses	4	(89,932)	(82,642)	(6,423)	(13,581)
Operating profit – continuing operations (excluding acquisitions)		41,978	55,974	42,508	46,747
Operating profit – acquisitions (excluding joint ventures and associates)		(2,032)	–	–	–
Operating profit – continuing operations		39,946	55,974	42,508	46,747
Operating profit – discontinued operations		7,043	3,963	–	–
Group operating profit	4	46,989	59,937	42,508	46,747
Share of operating (loss)/profit of joint ventures	5	(635)	1,901	–	–
Share of operating profit/(loss) of associated undertakings	5	3,169	(630)	–	–
		49,523	61,208	42,508	46,747
Profit on sale of subsidiary – discontinued operations	33	12,238	–	–	581
Interest payable and similar charges	7	(10,529)	(5,301)	(14,216)	(10,810)
Profit on ordinary activities before taxation	2, 6	51,232	55,907	28,292	36,518
Tax on profit on ordinary activities	9	(5,203)	(7,355)	(1,656)	(2,661)
Profit on ordinary activities after taxation		46,029	48,552	26,636	33,857
Equity minority interests		(3,425)	(1,667)	–	–
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS		42,604	46,885	26,636	33,857
Equity dividends	11	(106,033)	(5,393)	(106,033)	(5,393)
RETAINED (LOSS)/PROFIT FOR THE YEAR		(63,429)	41,492	(79,397)	28,464

Notes on pages 14 to 50 form part of these financial statements



Balance Sheets

31 December		2002	Group 2001 Re-stated £000	2002	Company 2001 Re-stated £000
	Notes	£000		£000	
FIXED ASSETS					
Intangible assets	12	(10,734)	(3,123)	–	–
Tangible assets	13	73,752	47,164	437	117
Investments	14				
Investments in joint ventures				12,781	–
Share of gross assets		31,159	5,157		
Share of gross liabilities		(18,500)	(3,619)		
		12,659	1,538		
Investments in associates		40,008	27,104	13,129	5,802
Other investments		203,522	173,440	311,480	251,630
		256,189	202,082	337,390	257,432
TOTAL FIXED ASSETS		319,207	246,123	337,827	257,549
CURRENT ASSETS					
Stocks and development work in progress	15	13,981	22,596	–	–
Loans to subsidiary undertakings (due after 1 year)		–	–	182,391	86,900
Other debtors	16	118,614	88,920	4,939	3,244
Investments	17	36,874	24,101	11,556	–
Cash at bank and in hand		113,818	169,985	57,986	119,696
TOTAL CURRENT ASSETS		283,287	305,602	256,872	209,840
CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR					
Trade and other creditors	18	(210,571)	(107,666)	(109,549)	(14,876)
Convertible subordinated loan notes	19	(3,863)	(3,863)	(3,863)	(3,863)
Other borrowings	21	(5,404)	(5,035)	–	–
TOTAL CURRENT LIABILITIES		(219,838)	(116,564)	(113,412)	(18,739)
NET CURRENT ASSETS		63,449	189,038	143,460	191,101
TOTAL ASSETS LESS CURRENT LIABILITIES		382,656	435,161	481,287	448,650
CREDITORS: AMOUNTS FALLING DUE AFTER 1 YEAR					
Trade and other creditors	18	(306)	(1,708)	(216)	(186)
Loans from subsidiary undertakings		–	–	(294,410)	(192,353)
Convertible subordinated loan notes	19	(7,725)	(11,587)	(7,725)	(11,587)
Capital notes	20	(67,765)	(67,502)	–	–
Other borrowings	21	(13,672)	(6,868)	(66,987)	(67,346)
TOTAL LONG-TERM CREDITORS		(89,468)	(87,665)	(369,338)	(271,472)
PROVISIONS FOR LIABILITIES AND CHARGES	22	(14,337)	(12,977)	(4,401)	(302)
NET ASSETS		278,851	334,519	107,548	176,876
CAPITAL AND RESERVES					
Share capital	24	61,340	53,926	61,340	53,926
Share premium account	25	9,562	12,857	9,562	12,857
Capital redemption reserve	25	3,863	3,863	3,863	3,863
Profit and loss account	25	189,684	246,777	32,783	106,230
EQUITY SHAREHOLDERS' FUNDS		264,449	317,423	107,548	176,876
Equity minority interests		14,402	17,096	–	–
Capital employed		278,851	334,519	107,548	176,876

Mark Butcher, Director

Approved by the Board on 29 April 2003

Notes on pages 14 to 50 form part of these financial statements

Statements of Total Recognised Gains and Losses

Year ended 31 December		Group	Company
	Notes	2001 Re-stated £000	2001 Re-stated £000
		2002 £000	2002 £000
Profit attributable to ordinary shareholders		42,604	46,885
Gain on part disposal of ENZA	33	2,490	–
Currency translation differences			
on foreign currency net investments		472	(2,867)
Deferred tax on foreign currency translation differences		36	885
TOTAL RECOGNISED GAINS FOR THE YEAR		45,602	44,903
Prior year adjustment (note 1)		(1,391)	116
TOTAL GAINS RECOGNISED SINCE LAST ANNUAL REPORT		44,211	29,200
Year ended 31 December		2002 £000	2001 £000
The currency translation differences arise as follows:			
Subsidiary undertakings		(413)	(2,062)
Joint ventures		(8)	(92)
Associated undertakings		893	(713)
TOTAL		472	(2,867)

There are no differences between the profit figures reported on page 10 and their historical cost equivalents.

Reconciliations of Movements in Shareholders' Funds

Year ended 31 December		Group	Company
	Notes	2001 Re-stated £000	2001 Re-stated £000
		2002 £000	2002 £000
Profit attributable to ordinary shareholders		42,604	46,885
Gain on part disposal of ENZA	33	2,490	–
Currency translation differences			
on foreign currency net investments		472	(2,867)
Deferred tax on foreign currency translation differences		36	885
Total recognised gains for the year		45,602	44,903
Dividends		(106,033)	(5,393)
Scrip dividend alternative		2,793	2,651
Release of negative goodwill on disposals		(164)	–
Issue of share capital (net of Capitalisation Issue)		1,902	1,494
Share premium on issue of shares (net of expenses of issue)		2,926	1,355
Net movement in shareholders' funds		(52,974)	(69,328)
Shareholders' funds as at 1 January:			
As previously stated		318,814	272,203
Prior year adjustment (note 1)		(1,391)	210
As re-stated		317,423	272,413
SHAREHOLDERS' FUNDS AS AT 31 DECEMBER		264,449	107,548
		317,423	176,876

Notes on pages 14 to 50 form part of these financial statements



Cash Flow Statements

Year ended 31 December			Group		Company
	Notes	2002 £000	2001 £000	2002 £000	2001 £000
Net cash inflow from operating activities	28a)	73,096	70,451	20,876	50,737
Dividends received from associates and joint ventures	28b)	2,955	2,014	–	–
Returns on investments and servicing of finance	28c)	(10,131)	(5,516)	(10,426)	(10,043)
Taxation	28d)	(4,093)	(2,277)	33	(67)
Capital expenditure and financial investment	28e)	(59,134)	(5,716)	(148,014)	(8,637)
Acquisitions and disposals	28f)	(16,200)	6,332	(25,204)	(47,496)
Equity dividends paid	28g)	(1,924)	(1,041)	(1,924)	(1,041)
Cash (outflow)/inflow before management of liquid resources and financing		(15,431)	64,247	(164,659)	(16,547)
Management of liquid resources	28h)	85,866	(96,597)	62,729	(90,909)
Financing					
Issue of ordinary shares, net of buy back expenses	28i)	1,670	306	1,255	207
(Decrease)/increase in debt	28i)	(44,355)	48,170	100,697	107,282
INCREASE IN CASH FOR THE YEAR		27,750	16,126	22	33
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS					
Increase in cash for the year		27,750	16,126	22	33
Cash (inflow)/outflow from decrease/increase in liquid resources		(85,866)	96,597	(62,729)	90,909
Cash outflow/(inflow) from decrease/increase in debt		44,355	(48,170)	(100,697)	(107,282)
Change in net debt/funds resulting from cash flows	28j)	(13,761)	64,553	(163,404)	(16,340)
Acquisition of subsidiaries		(49,889)	–	–	–
Disposal of subsidiaries		2,491	–	–	–
Currency translation differences		(1,448)	(850)	997	(1,359)
Other non-cash movements (see note below)		2,866	1,576	2,861	1,576
Movement in net (debt)/funds for the year	28j)	(59,741)	65,279	(159,546)	(16,123)
Net funds/(debt) as at 1 January		75,130	9,851	(155,453)	(139,330)
NET FUNDS/(DEBT) AS AT 31 DECEMBER	28j)	15,389	75,130	(314,999)	(155,453)

Non-cash transactions:

- On 5 July 2002 the Company redeemed the second 10p tranche of the convertible subordinated loan notes through the payment of £997,000 in cash with the balance of £2,866,000 being satisfied by the issue of Ordinary Shares.
- On 31 December 2002 the Group in effect sold a 19.96% interest in ENZA Ltd, formerly a 100% subsidiary, in return for an additional 34.12% of Turners & Growers Ltd, formerly a 45.92% associated undertaking.
- During the year, the Company increased its investment in Turners & Growers Ltd, an associated undertaking, by means of the reinvestment of a dividend of £845,000 under that company's Dividend Reinvestment Plan.

Notes to Financial Statements

1. Principal Accounting Policies

The following are the principal policies adopted in preparing the financial statements. The policies have been consistently applied except for the adoption of Financial Reporting Standard ("FRS") 19 - *Deferred Tax*. Previously, the Group recognised deferred tax in respect of timing differences which were expected to reverse within the foreseeable future. Under FRS 19, deferred tax is recognised in full in respect of such timing differences except that deferred tax assets are only recognised if it is considered more likely than not that they will be recovered. This change has reduced the Group's profit for the years ended 31 December 2002 and 2001 by £2,432,000 and £682,000 respectively, and has reduced the Group's shareholders' funds as at those dates by £3,823,000 and £1,391,000 respectively. It has reduced the Company's profit for the year ended 31 December 2002 and 2001 by £1,598,000 and £1,180,000 respectively, and has (decreased)/increased the Company's shareholders' funds as at those dates by £(1,482,000) and £116,000 respectively. The policies described in this note have been expanded to reflect the principal accounting policies adopted by the subsidiaries and associates acquired during 2002.

a) ACCOUNTING CONVENTION AND FORMAT

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985 ("the Act"), except that:

- as noted below, the directors have departed from the requirements of FRS 3 – *Reporting Financial Performance* in relation to the presentation of net gains from disposals of fixed asset investments in order to provide a true and fair view of the Company's and the Group's results;
- as noted below, the directors have departed from the requirements of the Act, in order to provide a true and fair view, in the determination of the goodwill arising from an increase in the Group's stake in Turners & Growers Ltd; and
- as noted below, the financial statements do not include the segmental disclosures required by Statement of Standard Accounting Practice ("SSAP") 25 – *Segmental Reporting* and the Act in respect of the Group.

b) BASIS OF PREPARATION

Basis of consolidation

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

As a wholly owned subsidiary of another company incorporated in the United Kingdom, the Company is exempt from the requirement to prepare consolidated financial statements. Nonetheless, the directors have presented both entity financial information for the Company and consolidated financial information for the Company and its subsidiaries (excluding the former Brunel Holdings plc). In presenting consolidated financial information, the directors have omitted the segmental disclosures required by SSAP 25 – *Segmental Reporting* and the Act. Otherwise, except for the departures explained elsewhere in this note (being those required to present a true and fair view), the consolidated financial information has been prepared in accordance with the Act and applicable accounting standards in the United Kingdom.

The principal subsidiaries are listed in note 34. The results of subsidiaries acquired or disposed of are consolidated in the Group financial statements from and to the dates of acquisition and disposal respectively. The consolidated financial statements also include the Group's share of the assets, liabilities, results and cash flows of its joint arrangements.

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

Presentation of investment income

FRS 3 – *Reporting Financial Performance* requires that the net gains from disposals of fixed asset investments (including associated undertakings) should be disclosed below operating profit. However, the directors believe that this presentation would not give a true and fair view of the results of the Company or the Group because their investment activities form an integral part of the Company's and the Group's operations. Disposals of fixed asset investments provide a regular and substantial source of profit, and the directors believe that it is necessary to include the related net gains within operating profit in order to provide a true and fair view (including, in the case of the Company, gains from the disposal of subsidiary undertakings). If these net gains were presented below operating profit, as required by FRS 3, the Group and the Company would have reported an operating profit for 2002 of £19,909,000 (2001: operating profit of £12,952,000) and £8,112,000 (2001: operating loss of £729,000) respectively.

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

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

Accounting for Turners & Growers Ltd

Under the terms of the merger between Turners & Growers Ltd and ENZA Ltd on 31 December 2002 (see note 30), GPGUKH now holds a controlling interest in the merged group. In the Group's financial statements Turners & Growers

Ltd was previously accounted for as an associated undertaking. In accordance with FRS 2 – *Accounting for Subsidiary Undertakings* and in order to give a true and fair view, the goodwill arising from this transaction has been calculated as the difference between the fair value of the consideration paid to increase the Group's interest in Turners & Growers Ltd and the fair value of the net assets attributable to that additional interest. Negative goodwill arising from the original acquisition of shares in Turners & Growers Ltd, which was written off through reserves in 1993, has not been adjusted.

This is a departure from the treatment required by the Act, under which goodwill is calculated as the difference between the fair value of the aggregate consideration paid to acquire shares in Turners & Growers Ltd (including the shares purchased in 1993) and the Group's aggregate interest in the net assets of Turners & Growers Ltd, measured at their fair value on the date that it became a subsidiary. The directors believe that this approach would not give a true and fair view because it would be inconsistent with the previous treatment of the Group's investment in Turners & Growers Ltd. It would result in the reclassification of post-acquisition reserves attributable to Turners & Growers Ltd as goodwill, and also the reinstatement of negative goodwill previously written off through reserves.

The effect of this departure from the Act has been to increase the Group's retained profits by £5,380,000 and to decrease the negative goodwill recognised in 2002 by £5,588,000.

c) FOREIGN CURRENCIES

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

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

d) FIXED ASSETS

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

– Freehold land	not depreciated
– Freehold buildings	1-5%
– Leasehold buildings	2-5% or over the term of the lease if shorter
– Plant and equipment	2-20%
– Vehicles and office equipment	10-50%

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

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

e) INVESTMENTS

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

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

f) LEASES

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

g) GOODWILL

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

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

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

h) TURNOVER

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

Notes to Financial Statements - continued

Sales of goods are recognised in revenue when control passes to the customer, except that sales of aluminium products are recorded when goods have been despatched and the associated risks have been transferred. Income from sales of property is recognised only when unconditional contracts have been exchanged and 10% of the contract price received.

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

i) STOCKS, WORK IN PROGRESS AND LONG TERM CONTRACTS

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

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

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

Land for resale, included within development work in progress, is valued at the lower of cost and net realisable value. Cost includes capitalised interest and those costs necessary to prepare the land for sale.

j) PENSIONS AND OTHER POST RETIREMENT BENEFITS

Pension costs in respect of defined contribution schemes are charged to the profit and loss account in the year to which they relate. Costs in respect of defined benefit pension schemes and other post retirement benefits are spread over the employees' service lives, in accordance with actuarial advice.

k) TAXATION

Provision is made for domestic and foreign taxation assessable on the profit for the year as adjusted for disallowable and non-taxable items. Deferred taxation is provided in full in respect of timing differences which have arisen but not reversed at the balance sheet date, except that deferred tax assets (including those attributable to tax losses carried forward) are only recognised if it is considered more likely than not that they will be recovered. Deferred taxation has not been provided in respect of the accumulated reserves of overseas subsidiaries, associates and joint ventures unless a dividend has been declared or there is a binding obligation to distribute those reserves.

l) INVESTMENT INCOME

Income from equity investments is recognised when declared. Dividends from UK companies are presented net of the attributable tax credit. Dividends received from overseas companies include any withholding taxes, but exclude any underlying tax paid by the investee company on its own profit. Special dividends arising from the investments are included as income in the profit and loss account and, where appropriate, an impairment provision is recognised against the investment.

m) EMPLOYEE ENTITLEMENTS

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

n) ACCOUNTING POLICIES SPECIFIC TO MINING COMPANIES

(i) Turnover

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

(ii) Stock

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

(iii) Property, plant and equipment

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

(iv) Exploration, evaluation and development expenditure

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

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

(v) Restoration and rehabilitation expenditure

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

2. Segmental Analysis – Profit before tax and Net assets

COMPANY	Profit before tax 2002 £000	Profit before tax 2001 £000	Net assets 2002 £000	Net assets re-stated 2001 £000
GEOGRAPHIC ANALYSIS				
United Kingdom	28,292	36,518	107,548	176,876
BUSINESS ANALYSIS				
Investment	28,292	36,518	107,548	176,876

Note

The assets of the Company are included in the UK/Europe geographical segment although a number of investee companies operate, and are listed, in other regions.

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

Year ended 31 December GROUP	Continuing operations 2002 £000	Acquisitions 2002 £000	Discontinued operations 2002 £000	Total 2002 £000	Continuing operations 2001 £000	Discontinued operations 2001 £000	Total 2001 £000
Interest receivable	6,149	186	23	6,358	4,768	39	4,807
Profit on disposal of fixed asset investments:							
Associated undertakings	548	–	–	548	3,246	–	3,246
Other fixed asset investments	26,532	–	–	26,532	43,739	–	43,739
Income from listed investments	9,199	–	–	9,199	10,798	–	10,798
Net decrease/(increase) in investment provisions and write-downs	2,438	–	–	2,438	(6,288)	–	(6,288)
Loss on derivatives held within the investment portfolio	(467)	–	–	(467)	–	–	–
Other income	2,751	–	18	2,769	4,372	32	4,404
	47,150	186	41	47,377	60,635	71	60,706
Year ended 31 December COMPANY					2002 £000		2001 £000
Interest receivable:							
From subsidiary undertakings					658		515
Other interest receivable					4,785		2,897
Profit on disposal of fixed asset investments:							
Subsidiary undertakings					8,897		–
Associated undertakings					–		4,562
Other fixed asset investments					25,499		42,914
Income from listed associated undertakings					–		867
Other income:							
From subsidiary undertakings					–		8,548
From associated undertakings					845		867
From listed investments					7,606		6,901
Net (decrease)/increase in investment provisions and write-downs:							
Subsidiary undertakings					(12)		(7,153)
Other investments					546		(756)
Other income					107		166
					48,931		60,328

Notes to Financial Statements - continued

4. Operating Profit

Year ended 31 December GROUP	Continuing operations 2002 £000	Acquisitions 2002 £000	Discontinued operations 2002 £000	Total 2002 £000	Continuing operations 2001 £000	Discontinued operations 2001 £000	Total 2001 £000
Cost of sales	(263,476)	(116,492)	(45,324)	(425,292)	(233,119)	(35,832)	(268,951)
Gross profit	69,122	9,458	10,964	89,544	71,054	10,819	81,873
Distribution costs	(20)	–	(1,371)	(1,391)	(28)	(2,258)	(2,286)
Administration expenses	(74,274)	(11,676)	(2,591)	(88,541)	(75,687)	(4,669)	(80,356)
Net operating expenses	(74,294)	(11,676)	(3,962)	(89,932)	(75,715)	(6,927)	(82,642)

The Group's operating profit may be analysed as follows:

Year ended 31 December	Investment activities 2002 £000	Other activities 2002 £000	Total 2002 £000	Investment activities 2001 £000	Other activities 2001 £000	Total 2001 £000
Gross profit	(390)	89,934	89,544	3,096	78,777	81,873
Profit on disposal of investments and other net investment income	46,234	1,143	47,377	63,938	(3,232)	60,706
Net operating expenses	(13,600)	(76,332)	(89,932)	(14,624)	(68,018)	(82,642)
Operating profit	32,244	14,745	46,989	52,410	7,527	59,937

COMPANY

Administration expenses	(6,423)	–	(6,423)	(13,581)	–	(13,581)
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5. Operating (Loss)/Profit from Joint Ventures and Associates

The Group acquired a joint venture interest in Nationwide Accident Repair Services plc in 2002, a company registered in the United Kingdom. The Group's share of the operating loss of this joint venture in 2002 was £1,558,000.

In addition, two companies became associated undertakings during 2002 – Dawson International PLC (29.91%), registered in the United Kingdom, and Green's Foods Ltd (22.93%), registered in Australia. The Group's share of the operating losses of these associates in 2002 was £5,000.

During the year, Turners Auctions Ltd was demerged from Turners & Growers Ltd and continues to be treated as an associated undertaking.

6. Profit on Ordinary Activities Before Taxation

Year ended 31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Profit before taxation is stated after charging/(crediting):				
Depreciation of tangible fixed assets	8,775	6,326	103	46
Amortisation of positive goodwill from the balance sheet (including associates and joint ventures)	241	560	–	–
Release of negative goodwill from fixed assets (including associates and joint ventures)	(2,101)	(518)	–	–
Release of negative goodwill from reserves	(164)	–	–	–
Group audit fees (see note below)	552	609	75	98
Operating lease rentals:				
Plant and equipment	4,885	4,705	–	–
Other	5,788	2,121	2,793	86
Net foreign exchange losses/(gains)	612	3,202	(1,513)	3,513
Rental income from land and buildings	(1,286)	(1,186)	–	–

The audit fee for the Company was £75,000 (2001: £98,000).

Non-audit fees paid to PricewaterhouseCoopers in the UK were £276,000 (2001: £241,000). These fees in 2002 principally relate to the combination of GPG and GPGUKH.

7. Interest Payable and Similar Charges

Year ended 31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Interest payable on bank loans and overdrafts	(2,663)	(991)	(1)	(54)
Unwinding of discount on provisions	(193)	(275)	(66)	–
Interest payable on loans from subsidiary undertakings	–	–	(13,077)	(9,329)
Interest payable on CLNs (see note 19)	(1,072)	(1,427)	(1,072)	(1,427)
Interest payable on Capital Notes (see note 20)	(5,758)	(2,228)	–	–
Amortisation of issue costs on Capital Notes (see note 20)	(603)	(155)	–	–
	(10,289)	(5,076)	(14,216)	(10,810)
Interest capitalised	67	293	–	–
	(10,222)	(4,783)	(14,216)	(10,810)
Net interest payable				
by associated undertakings	(424)	(483)	–	–
Interest receivable/(payable) by joint ventures (net of amounts capitalised)	117	(35)	–	–
	(10,529)	(5,301)	(14,216)	(10,810)

The cumulative amount of capitalised interest included in development land held at 31 December 2002 was £164,000 (2001: £456,000). Interest is capitalised, gross of tax relief, at an average rate of 7.8%.

8. Employee Information

Year ended 31 December	2002	Group 2001	2002	Company 2001
The average number of employees (including executive directors) during the year was:				
Continuing operations:				
Investment/corporate	27	33	15	14
Property development	16	14	–	–
Fruit/produce distribution	85	–	–	–
Building services	2,621	2,377	–	–
Testing services	1,132	1,215	–	–
	3,881	3,639	15	14
Discontinued operations:				
Malting/food processing	227	124	–	–
TOTAL NUMBER OF EMPLOYEES	4,108	3,763	15	14

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

Year ended 31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Group employment costs – all employees including directors:				
Aggregate gross wages and salaries	108,267	99,671	2,200	3,158
Employer's national insurance contributions or foreign equivalents	9,571	7,964	154	173
Employer's pension contributions	4,123	4,419	71	71
TOTAL DIRECT COSTS OF EMPLOYMENT	121,961	112,054	2,425	3,402

Notes to Financial Statements - continued

8. Employee Information - continued

Year ended 31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Directors' emoluments:				
Aggregate emoluments	2,316	3,064	2,316	3,064
Gains made on exercise of share options	1,248	–	1,248	–
Pension contributions	89	68	89	68
	3,653	3,132	3,653	3,132

The aggregate emoluments for the highest paid director were £590,237 (2001: £993,036) excluding gains on share options exercised. Contributions paid to money purchase pension schemes in respect of the highest paid director were £41,973 (2001: £42,206).

Details of individual directors' emoluments:

	Sir Ron Brierley £	T J N Beyer £	G J Cureton £	A I Gibbs £	B A Nixon £	G H Weiss £
Salaries and fees	–	106,667	189,087	334,256	336,000	307,800
Accrued bonus	52,500	40,538	184,291	232,864	232,864	282,437
Benefits in kind	–	4,178	–	–	12,692	–
TOTAL 2002	52,500	151,383	373,378	567,120	581,556	590,237
Total 2001	150,000	184,314	–	841,169	895,328	993,036
Gains on Options 2002	–	5,624	21,423	25,708	1,183,285	12,435
Pension 2002	–	–	20,776	–	26,100	41,973
Pension 2001	–	–	–	–	26,100	42,206

Notes

- i) Overseas directors' emoluments, which are paid in local currency, have been translated at the relevant year-end exchange rate.
- ii) Share options are awarded to directors and senior staff in accordance with the terms of the Group's share option schemes, the terms of which have been approved by the relevant shareholders. The Company does not operate any other long term incentive schemes. It is felt that the grant of options is more appropriate since this contains an element of reward for individual achievement together with an incentive allied to the Group's longer term performance. The approach also aligns management interests with those of shareholders. Awards are made in most years in the context of the Group's recent trading performance, the individual's contribution to that performance and his expected performance and contribution in the future. In addition, awards are calculated having regard to the individual's existing holdings. Directors are not required to hold their shares for a further period following exercise of their options.
- iii) In addition to his salary, B A Nixon receives contributions to a Personal Pension arrangement of his choice assessed at 10% of his salary. The remaining executive directors are entitled to direct that a variable amount of their total salary, as determined by the Remuneration Committee each year, be paid by way of contribution to any pension arrangement which they may establish for the purpose.
- iv) All pension contributions are in respect of defined contribution arrangements.
- v) "Benefits in kind" include the provision of a fully expensed company car, private health insurance and miscellaneous other benefits.
- vi) Directors are entitled to direct that a variable amount of their total salary, as determined by the Remuneration Committee each year, be paid in a form other than cash.
- vii) T J N Beyer's remuneration figure includes an amount of £45,000 by way of directors' fees and £16,667 receivable 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.
- viii) Certain of the directors resigned from the Company on 16 December 2002 (see page 5) but their emoluments for the period from that date to 31 December 2002 were still borne by GPG (UK) Holdings plc and are therefore included above.

9. Tax on Profit on Ordinary Activities

Year ended 31 December	2002	Group 2001 Re-stated £000	2002	Company 2001 Re-stated £000
<i>Current tax:</i>	£000		£000	
UK corporation tax at 30% (2001: 30%)	(144)	(1,955)	33	(1,481)
Overseas tax	(2,480)	(1,581)	–	–
Tax attributable to associated undertakings	(416)	(605)	–	–
Tax attributable to joint ventures	(272)	(570)	–	–
	(3,312)	(4,711)	33	(1,481)
Deferred tax	(1,891)	(2,644)	(1,689)	(1,180)
TOTAL TAX CHARGE	(5,203)	(7,355)	(1,656)	(2,661)

Tax attributable to one of the Group's joint ventures is recognised by the subsidiary undertaking which holds the Group's investment in the joint venture.

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

Year ended 31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Profit on ordinary activities before taxation	51,232	55,907	28,292	36,518
Profit on ordinary activities multiplied by standard rate of tax in the UK of 30% (2001: 30%)	15,370	16,772	8,488	10,955
Impact of differences in overseas tax rates	42	389	–	–
Capital losses arising in the year	(4,740)	(1,450)	(4,740)	(1,450)
Non-taxable income	(7,140)	(6,089)	(4,185)	(3,202)
Utilisation of losses brought forward	(1,350)	(8,427)	(1)	(6,552)
Non-deductible expenses	1,307	2,862	81	2,910
Group relief surrendered without payment	–	–	1,827	–
Other permanent differences	540	–	186	1,482
Accelerated capital allowances	(451)	(1,765)	(9)	6
Other short term timing differences	(266)	2,419	(1,680)	(1,186)
Current tax charge for the year	3,312	4,711	(33)	1,481

10. Pension Costs

The Group has a liability in respect of former employees' pensions currently being paid, amounting to £46,685 (2001: £45,517) per annum. Provision has been made for the estimated liability based on actuarial advice. The key assumptions made in arriving at the liability are as follows: a growth rate for pension payments of 2.3% (2001: 2.5%), an average life expectancy of 8 years (2001: 8 years) and a discount rate of 5.5% (2001: 6%).

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

The charge for the year in respect of the Group's defined contribution arrangements was £1,538,000 (2001: £2,060,000).

The last actuarial valuations of the SIRBS and Brunel schemes were as at 5 April 2002 and 13 December 2002 respectively. These valuations were updated to 31 December 2002. The assumptions used for the SIRBs or Brunel scheme valuations were respectively: pre-retirement investment return of 8.1% (both schemes) per annum; post-retirement investment return of 5.0% and 5.5% per annum; inflation of 2.25% and 2.3% per annum; pension increase of 3.25% and 2.3% per annum; and salary growth of 3.75% and nil per annum. THE TOTAL MARKET VALUE OF THE COMBINED SCHEME ASSETS OF £285.3 MILLION REPRESENTED 99% OF THE ACCRUED LIABILITIES. The valuation method was the projected unit method with surpluses and deficits spread over the future working lifetime of the active membership.

Notes to Financial Statements - continued

10. Pension Costs - continued

Contributions paid during the year and contributions agreed for future years are based on a percentage of pensionable salaries (14% for the SIRBS scheme and 16.4% for Brunel) and amounted to £2,531,000. The agreed contribution rate for future years is 14% (SIRBS) and 16.4% (Brunel) of pensionable salaries. The pension charge under SSAP24 for the two schemes amounted to £2,585,000 (2001: £2,359,000) and the net pension asset at the year end was £1,423,000 (2001: £1,677,000). The Brunel scheme was fair valued at 13 December 2002 as part of the reverse acquisition, and the charge to the profit and loss account therefore only relates to the period 13 December 2002 to 31 December 2002.

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

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

	SIRBS		Brunel	
	31 December 2002	31 December 2001	31 December 2002	31 December 2001
Discount rate	5.5%	5.9%	5.5%	5.7%
Rate of increase in salaries	3.25%	3.5% to 4.0%	3.25%	4.0%
Inflation	2.25%	2.5%	2.25%	2.5%
Rate of increase in pensions in payment*	2.25%	2.5%	3.3%	3.0%

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

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

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

The Group has a potential deferred tax asset of £8,143,000 in relation to the FRS 17 deficit shown above which has not been recognised due to uncertainty regarding the availability of sufficient future taxable profits.

The effects of adopting the requirements of FRS 17 on the primary financial statements are shown below:

	2002 £000	2001 Re-stated £000
Net assets excluding net pension asset recognised under SSAP 24	277,855	333,345
Net pension (liability)/asset under FRS 17	(27,143)	218
Net assets including FRS 17 pension (liability)/asset	250,712	333,563
Profit and loss reserve excluding pension assets/liabilities recognised under SSAP 24	188,688	245,603
Net pension (liability)/asset under FRS 17	(27,143)	218
Adjusted FRS 17 profit and loss reserve	161,545	245,821

10. Pension Costs - continued

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

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

Analysis of amount that would be charged to operating profit under FRS 17

	2002 £000
Current service cost	3,127
Past service cost	–
Total operating charge	3,127

Analysis of amount that would be credited to other finance income under FRS 17

	2002 £000
Expected return on pension scheme assets	10,383
Interest on pension scheme liabilities	(10,577)
Net return	(194)

Analysis of the amount that would be recognised in statement of total recognised gains and losses under FRS 17

	2002 £000
Actual return less expected return on scheme assets (4.9% of scheme assets)	(13,934)
Experience gains and losses arising (2.4% of scheme liabilities)	7,404
Changes in assumptions	(7,782)
Actuarial loss recognised in the STRGL (4.6% of scheme liabilities)	(14,312)

Movement in surplus/(deficit) during the year

	2002 £000
Surplus at beginning of year	311
Current service cost	(3,127)
Contributions	2,530
Deficit attributable to acquired business	(12,351)
Other finance income (net)	(194)
Actuarial loss	(14,312)
Deficit at end of year	(27,143)

Dawson International PLC also operates a defined benefit scheme. The deficit under FRS 17 which would have been recognised at 31 December 2002 amounted to £22m (Group share: £6.6m). The main assumptions used in the valuation are: rate of increases in salaries 3.25%; rate of increase of pensions in payment 3%; rate of increase in deferred pensions 2.25%; discount rate 5.5%; inflation 2.25%.

Notes to Financial Statements - continued

11. Equity Dividends

The directors paid an interim dividend equivalent to 17.28p per share for the year ended 31 December 2002 (2001:0.91p adjusted for the 2002 capitalisation issue). The directors do not propose a final dividend (2001:nil).

12. Intangible Fixed Assets

	Positive goodwill £000	Negative goodwill £000	Net negative goodwill £000
COST			
At 1 January 2002	551	(4,258)	(3,707)
Currency translation differences	6	(38)	(32)
Additions (note 30)	79	(12,975)	(12,896)
Disposal of subsidiaries (note 33)	(557)	5,332	4,775
AT 31 DECEMBER 2002	79	(11,939)	(11,860)
CUMULATIVE AMOUNTS (CHARGED)/RELEASED			
At 1 January 2002	(4)	588	584
Currency translation differences	–	4	4
(Charge)/release for the year	(26)	1,369	1,343
Disposal of subsidiaries (note 33)	30	(835)	(805)
AT 31 DECEMBER 2002	–	1,126	1,126
NET BOOK VALUE AT 31 DECEMBER 2002	79	(10,813)	(10,734)
NET BOOK VALUE AT 31 DECEMBER 2001	547	(3,670)	(3,123)

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

13. Tangible Fixed Assets

The Group

	Land and buildings £000	Plant and equipment £000	Vehicles and office equipment £000	Land for development £000	Total £000
COST					
At 1 January 2002	20,502	55,759	1,315	1,248	78,824
Currency translation differences	933	(705)	848	(7)	1,069
Acquisition of subsidiaries (note 30)	37,350	45,074	21,739	–	104,163
Additions	783	4,934	1,597	8,268	15,582
Transfer to current assets	–	–	–	(8,723)	(8,723)
Reclassification	(86)	(5,759)	5,845	–	–
Disposals	(1,177)	(3,774)	(1,177)	–	(6,128)
Disposal of subsidiaries (note 33)	(12,380)	(21,579)	(405)	–	(34,364)
AT 31 DECEMBER 2002	45,925	73,950	29,762	786	150,423
ACCUMULATED DEPRECIATION					
At 1 January 2002	4,603	26,331	726	–	31,660
Currency translation differences	(39)	(453)	614	–	122
Acquisition of subsidiaries (note 30)	2,354	29,897	15,011	–	47,262
Charge for the year	1,090	5,391	2,294	–	8,775
Reclassifications	(69)	(3,939)	4,008	–	–
Disposals	(587)	(3,630)	(974)	–	(5,191)
Disposal of subsidiaries (note 33)	(1,318)	(4,419)	(220)	–	(5,957)
AT 31 DECEMBER 2002	6,034	49,178	21,459	–	76,671
NET BOOK VALUE AT 31 DECEMBER 2002	39,891	24,772	8,303	786	73,752
NET BOOK VALUE AT 31 DECEMBER 2001	15,899	29,428	589	1,248	47,164

13. Tangible Fixed Assets - continued

31 December	2002 £000	Group 2001 £000
ANALYSIS OF NET BOOK VALUE OF LAND AND BUILDINGS		
Freehold	38,304	14,459
Leasehold:		
Over 50 years unexpired	511	621
Under 50 years unexpired	1,076	819
	39,891	15,899
The Company		
COST		
At 1 January 2002		507
Additions		422
Disposals		(222)
AT 31 DECEMBER 2002		707
ACCUMULATED DEPRECIATION		
At 1 January 2002		390
Charge for the year		103
Disposals		(223)
AT 31 DECEMBER 2002		270
NET BOOK VALUE AT 31 DECEMBER 2002		437
NET BOOK VALUE AT 31 DECEMBER 2001		117

14. Fixed Asset Investments

31 December	2002 £000	Group 2001 £000	2002 £000	Company 2002 £000
Interests in joint ventures (see note a) below)	12,659	1,538	12,781	–
Interests in associated undertakings (see notes a) and c) below)	40,008	27,104	13,129	5,802
Interests in group undertakings (see note c) below)	–	–	133,135	115,770
Other investments (see notes b) and c) below)				
– listed investments	199,667	171,161	178,043	133,581
– unlisted investments	3,586	2,010	33	2,010
– art portfolio	269	269	269	269
	256,189	202,082	337,390	257,432

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

	Joint ventures £000	Associated undertakings £000
At 1 January 2002	1,538	27,104
Currency translation differences	(8)	895
Reclassified from fixed asset investments	5,677	15,139
Additions	7,103	3,054
Impact of share issue by associate	–	489
Acquisition of subsidiaries (note 30)	–	1,311
Dividends receivable	(1,137)	(1,818)
Loans advanced	–	110
Share of (loss)/profit after tax and minorities	(514)	2,329
Reclassified as a subsidiary	–	(8,605)
AT 31 DECEMBER 2002	12,659	40,008

Notes to Financial Statements - continued

14. Fixed Asset Investments - continued

Additions to associated undertakings include £845,000 of dividends receivable reinvested under an associate's Dividend Reinvestment Plan. Other additions, including amounts reclassified from fixed asset investments, are analysed in note 32.

31 December	Joint ventures		Associated undertakings	
	2002 £000	2001 £000	2002 £000	2001 £000
Share of net assets on acquisition	9,992	923	44,628	31,638
Share of post-acquisition retained profits	(824)	615	1,007	2,371
Share of net assets	9,168	1,538	45,635	34,009
Positive goodwill	3,491	–	860	–
Negative goodwill	–	–	(7,170)	(7,478)
	12,659	1,538	39,325	26,531
Loans to associates	–	–	683	573
	12,659	1,538	40,008	27,104

	Joint ventures		Associated undertakings	
	Positive goodwill £000	Negative goodwill £000	Positive goodwill £000	Negative goodwill £000

MOVEMENTS IN GOODWILL ATTRIBUTABLE TO JOINT VENTURES AND ASSOCIATED UNDERTAKINGS

At 1 January 2002	–	–	–	(7,478)
Currency translation differences	–	–	–	22
Fair value adjustments (see note 32)	–	–	–	24
Acquisitions during the year (see note 32)	3,705	–	861	(470)
(Amortisation)/amounts released	(214)	–	(1)	732
AT 31 DECEMBER 2002	3,491	–	860	(7,170)

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

Note

A discount of £3,099,000 previously arose on acquisition of the Group's investment in Turners & Growers Ltd, which was taken directly to reserves in the year of acquisition. £59,000 of this discount was released in the current year in respect of a reduction in the Group's interest in Turners Auctions Ltd.

The Group's significant associated undertakings at 31 December 2002 are listed below:

	Capital and reserves 000's	Latest profit/(loss) 000's	Date of last audited accounts	Country of incorporation	Nature of business	GPGUKH shareholding	Class
INVESTMENT							
Turners Auctions Ltd (held directly)	NZ\$8,489	NZ\$3,802	30.06.02	New Zealand	Car auctioneer	38.78%	Ordinary
Aurora Gold Ltd (held indirectly)	A\$44,162	A\$(29,230)	31.12.01	Australia	Gold mining	39.84%	Ordinary
Capral Aluminium Ltd (held indirectly)	A\$197,726	A\$7,122	31.12.02	Australia	Aluminium extrusion	31.26%	Ordinary
Green's Foods Ltd (held indirectly)	A\$43,799	A\$(17,639)	30.06.02	Australia	Food processing	22.93%	Ordinary
Dawson International PLC (held directly)	£43,117	£(8,600)	31.12.02	United Kingdom	Textiles	29.91%	Ordinary

14. Fixed Asset Investments - continued

The Group's significant joint ventures at 31 December 2002 are listed below:

	Capital and reserves 000's	Latest profit/(loss) 000's	Date of last audited accounts	Country of incorporation	Nature of business	GPGUKH shareholding	Class
INVESTMENT							
Nationwide Accident Repair Services plc (held directly)	£25,192	£(12,062)	31.12.02	United Kingdom	Vehicle repair	50.00%	Ordinary
Harcourt Hill Estate (held indirectly)	A\$7,471	A\$12,877	30.06.02	Australia	Property development	50.00%	Ordinary

The Group's share of joint venture undertakings' borrowings is £388,000, all of which is repayable within one year.

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

	2002 £000	2001 £000
SUMMARISED PROFIT AND LOSS ACCOUNT INFORMATION		
Turnover	181,788	60,891
Profit/(loss) before tax	2,745	(1,113)
Taxation	(416)	(605)
PROFIT/(LOSS) AFTER TAX	2,329	(1,718)

SUMMARISED BALANCE SHEET INFORMATION

Fixed assets	28,262	27,767
Current assets	51,050	35,835
	79,312	63,602
Liabilities due within one year	(28,396)	(24,950)
Liabilities due after more than one year	(1,250)	(1,064)
Provisions	(4,031)	(3,388)
	45,635	34,200
Minority interest	-	(191)
NET ASSETS	45,635	34,009

The Group's share of associated undertakings' borrowings is £6,332,000 of which £5,236,000 is repayable within one year and £1,096,000 is repayable after one year. Liabilities due after more than one year are repayable over the period to June 2004. Except as disclosed in note 26, these borrowings have not been guaranteed by GPGUKH nor by any of its subsidiary undertakings.

There were two holdings at year end that exceeded 20% but were not treated as associated undertakings. The directors consider that the Group has not exercised significant influence over these companies due to the dominant influence of other members and/or the composition of the Boards. The details are as follows:

	Capital and reserves 000's	Latest profit/(loss) 000's	Date of last audited accounts	Country of incorporation	Nature of business	GPGUKH shareholding	Class
Tooth & Co Ltd (held indirectly)	A\$22,630	A\$10,570	30.06.02	Australia	Investment	24.95%	Ordinary
Coats plc (held directly)	£501,600	£29,600	31.12.02	United Kingdom	Thread manufacture	25.17%	Ordinary

The Group's principal operating subsidiaries are listed in note 34.

Notes to Financial Statements - continued

14. Fixed Asset Investments - continued

b) The Group – Other investments

	Listed investments £000	Unlisted investments £000	Art portfolio £000	Total £000
COST				
At 1 January 2002	182,248	2,010	269	184,527
Currency translation differences	(41)	–	–	(41)
Additions	100,171	177	–	100,348
Acquisition of subsidiaries (note 30)	(210)	559	–	349
Reclassification from current asset investments	4,765	–	–	4,765
Disposals	(49,949)	(3,006)	–	(52,955)
Reclassification to joint ventures	(5,678)	–	–	(5,678)
Reclassification to associates	(15,139)	–	–	(15,139)
Reclassification to subsidiary undertakings	–	(1,980)	–	(1,980)
Other reclassifications	(5,826)	5,826	–	–
AT 31 DECEMBER 2002	210,341	3,586	269	214,196
PROVISIONS				
At 1 January 2002	11,087	–	–	11,087
Currency translation differences	(19)	–	–	(19)
Release for the year	(394)	–	–	(394)
AT 31 DECEMBER 2002	10,674	–	–	10,674
NET BOOK VALUE AT 31 DECEMBER 2002	199,667	3,586	269	203,522
NET BOOK VALUE AT 31 DECEMBER 2001	171,161	2,010	269	173,440

The market value of the Group's listed investments at 31 December 2002 (excluding listed subsidiaries and associates) was £208,397,000 (2001: £198,216,000). These listed investments are all quoted on recognised stock exchanges.

c) The Company

	Investments in subsidiaries £000	Investments in joint ventures £000	Investments in associates £000	Listed investments £000	Unlisted investments £000	Art portfolio £000	Total £000
COST							
At 1 January 2002	154,786	–	5,802	134,991	2,010	269	297,858
Additions	24,547	7,103	845	110,660	42	–	143,197
Disposals	(42,672)	–	–	(48,634)	(39)	–	(91,345)
Reclassifications	7,930	5,678	6,482	(18,110)	(1,980)	–	–
AT 31 DECEMBER 2002	144,591	12,781	13,129	178,907	33	269	349,710
PROVISIONS							
At 1 January 2002	39,016	–	–	1,410	–	–	40,426
Charge/(write-back) for the year	12	–	–	(546)	–	–	(534)
Disposals	(27,572)	–	–	–	–	–	(27,572)
AT 31 DECEMBER 2002	11,456	–	–	864	–	–	12,320
NET BOOK VALUE AT 31 DECEMBER 2002	133,135	12,781	13,129	178,043	33	269	337,390
NET BOOK VALUE AT 31 DECEMBER 2001	115,770	–	5,802	133,581	2,010	269	257,432

As at 31 December 2002, the market value of the Company's listed investments (excluding subsidiaries and associates) was £176,968,000 (2001: £143,552,000) and the market value of the Company's listed subsidiaries and associates was £16,174,000 (2001: £Nil). The carrying value of these listed subsidiaries and associates was £13,128,000 (2001: £Nil).

15. Stocks and Development Work in Progress

31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Raw materials and consumables	3,936	11,706	–	–
Work in progress	867	1,370	–	–
Finished goods and goods for resale	5,686	3,507	–	–
	10,489	16,583	–	–
Development work in progress	3,492	6,013	–	–
	13,981	22,596	–	–

16. Debtors

31 December	2002 £000	Group 2001 Re-stated £000	2002 £000	Company 2001 £000
Trade debtors	83,830	58,063	–	–
Amounts owed by subsidiary undertakings	–	–	19	18
Amounts recoverable on contracts	12,507	10,411	–	–
Other debtors	12,335	15,042	4,197	2,388
Pension prepayments	1,573	1,677	–	–
Other prepayments and accrued income	5,507	1,975	616	722
Deferred tax asset (see note below)	2,862	1,752	107	116
	118,614	88,920	4,939	3,244

The deferred tax asset for the Group is included within the analysis in note 22. The Company's deferred tax asset of £107,000 relates to short term timing differences.

Group debtors recoverable after more than one year total £7,096,000 (2001: £6,517,000) comprising £3,550,000 (2001: £3,173,000) in respect of amounts recoverable on contracts, £1,973,000 (2001: £1,667,000) in respect of deferred tax, and £1,573,000 (2001: £1,677,000) in respect of pension prepayments.

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

	Group £000	Company £000
At 1 January 2002 – as re-stated	1,752	116
Currency translation differences	18	–
Acquisition of subsidiaries (note 30)	1,917	–
Charged to the profit and loss account	(778)	(9)
Disposal of subsidiaries	(47)	–
AT 31 DECEMBER 2002	2,862	107

17. Current Asset Investments

31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Listed investments	18,769	15,217	–	–
Unlisted investments	18,105	8,884	11,556	–
	36,874	24,101	11,566	–

The market value of the Group's listed current asset investments is £23,731,000 (2001: £17,307,000). These investments are all quoted on recognised stock exchanges. Unlisted investments substantially comprise short-term interest-bearing instruments.

Notes to Financial Statements - continued

18. Trade and Other Creditors

31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade creditors	36,837	39,991	–	–
Amounts owed to parent undertaking	103,171	–	103,171	–
Amounts owed to subsidiary undertakings	–	–	2,790	1,875
Corporate taxes	3,876	4,496	1,485	1,485
Other tax and social security payable	6,555	6,626	41	51
Payments received on account	25,632	22,163	–	–
Other creditors	14,478	8,716	56	1,880
Accruals and deferred income	17,921	18,445	2,006	4,192
Employee entitlements	2,101	976	–	–
Dividends due to minority interests	–	860	–	–
Dividends payable	–	5,393	–	5,393
	210,571	107,666	109,549	14,876
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Other creditors	41	611	–	–
Employee entitlements	265	1,097	216	186
	306	1,708	216	186

19. Convertible Subordinated Loan Notes

31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
CLNs repayable within one year	3,863	3,863	3,863	3,863
CLNs repayable between one and two years	3,863	3,863	3,863	3,863
CLNs repayable between two and five years	3,862	7,724	3,862	7,724
	11,588	15,450	11,588	15,450

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

The CLNs are subordinated, unsecured obligations of the Company and carry interest at 8% per annum. The residual principal amount of 30p (2001: 40p) is redeemable in three equal instalments (2001: four equal instalments) of 10p per CLN per annum commencing 30 June 2003 (2001: 30 June 2002) or, at the option of the holder, the instalment due for redemption in any year may be converted to Ordinary Shares on the following effective basis:

- on 30 June 2003, one Ordinary Share for every 49.5p in principal of CLNs;
- on 30 June 2004, one Ordinary Share for every 53.7p in principal of CLNs; and
- on 30 June 2005, one Ordinary Share for every 57.8p in principal of CLNs.

The amounts shown above have not been adjusted to reflect the 2003 Capitalisation Issue by GPG.

19. Convertible Subordinated Loan Notes - continued

The CLNs are convertible into ordinary shares of the Company. However, under the terms of the reverse acquisition of Brunel Holdings plc by the Company, "Step-up Rights" were inserted into the Company's Articles of Association with the result that upon any future requirement to issue shares in the Company on a conversion of CLNs, those shares will be automatically transferred to GPG in exchange for the issue initially of an equal number of fully paid shares in GPG (initially on a one-for-one basis). This ratio will be subject to adjustment in future to reflect certain capital events (such as the 2003 Capitalisation Issue by GPG).

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

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

20. Capital Notes

31 December	2002 £000	Group 2001 £000	2002 £000	Company 2002 £000
Capital Notes repayable between two and five years	67,765	67,502	—	—

Between 2 August 2001 and 11 September 2001, the Group issued NZ\$250 million of unsecured, subordinated fixed interest Capital Notes. The issue costs amounted to NZ\$9,275,000, and these costs are being charged to the profit and loss account over the initial five year term of the debt. As at 31 December 2002, the unamortised balance of these costs was NZ\$6,877,000. The Capital Notes bear interest at a fixed rate of 9.0% per annum, payable on a quarterly basis. Under the terms of a cross currency interest rate swap, the Company has fixed the sterling principal amount of the Capital Notes at £70 million. Through that same transaction, the effective interest charge on the Capital Notes has been reduced to a fixed rate of 8.25% on this sterling amount.

The Capital Notes have an initial election date of 15 November 2006, prior to which the Company will provide terms 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 the Company. However, under the terms of the reverse acquisition of Brunel Holdings plc by the Company, "Step-up Rights" were inserted into the Company'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 the Company's 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 on each of the five business days prior to the election date. These elections are subject to the Company's overriding 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.

The Company 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 issuing subsidiary or of the Company itself. In the event that the issuing subsidiary is in liquidation and the Company is not, the guarantee is only enforceable after the scheduled election date for the Capital Notes which next follows the liquidation of the subsidiary. This guarantee ranks *pari passu* with that provided for the CLNs and the loan to the Company from GPG Finance Ltd, 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 the Company as guarantor in respect of the payment of principal, interest and accrued interest on the Capital Notes in the event of, but following completion of, a liquidation of the Company.

Notes to Financial Statements - continued

21. Other Borrowings

31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Bank overdraft	509	–	–	–
Borrowings repayable within one year	4,895	5,035	–	–
	5,404	5,035	–	–
Borrowings repayable between one and two years	2,381	537	–	–
Borrowings repayable between two and five years	9,419	6,331	66,987	67,346
Borrowings repayable after more than five years	1,872	–	–	–
	19,076	11,903	66,987	67,346
Comprising:				
Bank overdraft	509	–	–	–
Bank borrowings	18,567	5,572	–	–
Commercial bills	–	6,331	–	–
Interest-bearing loan from subsidiary undertaking	–	–	66,987	67,346
	19,076	11,903	66,987	67,346

Notes

- At 31 December 2002, the Group's borrowings comprised £19,023,000 in secured borrowings (2001: £5,572,000) and £53,000 in unsecured borrowings (2001: £6,331,000). Of the secured borrowings, £16,184,000 (2001: £3,934,000) was secured against property and the balance was secured against inventories.
- Between 2 August 2001 and 11 September 2001, a subsidiary undertaking issued NZ\$250 million of unsecured fixed interest Capital Notes, with an initial election date of 15 November 2006 (see note 20). The proceeds of those Capital Notes, net of NZ\$9,275,000 of costs incurred, were lent to the Company under the terms of an unsecured subordinated loan. The loan bears interest at 10.25% per annum and falls due for repayment on 15 November 2006. The loan ranks *pari passu* with the CLNs and the guarantee of the Capital Notes in any liquidation of the Company.

22. Provisions for Liabilities and Charges

			Group 2001 Re-stated £000		Company 2001 £000
31 December		2002 £000		2002 £000	
Deferred tax		7,388	7,367	1,680	–
Pension liabilities		928	1,075	300	302
Onerous lease commitments		4,825	3,858	2,421	–
Other provisions		1,196	677	–	–
		14,337	12,977	4,401	302
	Deferred tax Re-stated £000	Pension liabilities £000	Onerous leases £000	Other provisions £000	Total £000
GROUP					
At 1 January 2002	7,367	1,075	3,858	677	12,977
Currency translation differences	(19)	(74)	53	(19)	(59)
Acquisition of subsidiaries (note 30)	–	–	977	391	1,368
Utilised in year	–	(98)	(694)	(108)	(900)
Charged to the profit and loss account	1,113	25	453	240	1,831
Unwinding of discount	–	–	178	15	193
Released from reserves	(36)	–	–	–	(36)
Disposal of subsidiaries	(1,037)	–	–	–	(1,037)
AT 31 DECEMBER 2002	7,388	928	4,825	1,196	14,337

Overseas taxation of £3.0 million has been provided in respect of timing differences which are not expected to reverse in the foreseeable future.

22. Provisions for Liabilities and Charges - continued

Notes

- i) Included in the Group's provisions for onerous leases, pensions and other commitments are amounts totalling £2,438,000 (2001: £688,000) which are payable within one year. The leases relate to buildings which are no longer occupied by the Group. Sub-leases have been granted in respect of these buildings but where the rent receivable is insufficient to cover the lease commitments a provision has been made for the deficit. The provision covers the period to 2011 and is based on assumptions concerning the outcome of rent reviews and the rent receivable from new sub-tenants, both of which are uncertain. The expected future cash flows have been discounted on a pre-tax basis at nominal interest rates of 5.0% (UK) and 3.0% (Germany).
- ii) Other provisions mainly comprise post retirement healthcare obligations for former employees of Staveley in the UK and the US. These liabilities expire on the death of the beneficiaries. They are based on management's estimate of future costs, having regard to past experience, and have been discounted at 5.3%.

31 December	2002 Provided £000	2002 Unprovided £000	2001 Provided £000	2001 Unprovided £000
DEFERRED TAX IS ANALYSED AS FOLLOWS:				
Accelerated capital allowances	1,958	–	1,622	–
Short term timing differences	4,517	(4,270)	3,993	(3,543)
Trading and capital losses carried forward	(1,949)	(27,066)	–	(30,442)
	<u>4,526</u>	<u>(31,336)</u>	<u>5,615</u>	<u>(33,985)</u>
Comprising:				
Deferred tax assets	(2,862)	–	(1,752)	–
Deferred tax liabilities	7,388	–	7,367	–
	<u>4,526</u>	<u>–</u>	<u>5,615</u>	<u>–</u>

A number of Group companies have losses carried forward. Such losses are only recognised in the financial statements to the extent that it is considered more likely than not that sufficient future taxable profits will be available for offset.

31 December	2002 £000	2001 £000
Tax losses not provided in the accounts:		
Capital	49,876	56,959
Revenue	34,202	37,714

	Deferred tax £000	Onerous leases £000	Pension liabilities £000	Total £000
COMPANY				
At 1 January 2002	–	–	302	302
Utilised in year	–	(177)	–	(177)
Charged to/(released from) the profit and loss account	1,680	2,532	(2)	4,210
Unwinding of discount	–	66	–	66
AT 31 DECEMBER 2002	<u>1,680</u>	<u>2,421</u>	<u>300</u>	<u>4,401</u>

	2002 Provided £000	2002 Unprovided £000	2001 Provided £000	2001 Unprovided £000
DEFERRED TAX IS ANALYSED AS FOLLOWS:				
Accelerated capital allowances	9	–	–	–
Short term timing differences	1,564	–	(116)	–
	<u>1,573</u>	<u>–</u>	<u>(116)</u>	<u>–</u>
Comprising:				
Deferred tax assets	(107)	–	(116)	–
Deferred tax liabilities	1,680	–	–	–
	<u>1,573</u>	<u>–</u>	<u>(116)</u>	<u>–</u>

The deferred tax liability at 31 December 2002 relates to the gain on the sale of fixed asset investments. The Company has no unprovided tax losses (2001: Nil).

Notes to Financial Statements - continued

23. Operating Lease Commitments

31 December GROUP	Land and buildings 2002 £000	Other 2002 £000	Land and buildings 2001 £000	Other 2001 £000
Annual commitments under operating leases expiring:				
Within one year	1,211	278	399	225
Between one and two years	1,135	2,121	21	–
Between two and five years	1,542	99	968	1,344
Over five years	2,809	365	2,176	–
	<u>6,697</u>	<u>2,863</u>	<u>3,564</u>	<u>1,569</u>
COMPANY				
Annual commitments under operating leases expiring:				
Within one year	–	–	86	–
Over five years	416	–	–	–
	<u>416</u>	<u>–</u>	<u>86</u>	<u>–</u>

24. Share Capital

Group and Company

	2002 Number	2002 £000	2001 Number	2001 £000
Authorised				
Ordinary shares of 10p each	3,210,000,000	321,000	1,905,000,000	190,500
Issued and fully paid				
Ordinary shares of 10p each	613,397,331	61,340	539,255,890	53,926

During 2002 the following issues and allotments of Ordinary Shares were made, representing an increase in the aggregate nominal value of the Company's share capital of £7,414,144:

Date of event	Stock event	No. of shares	Average price (pence per share)
1 January 2002	Shares of 10p in issue	539,255,890	n/a
12 March 2002	Exercise of options	3,307,739	18.08
8 April 2002	Exercise of options	37,932	23.92
22 April 2002	Exercise of options	1,476,345	30.66
30 April 2002	Exercise of options	56,424	46.43
7 May 2002	Exercise of options	11,254	41.31
11 & 14 May 2002	Scrip dividend alternative	7,094,991	Credited as fully paid
11 & 14 May 2002	Capitalisation issue	55,122,742	Credited as fully paid
21 May 2002	Exercise of options	680,613	20.90
5 July 2002	Conversion of CLNs	6,286,786	45.50
1 October 2002	Exercise of options	66,615	33.98
		<u>613,397,331</u>	

On 13 December 2002, as part of the reverse acquisition of Brunel Holdings plc, that company changed its name to Guinness Peat Group plc. Of the 613,397,331 Ordinary Shares in issue prior to the reverse acquisition, 508,909,762 Shares were acquired directly by Brunel Holdings plc. The remaining 104,487,569 Ordinary Shares were cancelled by the Company and immediately thereafter 104,487,569 new Ordinary Shares were issued, at par, to Brunel Holdings plc. The reserve arising from the cancellation of these Shares was applied in paying up the replacement Shares.

Since the year end, an additional 2,899,678 shares have been issued, of which 2,886,368 were in respect of the additional conversion rights of the CLNs consequent upon the Brunel Merger, and the remainder in respect of the exercise of options.

24. Share Capital - continued

Following adjustments, grants, exercises and lapses during the year, options outstanding under the Group's share option schemes at 31 December 2002 were as set out below:

Share Option Scheme	Number	Date granted	Exercise price (p per share)	Exercise period
1992 SHARE OPTION SCHEME				
Ordinary	5,349,550	12.05.94	27.87	12.05.97 to 11.05.04
Super	4,139,529	12.05.94	27.87	12.05.99 to 11.05.04
Ordinary	984,217	06.10.94	26.34	06.10.97 to 05.10.04
Super	578,948	06.10.94	26.34	06.10.99 to 05.10.04
Ordinary	1,014,800	25.08.95	27.62	25.08.98 to 24.08.05
Super	2,287,615	25.08.95	27.62	25.08.00 to 24.08.05
Ordinary	33,743	03.01.96	31.49	03.01.99 to 02.01.06
Super	128,998	03.01.96	31.49	03.01.01 to 02.01.06
Ordinary	253,052	11.04.96	35.56	11.04.99 to 10.04.06
Super	202,443	11.04.96	35.56	11.04.01 to 10.04.06
Ordinary	1,435,378	08.05.96	36.06	08.05.99 to 07.05.06
Super	1,518,384	08.05.96	36.06	08.05.01 to 07.05.06
Ordinary	1,288,330	13.01.97	36.41	13.01.00 to 12.01.07
Super	230,059	13.01.97	36.41	13.01.02 to 12.01.07
Ordinary	2,631,038	01.09.97	45.43	01.09.00 to 31.08.07
Ordinary	92,021	07.11.97	44.23	07.11.00 to 06.11.07
Super	200,778	07.11.97	44.23	07.11.02 to 06.11.07
Ordinary	53,658	03.08.98	31.42	03.08.01 to 02.08.08
Super	26,865	03.08.98	31.42	03.08.03 to 02.08.08
Ordinary	1,920,159	22.03.99	38.93	22.03.02 to 21.03.09
Super	1,131,741	22.03.99	38.93	22.03.04 to 21.03.09
Ordinary	33,274	02.09.99	36.44	02.09.02 to 01.09.09
Super	11,612,975	02.09.99	36.44	02.09.04 to 01.09.09
1994 SHARE OPTION SCHEME				
Ordinary	127,367	12.05.94	27.87	12.05.97 to 11.05.04
Super	127,367	12.05.94	27.87	12.05.99 to 11.05.04
Ordinary	180,595	25.08.95	27.62	25.08.98 to 24.08.05
Super	361,198	25.08.95	27.62	25.08.00 to 24.08.05
Ordinary	95,253	03.01.96	31.49	03.01.99 to 02.01.06
Ordinary	15,178	11.04.96	35.57	11.04.99 to 10.04.06
Ordinary	83,003	08.05.96	36.06	08.05.99 to 07.05.06
Ordinary	33,457	01.09.97	45.43	01.09.00 to 31.08.07
Ordinary	29,281	22.03.99	38.93	22.03.02 to 21.03.09
Super	53,240	02.09.99	36.44	02.09.04 to 01.09.09
2001 SHARE OPTION SCHEME				
Ordinary	6,825,500	17.10.01	36.82	17.10.04 to 16.10.11
Ordinary	275,000	19.03.02	48.64	19.03.05 to 18.03.12

The amounts shown above have not been adjusted to reflect the proposed 2003 Capitalisation Issue by the ultimate parent company, GPG.

Super options are normally exercisable after five years from the date of grant subject to the satisfaction of the two following performance targets: first, that the consolidated net assets per share of the GPG Group over the five-year period prior to exercise increases at a rate which at least matches the rate of increase in net assets per share of the top 25% of the FTSE 100 companies; and second, the percentage increase in the GPG Group's consolidated net assets per share must at least match 110% of the increase in the UK retail prices index over the relevant period. Options exercised during the year comprise 3,026,711 shares under the 1985 Scheme, 1,678,883 shares under the 1992 scheme and 1,420,298 shares under the 1994 scheme (all adjusted for the 2002 Capitalisation Issue). Following the exercise of options under the 1985 scheme there are no further options in existence under that scheme.

Following the reverse acquisition described in note 1, certain option holders "rolled over" their rights from the Company to GPG. Those who rolled over their rights are entitled to exercise their options directly into the ordinary shares of GPG. As a result of the Step-Up Rights contained in the Company's Articles of Association, the remaining option holders initially will receive GPG shares on a one-for-one basis as an automatic consequence of exercise.

Notes to Financial Statements - continued

25. Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
GROUP			
At 1 January 2002			
As previously stated	12,857	3,863	248,168
Prior year adjustment (note 1)	–	–	(1,391)
As restated	12,857	3,863	246,777
Premium on shares issued (net of expenses)	2,926	–	–
Capitalisation issue of shares	(5,512)	–	–
Scrip dividend alternative	(709)	–	3,502
Currency translation differences	–	–	472
Release of negative goodwill on disposals	–	–	(164)
Deferred tax on foreign currency translation differences	–	–	36
Unrealised gain on part disposal of ENZA (note 33)	–	–	2,490
Retained loss for the year	–	–	(63,429)
AT 31 DECEMBER 2002	9,562	3,863	189,684
COMPANY			
At 1 January 2002			
As previously stated	12,857	3,863	106,114
Prior year adjustment (note 1)	–	–	116
As restated	12,857	3,863	106,230
Premium on shares issued (net of expenses)	2,926	–	–
Capitalisation issue of shares	(5,512)	–	–
Scrip dividend alternative	(709)	–	3,502
Unrealised gain on part disposal of ENZA (note 33)	–	–	2,448
Retained loss for the year	–	–	(79,397)
AT 31 DECEMBER 2002	9,562	3,863	32,783

Cumulative negative goodwill taken directly to reserves in respect of acquisitions prior to 1998 amounts to £3,107,000.

26. Contingent Liabilities

The Company has guaranteed the repayment of principal, accrued interest and unpaid interest due on the NZ\$250 million Capital Notes in the event of a liquidation of the issuing subsidiary or the Company (see note 20).

As at 31 December 2002, Staveley had contingent liabilities in respect of performance bonds, tender bonds and guarantees for third parties amounting to £3.2 million (2001: £9.8 million), in respect of which it has recourse to third parties for £0.7 million (2001: £0.7 million) and £1.0 million (2001: £5.1 million) is covered by money deposited in accounts charged in favour of the Bond issuer. In addition, Staveley and certain of its subsidiaries are parties to legal actions and claims arising in the ordinary course of business, which the directors are advised and believe are likely to be resolved without significant effect on the net assets of the Group.

A subsidiary has established a £311,000 provision (2001: £344,000) for a potential environmental liability, the outcome of which is uncertain.

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

Aurora Gold Ltd, an associated undertaking at 31 December 2002, was liable to pay additional consideration for a business acquired upon successful exploration of mineral reserves. This contingent liability is unquantifiable as it is based on the future price of gold and other variables. The Group no longer has an exposure to this liability following the disposal of the investment in Aurora on 14 January 2003.

27. Capital Commitments

As at 31 December 2002, the Group had commitments of £5,480,000 in respect of contracts placed for future capital expenditure (2001: £431,000). Its share of the capital commitments reported by joint ventures and associated undertakings was £6,322,000 (2001: £326,000). The Company did not have any capital commitments.

28. Notes to Cashflow

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

Year ended 31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Operating profit	46,989	59,937	42,508	46,747
Depreciation	8,775	6,326	103	46
Profit on disposal of tangible fixed assets	(142)	(61)	(17)	–
Profit on disposal of shares in associated undertakings	(548)	(3,246)	–	(4,562)
Release of negative goodwill	(1,343)	(422)	–	–
Amounts (written back)/written off against investments	(2,438)	6,306	(534)	7,909
Decrease/(increase) in debtors	8,926	(13,022)	(10,056)	(112)
Decrease in land under development	3,010	1,927	–	–
Decrease/(increase) in stocks	44,475	(1,287)	–	–
(Decrease)/increase in provisions	(182)	(709)	2,419	(7)
(Decrease)/increase in creditors	(24,669)	20,870	(5,949)	(287)
Increase in current asset investments	(9,645)	(7,157)	(5,756)	–
Currency and other adjustments	(112)	989	(1,842)	1,003
NET CASH INFLOW FROM OPERATING ACTIVITIES	73,096	70,451	20,876	50,737

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

b) Dividends received from associates and joint ventures

Dividends received from associated undertakings	1,818	80	–	–
Dividends received from joint ventures	1,137	1,934	–	–
	2,955	2,014	–	–

c) Returns on investments and servicing of finance

Interest paid	(9,445)	(3,878)	(10,426)	(10,043)
Dividends paid by subsidiaries to minority interests	(686)	(1,638)	–	–
	(10,131)	(5,516)	(10,426)	(10,043)

d) Taxation paid

Overseas tax paid	(3,475)	(1,881)	–	–
UK tax (paid)/repaid	(618)	(396)	33	(67)
	(4,093)	(2,277)	33	(67)

e) Capital expenditure and financial investment

Payments to acquire property, plant and equipment (excluding land for development)	(7,314)	(5,610)	(422)	(10)
Purchase of fixed asset investments	(100,473)	(70,777)	(94,991)	(57,751)
Receipts from the disposal of property, plant and equipment	1,079	178	17	–
Sale of fixed asset investments, at book value	47,687	70,430	42,873	69,148
Loans (advanced to)/repaid by associated undertakings	(113)	63	–	–
Loans advanced to subsidiary undertakings	–	–	(95,491)	(20,024)
	(59,134)	(5,716)	(148,014)	(8,637)

Notes to Financial Statements - continued

28. Notes to Cashflow - continued

f) Acquisitions and disposals

Year ended 31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Net receipts from sale of shares in subsidiary undertakings (see note 33)	10,291	2,980	–	–
Cash held by subsidiaries sold	(1,366)	–	–	–
Net payments arising from the purchase of subsidiary undertakings (see note 30)	(20,088)	(2,194)	(18,101)	(55,592)
Cash held by subsidiaries acquired (net of overdrafts)	4,276	–	–	–
Net payments arising from the purchase of associated undertakings (see note 32)	(2,210)	(2,550)	–	–
Net payments arising from the purchase of joint venture undertakings (see note 32)	(7,103)	–	(7,103)	–
Net receipts from sale of shares in associated undertakings	–	8,096	–	8,096
	(16,200)	6,332	(25,204)	(47,496)

g) Equity dividends paid

Balance payable as at 1 January	(5,393)	(4,757)	(5,393)	(4,757)
Dividends payable re additional shares issued	(33)	–	(33)	–
Less: shares in lieu of cash dividend	3,502	3,716	3,502	3,716
	(1,924)	(1,041)	(1,924)	(1,041)

h) Management of liquid resources

Cash placed on short term deposit	(21,586)	(133,200)	(21,586)	(110,067)
Withdrawals from short term deposits	107,452	36,603	84,315	19,158
	85,866	(96,597)	62,729	(90,909)

i) Financing

	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Issue of ordinary shares by Company	1,255	207	1,255	207
Issue of ordinary shares to minority shareholders in subsidiaries	415	99	–	–
NET PROCEEDS FROM ISSUE OF ORDINARY SHARES	1,670	306	1,255	207
New loans taken out (including Capital Notes)	25,020	71,185	–	–
Capital Note issue expenses	–	(2,654)	–	–
Borrowings from subsidiary undertakings	–	–	101,698	121,569
Loans repaid	(69,375)	(20,361)	(1,001)	(14,287)
(DECREASE)/INCREASE IN DEBT	(44,355)	48,170	100,697	107,282
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	(42,685)	48,476	101,952	107,489

28. Notes to Cashflow - continued

j) Analysis of net funds

GROUP	1 January 2002 £000	Cash flow £000	Acquisition of subsidiaries £000	Disposal of subsidiaries £000	Exchange and other non-cash movements £000	31 December 2002 £000
Cash at bank and in hand	169,985	(57,607)	–	–	1,440	113,818
Bank overdraft	–	(509)	–	–	–	(509)
Less: liquid resources	(141,996)	85,866	–	–	(990)	(57,120)
"FRS1" cash	27,989	27,750	–	–	450	56,189
Debt due within 1 year	(8,898)	42,735	(33,595)	2,491	(11,491)	(8,758)
Debt due after 1 year	(85,957)	1,620	(16,294)	–	11,469	(89,162)
	(94,855)	44,355	(49,889)	2,491	(22)	(97,920)
Liquid resources	141,996	(85,866)	–	–	990	57,120
NET FUNDS	75,130	(13,761)	(49,889)	2,491	1,418	15,389

COMPANY	1 January 2002 £000	Cash flow £000	Exchange and other non-cash movements £000	31 December 2002 £000
Cash at bank and in hand	119,696	(62,707)	997	57,986
Less: liquid resources	(118,863)	62,729	(991)	(57,125)
"FRS1" cash	833	22	6	861
External debt due within 1 year	(3,863)	1,001	(1,001)	(3,863)
External debt due after 1 year	(11,587)	–	3,862	(7,725)
Borrowings from subsidiary undertakings	(259,699)	(101,698)	–	(361,397)
	(275,149)	(100,697)	2,861	(372,985)
Liquid resources	118,863	(62,729)	991	57,125
NET DEBT	(155,453)	(163,404)	3,858	(314,999)

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

29. Analysis of Changes in Cash and Liquid Resources During the Year

Year ended 31 December	2002 £000	Group 2001 £000	2002 £000	Company 2001 £000
Opening balance	169,985	58,924	119,696	30,113
Net cash inflow	27,750	16,126	22	33
(Decrease)/increase in liquid resources	(85,866)	96,597	(62,729)	90,909
Increase/(decrease) in bank overdraft	509	(172)	–	–
Currency translation differences	1,440	(1,490)	997	(1,359)
CLOSING BALANCE	113,818	169,985	57,986	119,696

Notes to Financial Statements - continued

30. Purchase of Subsidiary Undertakings

a) On 18 April 2002, the Group acquired control of ENZA Ltd, a major fruit exporter in New Zealand.

	Book value £000	Provisional fair value adjustments £000	Fair value £000
ACQUISITION SUMMARY			
Intangible fixed assets (see i) below)	1,750	(1,750)	–
Tangible fixed assets (see ii) below)	30,112	(177)	29,935
Investment in associates (see iii) below)	1,352	(200)	1,152
Stocks	43,312	–	43,312
Debtors (see iv) below)	19,921	730	20,651
Cash	4,725	–	4,725
Creditors (see v) below)	(20,849)	(708)	(21,557)
Borrowings – short term	(33,163)	–	(33,163)
Borrowings – long term	(10,744)	–	(10,744)
Provisions	(1,305)	–	(1,305)
Net assets acquired	35,111	(2,105)	33,006
Negative goodwill arising on acquisition			(12,975)
Total consideration			20,031
Consideration reported above			20,031
Cash paid in earlier years			(1,980)
CASH PAYMENTS MADE IN CURRENT YEAR			18,051

The fair value adjustments relate to:

- Intangible assets not recognised under UK accounting standards because the acquisition produces negative goodwill (£1,750,000);
- Write-down of certain land and buildings to reflect their subsequent disposal value (£177,000);
- Pre-acquisition goodwill not recognised in respect of associated undertaking (£200,000);
- Increases in debtors to reflect foreign exchange contracts at their fair value (£135,000) and a deferred tax asset relating to losses carried forward (£595,000); and
- Estimate of the tax payable in respect of ENZA's results to 18 April 2002 (£708,000).

In its previous financial year to 30 September 2001, ENZA made a loss after tax of £5,639,000 after charging exceptional costs of £8,032,000 in respect of non-recurring activities. Its total recognised losses for that year amounted to £4,918,000.

For the period from 1 October 2001 to the date of acquisition, ENZA's accounting records (excluding the above fair value adjustments) reflect:

	£000
Turnover	22,039
Operating profit	13,033
Profit before taxation	12,028
Taxation	(47)
PROFIT AFTER TAX	11,981
Total recognised gains for the period	11,981

The taxation charge for the period was reduced by the value of tax losses brought forward from prior years, which were not recognised as at 30 September 2001.

Due to the subsequent merger with Turners & Growers Ltd (see note 30c)), the fair values for ENZA have not yet been finalised.

30. Purchase of Subsidiary Undertakings - continued

b) On 18 October 2002 the Group's offer to acquire the remaining 17.06% shares in MEM Group Ltd became unconditional.

	Book value £000	Fair value adjustments £000	Fair value £000
ACQUISITION SUMMARY			
Tangible fixed assets	25	–	25
Fixed asset investments (see i) below)	5,792	(1,234)	4,558
Debtors (see ii) below)	385	5,621	6,006
Cash	231	–	231
Trade and other creditors	(55)	–	(55)
Net assets	6,378	4,387	10,765
Less: share of MEM's net assets previously recognised			(5,265)
Less: fair value adjustments not recognised in respect of existing shareholding			(3,639)
Net assets attributable to purchase consideration paid this year			1,861
Goodwill arising on acquisition of minority interest			–
Total consideration – satisfied in cash			1,861

The fair value adjustments relate to:

- i) Write-down of investments to market value (£1,234,000); and
- ii) Value attributed to capital losses carried forward (£5,621,000).

c) On 31 December 2002, the Group in effect sold a 19.96% interest in ENZA Ltd ("ENZA"), formerly a 100% subsidiary, in return for an additional 34.12% of Turners & Growers Ltd ("Turners & Growers"), formerly a 45.92% associated undertaking. The transaction resulted in the Group holding 80.04% of the merged entity, Turners & Growers.

	Book value £000	Provisional fair value adjustments £000	Fair value £000
ACQUISITION SUMMARY			
Intangible fixed assets (see i) below)	467	(467)	–
Tangible fixed assets	27,807	–	27,807
Investment in associates	159	–	159
Other investments	559	–	559
Stocks	1,070	–	1,070
Debtors	10,885	–	10,885
Cash	6	–	6
Creditors	(14,079)	–	(14,079)
Borrowings – short term (see ii) below)	(887)	–	(887)
Borrowings – long term	(5,550)	–	(5,550)
Provisions	(63)	–	(63)
Net assets at acquisition	20,374	(467)	19,907
Minority interest (including share in subsidiary's own accounts)			(4,263)
Net assets attributable to the Group's interest			15,644
Less: share of Turners & Growers net assets previously recognised as associate			(8,605)
Other adjustments relating to shares already held			(672)
Net assets attributable to purchase consideration paid this year			6,367
Goodwill arising on acquisition			79
Total consideration			6,446
Satisfied by exchange of shares in ENZA			6,446
CASH PAYMENTS MADE IN CURRENT YEAR			–

Notes:

- i) The fair value adjustment relates to intangible assets not recognised under UK accounting standards (£467,000);
- ii) Borrowings – short term includes a bank overdraft of £455,000.

Notes to Financial Statements - continued

30. Purchase of Subsidiary Undertakings - continued

Due to the timing of this acquisition, the fair values are still provisional.

In its previous financial year to 30 June 2002, Turners & Growers made a profit after tax and minority interests of £1,879,000.

For the period from 1 July 2002 to the date of acquisition, Turners & Growers' accounting records reflect:

	£000
Turnover	34,451
Operating profit	42
Loss before taxation	(137)
Taxation	(63)
LOSS AFTER TAXATION	(200)
Total recognised loss for the period	(200)

- d) The subsidiary undertakings acquired during the year contributed an inflow of £38,801,000 to the Group's net operating cash flows, paid £1,482,000 in respect of returns on investments and servicing of finance, paid £130,000 in respect of taxation and utilised £1,971,000 for capital expenditure.

31. Ultimate Parent Undertaking

The ultimate parent undertaking and controlling party is Guinness Peat Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of that company's consolidated financial statements can be obtained from the Company Secretary, Guinness Peat Group plc, First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP.

32. Purchase of Associated and Joint Venture Undertakings

During the year, two companies became associated undertakings and one company became a joint venture. In October 2002, the Group increased its stake in Green's Foods Ltd to 22.93% and began to exercise significant influence over the company's activities. In November 2002, the Group began to exercise significant influence over the activities of Dawson International PLC as a result of various changes to the operation of the Board. In addition, the Group increased its investment in Capral Aluminium Ltd and Aurora Gold during the year. In April 2002 the Group completed the acquisition of a 50% share in Nationwide Accident Repair Services plc.

The goodwill arising from these transactions is analysed as follows:

	Associated undertakings				Joint Venture	
	Green's Foods Ltd £000	Dawson International PLC £000	Capral Aluminium Ltd £000	Aurora Gold Ltd £000	Nationwide Accident Repair Services plc £000	Total £000
Book value of net assets (GPGUKH share)	3,569	13,829	1,648	157	18,760	37,963
Fair value adjustments	—	(2,258)	68	(56)	(9,684)	(11,930)
Fair value of net assets (GPGUKH share)	3,569	11,571	1,716	101	9,076	26,033
Consideration	(3,196)	(12,432)	(1,642)	(78)	(12,781)	(30,129)
NEGATIVE/(POSITIVE) GOODWILL	373	(861)	74	23	(3,705)	(4,096)

The aggregate consideration of £30,129,000 includes £16,865,000 paid in prior years and £13,264,000 paid during 2002 (of which £3,951,000 was paid for shares in Green's Foods Ltd and Dawson International PLC before they became associates). The net assets of the associates are based on their published accounts, as adjusted to reflect any identified differences between book values and fair values (including relevant accounting policy adjustments).

32. Purchase of Associated and Joint Venture Undertakings - continued

The fair value adjustments are summarised below:

- i) The adjustments relating to Dawson International PLC arise from the revaluation of property, plant and equipment at depreciated replacement cost (£1,291,000), inventory write-downs to net realisable value (£279,000), the recognition of a pension deficit in accordance with actuarial advice (£2,605,000) and the write-down of certain assets to realisable value (£655,000).
- ii) The adjustments relating to Nationwide Accident Repair Services plc principally arise from:
 - the write-off of goodwill (£1,573,000),
 - the revaluation of property, plant and equipment at depreciated replacement cost (£910,000),
 - an increase in onerous lease provisions based on the directors' assessment of the expected future income from sub-tenants (£614,000),
 - bid defence costs and termination payments incurred by Nationwide pre-acquisition (£782,000),
 - the reduction in the value of a business held for re-sale to reflect its disposal value (£992,000),
 - the cancellation of a dividend payable in respect of the prior year (£320,000),
 - the write-down of debtors (£241,000) and stocks (£219,000) to their estimated realisable value,
 - the recognition of various unrecorded liabilities (£49,000),
 - the write-off of a pension prepayment (£2,974,000) and the recognition of a pension deficit (£1,650,000), based on actuarial advice.

Having regard to the timing of these acquisitions, it has not been possible to complete a detailed investigation of the fair values which are therefore considered to be provisional.

In addition, the fair values attributed to Capral Aluminium Ltd and Aurora Gold Ltd, which were both acquired in 2001, have been re-assessed during the current year to reflect additional information published by these companies during 2002 concerning the conditions which existed on the respective dates of acquisition. The resulting changes are analysed below.

	Capral Aluminium Ltd £000	Aurora Gold Ltd £000	Total £000
Book value of net assets (GPGUKH share)	19,481	7,592	27,073
Fair value adjustments:			
As previously reported	1,909	(3,146)	(1,237)
2002 fair value adjustments	(236)	212	(24)
As re-stated	1,673	(2,934)	(1,261)
Fair value of net assets (GPGUKH share)	21,154	4,658	25,812
Consideration	(15,825)	(2,533)	(18,358)
Negative goodwill	5,329	2,125	7,454

The 2002 fair value adjustments comprise:

Capral Aluminium Ltd – adjustments to the revaluation of property, plant and equipment at depreciated replacement cost to reflect gains and losses in 2002 (£292,000 reduction), the reduction of a pension surplus based on a recent actuarial valuation (£18,000 reduction) and the reversal of certain tax liabilities (£74,000).

Aurora Gold Ltd – increase in the recoverable value of debtors based on recoveries made in 2002 (£212,000).

Notes to Financial Statements - continued

33. Disposal of Subsidiary Undertakings

a) During the year, the Group sold its investment in Joe White Maltings Ltd. The gain on sale arose as follows:

	2002 £000
Intangible fixed assets – negative goodwill	(1,563)
Tangible fixed assets	28,406
Stocks	8,332
Debtors	7,078
Cash	1,366
Trade and other creditors	(10,328)
Borrowings	(2,491)
Provisions for liabilities and charges	(1,037)
	<u>29,763</u>
Minority interest	(15,382)
Group share of net assets at disposal	14,381
Consideration received	<u>26,619</u>
PROFIT ON DISPOSAL	12,238

The shares in Joe White Maltings Ltd were sold for cash, of which £16,328,000 was received in January 2003. There is no taxation attributable to this gain.

b) As explained in note 30c), the Company exchanged 19.96% of its investment in ENZA for an additional 34.12% of Turners & Growers. Under UITF 31, "Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate," this transaction has been accounted for at fair value, and as a result the Group and the Company have recognised a gain in respect of the part disposal of their interest in ENZA.

These gains comprise:

	£000	Group £000	£000	Company £000
Consideration received		6,446		6,446
Less: share of net assets	6,363		–	
attributable negative goodwill	(2,407)		–	
attributable cost of investment	<u>–</u>		<u>3,998</u>	
		<u>3,956</u>		<u>3,998</u>
Gain		<u>2,490</u>		<u>2,448</u>

The consideration received comprises additional shares in Turners & Growers. Under the requirements of the ICAEW technical guidelines, the resulting gains have been treated as unrealised. Accordingly, they have been recognised in the Statements of Total Recognised Gains and Losses rather than in the Profit and Loss Accounts. There is no taxation attributable to these gains.

34. Principal Subsidiary Undertakings

The Group's principal subsidiary undertakings at 31 December 2002, all of which are included in the Group's consolidated financial statements, are set out below:

Company name	Country of incorporation/registration	Class and percentage of shares held	Nature of business
GPG Securities Trading Ltd	England	100% ordinary shares 100% preference shares	Securities trading
Staveley Industries plc*	England	100% ordinary shares	Building services
Staveley Inc*	USA	100% ordinary shares	Testing services
Guinness Peat Group (Australia) Pty Ltd	Australia	100% ordinary shares 100% preference shares	Investment company
Canberra Investment Corporation Ltd*	Australia	68.60% ordinary shares	Property development
Turners & Growers Ltd	New Zealand	80.04% ordinary shares	Fresh produce wholesaler
MEM Group Ltd*	Australia	100% ordinary shares	Investment company
Guinness Peat Group New Zealand Ltd	New Zealand	100% ordinary shares 100% preference shares	Securities trading
GPG Finance Ltd	England	100% ordinary shares	Finance

*These subsidiaries are owned indirectly by GPGUKH.

35. Related Party Transactions

Turners & Growers continues to guarantee certain lease agreements on premises occupied by Turners Auctions Ltd. Turners & Growers holds an indemnity in respect of these exposures.

36. Derivatives and Other Financial Instruments

The Group's main financial instruments comprise:

- investments in equity shares with both UK and international exposure. These investments are held both as fixed and current asset investments
- other investments, such as non-equity shares and guaranteed bank bills
- derivatives, including forward foreign currency contracts, cross-currency interest rate swaps, interest rate swaps, equity swaps, equity options and, in 2001, Low Exercise Price Options ("LEPOs")
- trade debtors and trade creditors that arise directly from the Group's operations, including intercompany balances with the parent company
- cash and bank deposits
- bank borrowings and commercial bills
- convertible subordinated loan notes
- capital notes.

GPGUKH is an investment holding company and it, together with certain of its subsidiaries, is principally involved in managing a portfolio of cash and investments. The profile of the Group's financial assets, and in particular the relative balance between cash and investments, varies during the year depending on the timing of purchases and sales of investments and in 2001 was affected by the issue of new subordinated debt. The currency profile of the Group's financial assets is similarly affected by the timing of investment transactions, and tends to vary during the year.

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

Notes to Financial Statements - continued

36. Derivatives and Other Financial Instruments - continued

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

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

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

MARKET PRICE RISK

The Group can be affected by market price movements on its equity investments. Since it generally invests for the medium or long term, the Board does not believe it is economic or necessary to hedge market price risk, which in any event it considers to be a relatively short term factor. No significant equity investment is made without exhaustive research and unless a margin of safety has been identified. Once a significant investment has been made, the investment is continually monitored and managed in the light of new information or market movements. As an active investor, the Group's objective is to utilise shareholder influence to enhance the value of its investments and therefore, ultimately, their price. Exposure to price movement is further mitigated through holding a spread of investments, diversified across a range of sectors and countries.

Equity swaps, equity options and LEPOs are purchased from time to time as part of the Group's investment portfolio. These derivatives do not form a significant proportion of the portfolio, and are subject to the same rigorous research procedures as other equity investments. No equity options or LEPOs were held during 2002.

FOREIGN CURRENCY RISK

The income and capital value of the Group's financial instruments can be affected by exchange rate movements as a significant portion of its financial assets (principally cash and investments) and financial liabilities are denominated in currencies other than Sterling, which is the Group's reporting currency. The accounting impact of these exposures will vary according to whether or not the Group company holding such financial assets and liabilities reports in the currency in which they are denominated.

The Board recognises that the Group's Sterling balance sheet will be affected by short term movements in exchange rates, particularly the value of the Australian and New Zealand dollars. The Board takes the view that the major currencies in which the Group is invested move within a relatively stable range and that currency fluctuations should even out over the long term. The Group's policy is to hold over time a broad balance of cash and investments in Sterling and Australian dollars, being the two currencies in which it mainly invests.

At certain times, the Board will make limited use of forward foreign currency contracts and swaps to maintain the Group's relative exposure to the Australian dollar. These contracts tend to have a maturity of less than three months. Otherwise, the distribution of the Group's net assets between the principal currencies in which it does business is driven largely by the availability of suitable investment opportunities within each country.

As explained in note 20, during 2001 the Group issued Capital Notes denominated in NZ dollars. The Board decided to hedge the Sterling value of this debt, which was achieved using a cross-currency interest rate swap of NZ\$250 million in value, maturing in November 2006. The principal amount of the Capital Notes has been translated into Sterling at the exchange rate implicit in the cross-currency interest rate swap. The net interest receivable under the swap is offset against the interest expense on the Capital Notes, on an accruals basis. The contract involves net settlement with a single counterparty, so the interest payable and receivable at year-end is presented on a net basis.

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

After adjusting for the effect of the cross-currency interest rate swap mentioned above, the borrowings drawn by the Group as at 31 December 2002 were all denominated in the reporting currency of the relevant company of which they were liabilities.

36. Derivatives and Other Financial Instruments - continued

INTEREST RATE RISK

In 2002, the Group financed its operations through shareholders' funds, bank borrowings, commercial bills, the CLNs and the Capital Notes. The CLNs and the Capital Notes carry a fixed interest rate. The Group's trading subsidiaries use a mixture of fixed and floating rate debt. The Company also has access to bank facilities amounting to some £154 million, of which £19 million had been drawn down at year-end. This includes facilities negotiated by trading subsidiaries to meet their local needs.

Joe White Maltings Ltd held certain interest rate swaps when it was acquired, which were retained. These interest rate swaps were used to achieve a fixed interest rate on floating rate borrowings in the period prior to the disposal of this subsidiary. Any amounts paid or received under the swap agreements were included as part of the interest expense, on an accruals basis.

The Group's interest income does not vary significantly from the returns it would generate through investing surplus cash at floating rates of interest since the interest rates are re-set on a regular basis.

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

INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL LIABILITIES

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

31 December	2002				2001			
	Floating rate £000	Fixed rate £000	Interest free £000	Total £000	Floating rate £000	Fixed rate £000	Interest free £000	Total £000
Currency								
Australian dollars	2,839	–	–	2,839	5,572	6,331	270	12,173
Sterling	1,747	79,353	216	81,316	1,571	82,952	186	84,709
New Zealand dollars	1,165	15,729	–	16,894	–	–	–	–
Other	2,421	–	–	2,421	2,287	–	–	2,287
	8,172	95,082	216	103,470	9,430	89,283	456	99,169

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

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

31 December	2002			2001		
	Fixed rate financial liabilities	Financial liabilities on which no interest is paid	Financial liabilities on which no interest is paid	Fixed rate financial liabilities	Financial liabilities on which no interest is paid	Financial liabilities on which no interest is paid
Currency	Weighted average interest rate %	Weighted average period for which rate is fixed (months)	Weighted average period until maturity (months)	Weighted average interest rate %	Weighted average period for which rate is fixed (months)	Weighted average period until maturity (months)
Australian dollars	–	–	–	6.30%	6	6
Sterling	8.21%	42	–	8.20%	53	–
Other	6.77%	3	–	–	–	–
	7.98%	36	–	8.09%	50	6

The benchmark for determining floating rate liabilities in the UK is LIBOR. In New Zealand, floating rates are determined by reference to the New Zealand 90 Day Bank Bill rate. In 2001 in Australia, floating interest rates were fixed in advance for periods of up to one year by reference to the Australian Bank Bill rate.

Notes to Financial Statements - continued

36. Derivatives and Other Financial Instruments - continued

INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL ASSETS

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

Currency	31 December			2001		
	Investments and other assets £000	2002 Cash at bank and in hand £000	Total £000	Investments and other assets £000	Cash at bank and in hand £000	Total £000
Sterling	165,747	11,544	177,291	124,779	95,170	219,949
Australian dollars	57,839	78,692	136,531	62,031	47,549	109,580
New Zealand dollars	23,980	8,632	32,612	2,941	15,073	18,014
United States dollars	823	9,214	10,037	798	8,624	9,422
Other currencies	914	5,736	6,650	10,552	3,569	14,121
	249,303	113,818	363,121	201,101	169,985	371,086
Floating rate	11,269	111,473	122,742	8,691	166,934	175,625
No rate	683	2,345	3,028	573	3,051	3,624
	11,952	113,818	125,770	9,264	169,985	179,249

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

Deposits of £111,473,000 (2001: £166,934,000) which have been placed on deposit with banks for a variety of fixed periods, not exceeding six months, earn available market rates based on LIBID equivalents and are for these purposes classified as floating rate cash balances. The Group's investment portfolio principally comprises equity shares and derivatives. All such investments have been excluded from the interest rate analysis because the investments do not generate a fixed entitlement to interest. The interest-bearing investments principally comprise guaranteed bank bills with a maturity of less than six months. A non-interest bearing loan of £683,000 (2001: £573,000) has been provided to an associate which has no fixed repayment date. Non-interest bearing deposits are payable on demand and were substantially repaid early in 2003.

MATURITY OF FINANCIAL LIABILITIES

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

	2002 £000	2001 £000
In one year or less, or on demand	10,591	9,689
In more than one year but not more than two years	7,017	4,989
In more than two years but not more than five years	82,638	83,201
In more than five years	3,224	1,290
	103,470	99,169

BORROWING FACILITIES

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

	2002 £000	2001 £000
Expiring within one year	9,291	13,047
Expiring between one and two years	123,608	60,000
Expiring between two and five years	1,624	6,489
	134,523	79,536

36. Derivatives and Other Financial Instruments - continued

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

31 December	2002		2001	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Primary financial instruments				
Cash at bank	113,818	113,818	169,985	169,985
Investments (fixed and current)	240,808	254,500	197,836	226,831
Amount recoverable on contracts	3,550	3,213	3,173	2,833
CLNs	(11,588)	(14,484)	(15,450)	(17,574)
Capital Notes	(78,990)	(82,580)	(69,029)	(71,295)
Other borrowings	(19,076)	(19,078)	(11,903)	(11,887)
Other financial liabilities	(5,041)	(5,041)	(4,314)	(4,314)
Derivative financial instruments held as part of the investment portfolio				
Equity options and equity swaps	4,752	4,752	9	68
Derivative financial instruments held to manage interest rate exposures				
Interest rate swaps	–	–	–	90
Derivative financial instruments held to hedge currency exposures				
Forward foreign currency contracts	–	320	–	934
Cross-currency interest rate swaps	11,418	10,658	1,610	1,912

Investments are held for strategic growth or trading purposes. Market values have been used to derive the fair value of all listed investments, the CLNs and the Capital Notes. Unlisted investments are valued according to the most recent price at which they have been traded. For floating rate financial assets and liabilities, and for fixed rate financial assets and liabilities with a maturity of less than six months, it has been assumed that fair values are approximately the same as book values. Fair values for forward foreign currency contracts have been estimated using applicable forward exchange rates at the year end. The fair value of the equity options, equity swaps and the cross-currency interest rate swap have been determined by third party institutions, based on market rates. All other fair values have been calculated by discounting expected cash flows at prevailing interest rates.

Gains and losses on forward foreign currency contracts used for hedging future transactions are not recognised until the exposure to which they relate is itself recognised. Such gains and losses are incorporated in the value of the transaction being hedged.

CURRENCY EXPOSURE

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

				Net foreign currency monetary assets/(liabilities)		
Functional currency	Sterling	Australian	New Zealand	US dollars	Other	Total
31 December 2002	£000	dollars £000	dollars £000	£000	£000	£000
Sterling	–	72,962	13,907	(3,206)	(11,384)	72,279
US dollars	–	–	–	–	612	612
New Zealand dollars	40	54	–	275	1,594	1,963
	<u>40</u>	<u>73,016</u>	<u>13,907</u>	<u>(2,931)</u>	<u>(9,178)</u>	<u>74,854</u>
				Net foreign currency monetary assets/(liabilities)		
Functional currency	Sterling	Australian	New Zealand	US dollars	Other	Total
31 December 2001	£000	dollars £000	dollars £000	£000	£000	£000
Sterling	–	42,839	14,864	(1,646)	4,512	60,569
US dollars	–	–	–	–	840	840
	<u>–</u>	<u>42,839</u>	<u>14,864</u>	<u>(1,646)</u>	<u>5,352</u>	<u>61,409</u>

Notes to Financial Statements - continued

36. Derivatives and Other Financial Instruments - continued

HEDGES

The Group hedges the following exposures:

- interest rate risk – using interest rate swaps
- currency risk – using forward foreign currency contracts and cross-currency interest rate swaps.

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

	Gains £000	Losses £000
Unrecognised gains on hedges at 1 January 2002	1,326	–
Gains arising in previous years included in 2002 profit	(563)	–
Gains relating to subsidiaries sold during 2002	(461)	–
Gains not included in 2002 profit arising before 1 January 2002	302	–
Unrecognised gains/(losses) arising in 2002	18	(760)
Unrecognised gains/(losses) on hedges at 31 December 2002	320	(760)
Of which:		
Gains/(losses) expected to be recognised in 2003	320	(279)
Losses expected to be recognised after 2003	–	(481)

GAINS/(LOSSES) ON FINANCIAL ASSETS/LIABILITIES

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

Year ended 31 December	2002 £000	2001 £000
Gain on disposal of investments (excluding derivatives)	26,601	45,985
Gains/(losses) on disposal of equity options, equity swaps and LEPOs	–	850
Net write-back/(write-down) of investments (excluding derivatives)	2,433	(6,251)
Net write-down of equity options, equity swaps and LEPOs	(462)	(37)
	28,572	40,547

37. Post Balance Sheet Events

On 14 January 2003, the merger of Aurora Gold Ltd and Abelle Ltd was approved by the court and trading in Aurora Gold Ltd's shares ceased on 15 January 2003. Consequently, GPGUKH will no longer treat Aurora Gold Ltd as an associated undertaking after that date.

On 3 March 2003, Avenue Acquisitions plc ("Avenue"), a UK unconsolidated joint venture company in which the Company has an initial effective 50% voting interest and an initial 80% economic interest, announced a recommended bid for Coats plc ("Coats") at 56p per Coats share payable, at the option of the Coats shareholders, in cash or in principal amount of Avenue convertible loan stock. In addition, Coats shareholders are entitled to receive an interim dividend of 2.5p per Coats share. The bid values Coats at £414.2m.

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GPG (UK) HOLDINGS PLC

We have audited the financial statements which comprise the profit and loss accounts, the balance sheets, the cash flow statements, the statements of total recognised gains and losses 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 into 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions 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 and the directors' report.

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

As explained in note 1b), the financial statements do not include the segmental disclosures required by Statement of Standard Accounting Practice 25 and the Companies Act 1985 in respect of the Group.

Except for the omission of these segmental disclosures, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2002 and of the profit and cash flows of the Company and the Group 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
29 April 2003

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NEW ZEALAND

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Registered in England No. 159975

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