Consolidated Cash Flow Statement

For the six months ended 30 June 2001

	6 months ended June 2001 Unaudited £000	6 months ended June 2000 Unaudited Restated £000	Year ended December 2000 Audited £000
Net cash inflow from operating activities	**31,274**	23,631	26,961
Dividends received from associates	**396**	342	13,476
Returns on investments and servicing of finance	**(1,372)**	(565)	(2,528)
Taxation	**(1,104)**	(444)	(626)
Capital expenditure and financial investment	**(17,570)**	(3,609)	(53,583)
Acquisitions and disposals	**(586)**	(6,703)	(4,655)
Equity dividends paid	**(1,033)**	(4,662)	(4,662)
Cash inflow/(outflow) before management of liquid resources and financing	**10,005**	7,990	(25,617)
Management of liquid resources	**8,607**	(6,289)	25,063
Financing			
Issue of ordinary shares	**207**	274	(74)
(Decrease)/increase in debt	**(13,318)**	(1,016)	5,787
Increase in cash in the period	**5,501**	959	5,159

Reconciliation of net cash flow to movement in net funds

Increase in cash in the period	**5,501**	959	5,159
Cash (inflow)/outflow from liquid resources	**(8,607)**	6,289	(25,063)
Cash outflow/(inflow) from decrease/increase in debt	**13,318**	1,016	(5,787)
Change in net funds resulting from cash flows	**10,212**	8,264	(25,691)
Acquisition of subsidiaries	**–**	(21,250)	(21,453)
Currency translation differences	**(1,456)**	(2,423)	(5,653)
Other non-cash movements (see below)	**–**	(19,313)	(19,313)
Movement in net funds for the period	**8,756**	(34,722)	(72,110)
Opening net funds	**9,851**	81,961	81,961
Closing net funds	**18,607**	**47,239**	**9,851**

Non-cash transaction

On 2 June 2001, the Company repurchased 38.6 million shares for an aggregate consideration of £19,313,000 which was settled through the issue of Convertible Subordinated Loan Notes.

Notes to the Financial Statements

1. The interim financial information has been prepared on a basis consistent with the accounting policies adopted in the group's financial statements for the year ended 31 December 2000. The comparatives for the period ended 30 June 2000 have been restated to consolidate Joe White Maltings Ltd and equity account Wrightson Ltd in line with the treatment adopted in the financial statements for the year ended 31 December 2000. In addition, for consistency with the current period, the Convertible Subordinated Loan Notes ("CLNs") have all been classified at 30 June 2000 as being repayable after more than one year (see note 4 below). These changes have increased the profit for the period to 30 June 2000 by £917,000 including £962,000 from the release of negative goodwill.
2. Abridged accounts (Companies Act 1985) – The information for the year ended 31 December 2000 has been extracted from the latest published accounts which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified.
3. Earnings per share – The calculation of earnings per Ordinary share is based on profit after taxation attributable to shareholders and the weighted average number of 525,888,368 Ordinary shares in issue during the period. The comparatives for the periods to 30 June 2000 and 31 December 2000 have been adjusted for the Capitalisation Issue which took place in May 2001.
4. On 6 July 2001, those holders of the Company's CLNs who elected to convert their Election Amounts were issued with 3,474,801 Ordinary shares of 10p each ("Conversion Shares") and the remaining noteholders were repaid Redemption Amounts of £2.2 million in cash. The Conversion Shares were ineligible to receive any Interim Dividend declared for the half year to 30 June 2001. As no Interim Dividend has been declared, the Conversion Shares will, with immediate effect, rank equally with the other shares of the Company, resulting in there being 539,255,890 fully paid Ordinary Shares of 10p each in issue. Following application to the London, Australian and New Zealand Stock Exchanges, the separate quotation of the Conversion Shares will cease.
5. Dividends – The directors have not recommended the payment of an interim dividend. The dividend of 1.00p per share for the year ended 31 December 2000 has been adjusted for the 2001 Capitalisation Issue.
6. Publication – This statement is being sent to shareholders and copies will be available at the registered office of the Company, 2nd Floor, 21-26 Garlick Hill, London, EC4V 2AU.

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Guinness Peat Group plc

Interim Results

for the Six Months to 30 June 2001

2001

Chairman's Statement

Another satisfactory half year for GPG with an active investment program and several good realisations which contributed to the profit of £12.3 million. This is after writing off our investment of £5.3 million in **Otter Gold Ltd** (which is, hopefully, an extreme case scenario) and exchange losses of £3.1 million for the period.

As mentioned in previous Reports, the results of six monthly periods are not an accurate guide to GPG's performance, which can only be properly measured over a period of some years. Nevertheless, the first half of the 2001 year represents a pleasing combination of genuine progress and an improved accounting result.

We have continued to pursue various avenues of "shareholder activism" with mixed success, but overall to the advantage of GPG and other investors. In March, we reported on our substantial investment in **Inchcape plc,** where we have been an advocate for change in business strategy, which, in our view, would enhance shareholder value. Although Inchcape has not accepted these arguments, the market value of the shares has been re-rated on other factors which may be only of temporary duration. We have therefore sold approximately half of our shareholding, although we remain one of the largest holders in the company.

We have also acquired an 8% stake in **Inchcape Motors Ltd** in Singapore, which is 63% owned by Inchcape plc. We do not believe the additional public listing has any logical merit for Inchcape, or for minorities, and GPG has a possible role as a catalyst for alternative proposals which may be to the greater advantage of all shareholders in the company.

Commencing in 1999, GPG accumulated a large shareholding in Time Products plc and was instrumental in influencing and negotiating a management buyout earlier this year. Time Product's specialised business (fashion watches) and strong family heritage was ultimately more suited to private ownership than as a public company. This transaction settled after 30 June and will appear in the full year accounts.

Staveley Industries plc, the former "bête noire" of our share portfolio, completed its first six months as a wholly-owned subsidiary with a modest, but acceptable, contribution of £2.2 million. As a logical structural change, we have divided the UK and USA businesses into two separately managed and reporting units to reflect the distinctly different industries in which they operate. The US manufactures and supplies testing equipment and services whereas the UK provides various forms of mechanical and electrical contracting and maintenance and is also a major supplier of fire protection systems. The UK operations, in particular, would be more effective on a larger scale and we continue to examine a number of possibilities for rationalisation by way of merger, sale or acquisition.

New Zealand has produced plenty of activity this year, albeit some of it rather unrewarding to date.

Enza has been embroiled in non-stop controversy from the day GPG became a major shareholder in August 2000. A legacy of poor commercial decisions on behalf of growers by the former Apple & Pear Marketing Board, combined with more demanding overseas markets, has placed great pressure on the industry and GPG has contributed a disproportionate level of responsibility and commitment to resolve these issues.

Forthcoming deregulation likely presages a further unsettled period, but in the longer run (say, two years) should be favourable for Enza which will continue to represent the bulk of the industry, based purely on competitive merit and experience. A less attractive, but conceivable scenario, is the total collapse of New Zealand's fruit exports without some moderation by disruptive minority elements.

GPG's investment is NZ$6.7 million, which is important, but not critical, if Enza fails to realise the potential which we still believe it has in the future.

As most New Zealand shareholders will already be well aware, **Otter Gold** has proved to be a resounding "dud." It is small comfort that the problems derive entirely from the previous convoluted regime, but which does not disguise GPG's misjudgment in the level and timing of our investment in this company. Having "bitten the bullet" to write-off the book value of our shareholding, we are nevertheless tackling the recovery process with full vigour and some salvage can be reasonably anticipated in future years.

Since 30 June, we have sold our shares in **Wrightson Ltd,** for more than double our entry price, thus concluding GPG's role in a mutually successful association over the past two years.

The recent NZ$250 million (£75 million) Capital Notes offer to New Zealand investors was well received and is expected to be fully subscribed. There are no specific plans for the additional funding which will augment existing strong liquidity and other sources of capital when required.

A lower profile for GPG in Australia but, more importantly, sound and steady progress in a number of areas.

Joe White Maltings Ltd continues to gain in strength after years in the doldrums and is now a 51% subsidiary of GPG as a consequence of the purchase of additional shares during the period.

The acquisition of 27% of **Capral Aluminium** earlier in the year was timely in view of the subsequent sharemarket resurgence of the building products sector. We are represented on the Board of the company and look forward with confidence to future performance.

In the last Annual Report, we referred to the creation of **Tomorrow Ltd** to invest in "special situations" in the technology sector. This was a worthwhile experiment, but did not make the impact we originally hoped and the structure has been dismantled without material loss and before "cash burn" exceeded a minimal level.

Overall, the year 2001 (the eleventh since the new Board assumed control in 1990) has so far been a good one for GPG. We intend to maintain the momentum in the remaining months of the current financial period to 31 December and we look forward to presenting an entirely positive report to shareholders in March 2002.

Ron Brierley
CHAIRMAN

4 September 2001

Consolidated Profit and Loss Account

For the six months ended 30 June 2001

	6 months ended 30 June 2001 Unaudited £000	6 months ended 30 June 2000 Unaudited Restated £000	Year ended 31 December 2000 Audited £000
Group turnover	**189,322**	66,749	148,200
Group operating profit	**20,272**	10,477	20,255
Share of operating profit of joint ventures and associates	**(3,695)**	2,065	2,723
Profit before interest payable	**16,577**	12,542	22,978
Interest payable	**(1,339)**	(388)	(2,001)
Profit before taxation	**15,238**	12,154	20,977
Taxation	**(1,244)**	(1,011)	(2,309)
Profit after taxation	**13,994**	11,143	18,668
Minority interests	**(1,688)**	364	72
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**12,306**	11,507	18,740
Dividends proposed	**–**	–	(4,757)
Profit retained for the period	**12,306**	11,507	13,983
Earnings per Ordinary share – basic (pence)	**2.34**	2.05	3.46
Dividends per Ordinary share – (pence)	**–**	–	0.91

Consolidated Balance Sheet

As at 30 June 2001

	30 June 2001 Unaudited £000	30 June 2000 Unaudited Restated £000	31 December 2000 Audited £000
Fixed Assets			
Intangible assets	**(2,986)**	(934)	(3,152)
Tangible assets	**48,959**	33,882	50,552
Investments	**214,808**	178,601	199,615
	260,781	211,549	247,015
Current Assets			
Debtors	**75,471**	29,969	76,554
Stocks/Development work in progress	**22,653**	21,726	21,682
Investments	**19,099**	19,592	31,277
Cash at bank	**53,680**	90,775	58,924
	170,903	162,062	188,437
Creditors: amounts falling due within one year			
Trade and other creditors	**(79,237)**	(30,403)	(84,725)
Convertible subordinated loan notes	**(3,863)**	–	(3,863)
Other borrowings	**(6,822)**	(16,291)	(18,304)
	(89,922)	(46,694)	(106,892)
Net current assets	**80,981**	115,368	81,545
Total assets less current liabilities	**341,762**	326,917	328,560
Creditors: amounts falling due after one year			
Trade and other creditors	**(923)**	(840)	(758)
Convertible subordinated loan notes	**(15,450)**	(19,313)	(15,450)
Other borrowings	**(8,938)**	(7,932)	(11,456)
	(25,311)	(28,085)	(27,664)
Provisions for liabilities and charges	**(10,185)**	(4,208)	(10,740)
Net assets	**306,266**	**294,624**	**290,156**
Capital and reserves			
Share capital	**53,578**	47,567	47,567
Share premium	**11,628**	17,432	17,432
Capital redemption reserve	**3,863**	3,863	3,863
Profit and loss account	**219,015**	206,444	203,341
EQUITY SHAREHOLDERS' FUNDS	**288,084**	**275,306**	**272,203**
Minority interests (equity)	**18,182**	19,318	17,953
	306,266	294,624	290,156
Net assets per share* – (pence)	**53.77**	52.62	52.02
– (Australian cents)	**148.83**	132.66	139.86
– (New Zealand cents)	**188.18**	169.21	175.62

* The net assets per share for June 2000 and December 2000 have been adjusted for the 2001 Capitalisation Issue.