

GPG (UK) Holdings plc

8% pa CONVERTIBLE SUBORDINATED UNSECURED LOAN NOTES 2005 ("NOTES")

NOTICE REQUESTING EXERCISE OF ELECTION OPTIONS

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO CONSULT IMMEDIATELY A BROKER WHO IS A MEMBER OF THE NEW ZEALAND STOCK EXCHANGE, YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT PROFESSIONAL ADVISER (WHO, IN THE UK, SHOULD BE AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000).

Application will be made to the UK Listing Authority and to London Stock Exchange plc for the Parent Shares (being shares in Guinness Peat Group plc) arising automatically as a consequence of Conversion to be admitted to the Official List of the UK Listing Authority and to trade on the London Stock Exchange. Application will be made for the official quotation and listing on the Australian Stock Exchange of the Parent Shares arising automatically as a consequence of Conversion. The Parent Shares arising automatically as a consequence of Conversion have been accepted for quotation on the New Zealand Stock Exchange and will be quoted on completion of allotment procedures. Dealings are expected to commence in the Parent Shares arising automatically as a consequence of Conversion on 5 July 2004 on the New Zealand Stock Exchange and the London Stock Exchange, and on 7 July 2004 on the Australian Stock Exchange.

If you have sold or transferred all of your holding of Notes, please send this document and the accompanying Election Notice at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred part of your registered holding of Notes, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Unless the context otherwise requires, capitalised expressions used in this notice or in the accompanying Election Notice have the meanings given to them in the Trust Deed constituting the Notes dated 18 April 2000 between the Company and JP Morgan Trust Australia Limited (formerly known as Guardian Trust Australia Limited), as amended by Supplemental Trust Deed dated 4 May 2001, Deed of Amendment dated 13 December 2002 and Supplemental Trust Deed dated 7 July 2003. In the event of any conflict between the terms of this notice (including the Election Notice) and the Trust Deed, the terms of the Trust Deed (as amended) shall prevail.

This Notice accords with the provisions of the Trust Deed and should not be taken as a recommendation as to how to exercise your Election Options.

GPG (UK) Holdings plc

(incorporated and registered in England and Wales No. 159975, Australian Registered Body Number 059271555)

Registered Office

First Floor
Times Place
45 Pall Mall
London
SW1Y 5GP

19 May 2004

Dear Noteholder

CONVERTIBLE NOTES – ELECTION TO CONVERT AND/OR REDEEM

On 30 June 2004 GPG (UK) Holdings plc (the "**Company**") will redeem and/or convert 10 pence of each outstanding Note ("**Election Amount**") that you hold on that date.

The Company requests that you exercise your Election Option by electing whether the Election Amounts of your Notes will be converted or redeemed or both. You have three options:

- (a) you can elect to Convert the aggregate of the Election Amounts of all your Notes indirectly into fully paid Parent Shares at an assumed effective Conversion Price of 44.4 pence per share; or
- (b) you can elect to Redeem the aggregate of the Election Amounts of all your Notes; or
- (c) if you hold more than 100 Notes, you can elect to Convert some of the Election Amounts of your Notes indirectly into fully paid Parent Shares at an assumed effective Conversion Price of 44.4 pence per share and Redeem the balance.

If you do not exercise an Election Option, 10 pence of each Note you hold will be automatically Redeemed on 30 June 2004.

In relation to options (a) and (c) above, upon Conversion, Noteholders will be issued Ordinary Shares in the Company. However, by reason of the step-up rights incorporated into the Articles of Association of the Company by a special resolution dated 13 November 2002 and as amended by a special resolution dated 27 June 2003 (the "**Step-up Rights**"), those shares will automatically be transferred to Guinness Peat Group plc ("**GPG**") in exchange for the issue to Noteholders of ordinary shares in GPG ("**Parent Shares**"). The current Conversion Price is 48.8 pence but, with GPG's 2004 capitalisation issue of one Parent Share for every 10 Parent Shares held on the record date becoming effective on 24 May 2004, there will be an adjustment under the Step-up Rights such that the number of Parent Shares to be issued in exchange for each Ordinary Share in the Company will increase by a factor of 1.1, thereby giving an assumed effective Conversion Price of 44.4 pence as set out above. If for any reason GPG's 2004 capitalisation issue does not become effective, the current Conversion Price of 48.8 pence will prevail.

The number of Notes you held as at close of business (UK time) on 14 May 2004 (the latest practicable date before printing of the Election Notice) is set out on the attached Election Notice together with the aggregate Election Amount for that number of Notes.

If you have acquired or disposed of Notes since 14 May 2004 then the number of Notes and the indicative aggregate Election Amount specified on the Election Notice may not be the number of Notes and Election Amount in respect of which you have an Election Option at 30 June 2004.

The election in respect of your Notes is irrevocable. If you dispose of any of your Notes after making your election, the Notes will still be dealt with in accordance with your election. Similarly, if you have acquired any Notes which have been the subject of a prior holder's Election Option in relation to the next Election Date then the Notes will be dealt with in accordance with that existing Election Option.

Examples of the effect of Conversion on a holding of Notes are set out on pages 7 & 8.

If you intend to transfer any or all of your Notes before 30 June 2004 you should not complete the Election Notice in relation to those Notes before discussing the consequences with your stockbroker and the person to whom you are transferring your Notes.

To make your election please complete and sign the attached Election Notice and return it, in the envelope provided or by facsimile, to the following address:

- (a) if your Notes are registered on the New Zealand Register to GPG (UK) Holdings plc, c/o Computershare Investor Services Limited, Private Bag 92119, Auckland 1020; Fax 09 488 8787; and
- (b) if your Notes are registered on the United Kingdom Register to GPG (UK) Holdings plc, c/o Computershare Investor Services plc, PO Box 859, The Pavilions, Bridgwater Road, Bristol, BS99 1XZ; Fax 0870 703 6112,

in each case to arrive during the period of 30 days ending at 3.00 pm on 30 June 2004.

Noteholders who are Australian residents should note that all Notes on the Australian register were transferred to the New Zealand register following the merger of the Company and GPG (formerly Brunel Holdings plc). Accordingly, those Noteholders should refer to the sections of this Notice relating to the treatment of Noteholders who hold their Notes on the New Zealand register.

JP Morgan Trust Australia Limited (formerly known as Guardian Trust Australia Limited), the Trustee of the Notes, has given and not withdrawn its consent to the issue of this Notice.

You are also reminded that you will have a similar Election Option to be exercised on or before 30 June 2005 provided that all of your Notes have not by then been sold, Redeemed or Converted.

The principal of your Notes will be Redeemed in one further final instalment of 10 pence per Note or if you so elect, the Election Amount in the final year may be converted indirectly into Parent Shares on the following basis (which takes account of this year's proposed adjustment to the Conversion Price detailed below but may be subject to future adjustments in accordance with the terms of the Trust Deed and the Step-up Rights, in each case, as amended from time to time):

on 30 June 2005, one Parent Share for every 47.7 pence in principal of Notes.

Please note:

- (a) If an Election Notice is not received from the Noteholder on or before 30 June 2004 and other than in the case of Notes held in FASTER, no later than 3.00pm on 30 June 2004 or if, for any other reason (not attributable to the Company), the Election Notice is incomplete or defective, the Noteholder shall be deemed to have elected to Redeem the Election Amount of the Notes;
- (b) If an Election Notice does not clearly indicate the extent to which the Election Amounts of the Notes are to be Converted and/or Redeemed, the Noteholder shall be deemed to have elected to Redeem the Election Amount of each of the Notes in respect of which no such indication has been given.

CONVERSION

As a condition precedent to the Conversion of Notes, (unless waived by the Company) the relevant Noteholder must deliver to the Company evidence (if any) of all requirements or consents required in connection with the issue of Ordinary Shares or Parent Shares to that Noteholder and any Certificate with respect to the relevant Notes.

If any Certificate has been lost, stolen, worn-out, mutilated, defaced or destroyed then you should write to the Registrar advising of such and requesting a replacement certificate. You may then be sent a form of indemnity to complete to cover the replaced Certificate. Worn-out, mutilated or defaced Certificates must be surrendered before replacement Certificates will be issued.

Conversion will take place on 30 June 2004 and the Ordinary Shares to be issued on Conversion will be allotted on 2 July 2004 (London time). Once issued and allotted, the Ordinary Shares will, on the same date, be automatically transferred to GPG by virtue of the Step-up Rights. GPG will immediately allot and issue to holders of Ordinary Shares so transferred new

Parent Shares on a 1 for 1 basis, in line with the adjustment to be made in accordance with the provisions of the Step-up Rights for GPG's 2004 capitalisation issue, as described above.

The new Parent Shares will be credited as fully paid and will rank *pari passu* in all respects with the Parent Shares then in issue, EXCEPT that they shall not rank for any dividends or other distributions declared or paid or made either in respect of financial periods or parts of financial periods that have ended on or prior to 30 June 2004.

In accordance with the terms of the Trust Deed, fractions of Ordinary Shares resulting from the Conversion will not be allotted to Noteholders. The fractions will be allotted to a trustee for sale and the aggregated number of shares will be transferred to GPG in exchange for an issue of Parent Shares pursuant to the Step-up Rights. In accordance with the Step-up Rights, no fraction of a Parent Share will be allotted and any fractional entitlement arising will be rounded to the nearest whole number. The trustee will then sell the Parent Shares so arising and the net sale proceeds will be distributed amongst the entitled Noteholders in proportion to their respective entitlements. Individual entitlements of less than £3.00 will not be distributed and will be retained for the benefit of the Company.

The new Parent Shares will be entered on the division of the share register in the country where your Notes are registered. However, Noteholders who, prior to the termination of the listing of the Notes on the Australian Stock Exchange, held their Notes on the Australian register but who now hold their Notes on the New Zealand register will be entitled to elect to have their Parent Shares arising as an automatic consequence of Conversion issued to them onto the Australian branch register. In order to elect to have the Parent Shares arising as an automatic consequence of Conversion issued to them on the Australian branch register, such Noteholders should place a tick in the appropriate box on the accompanying Election Notice. Noteholders who do so elect will be granted CHESS Depository Interests ("CDIs") in respect of the Parent Shares to which they would otherwise be entitled.

If you hold your Notes in certificated form, then following Conversion there will be despatched to you, on or before 5 July 2004, by ordinary post at your own risk:

- (a) a definitive Certificate for the Parent Shares to which you will become entitled or, if you elect to have your Parent Shares arising as an indirect result of Conversion entered on the Australian branch register, a holding statement in respect of the CDIs to which you will become entitled;
- (b) a new Certificate in respect of your Notes showing them to have a nominal value of 10 pence each; and
- (c) if applicable, a cheque for the net proceeds of sale to which you are entitled in respect of any fraction of a Parent Share arising on Conversion.

No certificates will be issued in respect of the Ordinary Shares (as opposed to Parent Shares) arising as a result of Conversion.

If you hold your Notes on the New Zealand Register, the Parent Shares arising as an automatic consequence of Conversion will be issued to you in uncertificated form. You will be forwarded by post no later than 5 July 2004:

- (a) a statement showing your holdings of Parent Shares and Notes; and
- (b) if applicable, a cheque for the net proceeds of sale to which you are entitled in respect of any fraction of a Parent Share arising on Conversion.

REDEMPTION

Payment of the Election Amount of each Note to be Redeemed will be made on or before 5 July 2004. Payment may, at the Company's discretion, be made in the local currency relevant to the register on which your Notes are registered, being the UK or New Zealand or, in the case of Noteholders who previously held their Notes on the Australian register and who so elect, Australia. However, Noteholders who prefer to receive the Election Amount on Redeemed Notes in one of the two other specified currencies are being given the right to make such an election – see the section below entitled "Currency Election". Payment will be made by cheque by ordinary post at your own risk.

INTEREST TO 30 JUNE 2004

Interest will be paid on the Notes accrued and compounded (where applicable) up to (but not including) 30 June 2004 (i.e. the date of Conversion or Redemption) in accordance with the Conditions of those Notes, whether or not they are partially Redeemed or Converted.

CURRENCY ELECTION

Noteholders who are entitled to receive cash payments as the result of Redemption or from the proceeds of sale of fractions of Parent Shares may elect the currency (pounds sterling, Australian dollars or New Zealand dollars) in which they receive their payment by completing the relevant section of the Election Notice.

The exchange rate converting from pounds sterling, being the base currency, into Australian dollars or New Zealand dollars as appropriate will be the rates ruling in London at 5.30pm on 30 June 2004 by reference to the spot rates for exchanging pounds sterling into Australian dollars or into New Zealand dollars as appropriate, as quoted by the principal London office of HSBC Bank plc.

If no currency election is made, or if it is unclear, or if the elected currency is unable to be deposited into the bank account (if any) nominated for such payment on the Election Notice, the Company may make payment in any one of the three currencies as it elects in its discretion.

OTHER INFORMATION

Taxation

The following comments, which summarise advice received by the directors of the Company in relation to UK, Australian and New Zealand taxation, are intended as a general guide only and are based on UK, Australian and New Zealand revenue law and published practice in effect at the date of this document, which may be subject to change possibly with retrospective effect.

In relation to the UK, these comments deal only with the position of Noteholders who are resident or, in the case of individuals, ordinarily resident in the UK for tax purposes at all relevant times, who are the absolute beneficial owners of their Notes and who hold their Notes as an investment.

In relation to Australia, these comments deal only with the position of Noteholders who are resident in Australia for tax purposes at all relevant times, who are the beneficial owners of their Notes and who hold their Notes as capital assets (i.e. not on revenue account or as trading stock). In addition, these comments deal only with the position of Noteholders whose Australian tax year ends on 30 June and who have not made an election for the new foreign-exchange rules to apply to transactions entered into before 1 July 2003.

In relation to New Zealand, these comments deal only with the position of Noteholders who are resident in New Zealand for tax purposes at all relevant times, who are the absolute beneficial owners of their Notes.

This summary does not purport to be a complete analysis or listing of all the potential tax consequences. If you are in any doubt as to your tax position, or if you may be subject to tax in a jurisdiction other than the UK, Australia or New Zealand you should consult your professional advisor without delay and before making a decision in respect of Conversion and/or Redemption of your Notes.

A. United Kingdom

Conversion

On the basis of current legislation, you will not incur any liability for UK capital gains tax by reason only of the exercise of your right to Convert your Election Amounts into Ordinary Shares. The Conversion will be deemed not to be a disposal for the purposes of UK taxation of chargeable gains as the new holding of Ordinary Shares will be treated for these purposes as the same asset as the original Notes acquired, and the Parent Shares acquired by reason of the Step-up Rights will be treated for these purposes as the same asset as the Ordinary Shares.

Redemption

The Redemption of each tranche of Notes will constitute a part-disposal for the purposes of UK taxation of chargeable gains.

B. Australia

The following is a general guide only. It does not purport to be, or contain, specific tax advice and does not constitute a full discussion of the applicable Australian tax issues. Due to the complexity of the Australian tax legislation, we strongly recommend that Noteholders consult their tax advisers on the application of the tax law to their particular circumstances.

Ten pence per Note is repaid annually, either in cash or through the issue of shares. In the comments below, each repayment is referred to as a “redemption” or a “conversion” of the Note, although the Notes themselves remain in existence until the final repayment.

The Company has been advised that both the Notes issued on 2 June 2000 (“the CLNs”) and the Notes issued on 9 July 2003 (“the Further CLNs”) are “traditional securities” for Australian tax purposes, and the comments below proceed on that basis.

In certain circumstances, the proposed transactions may give rise to deductible losses. If they do give rise to a deductible loss, Noteholders will need to consider their specific circumstances to determine whether or not the foreign-loss quarantining rules will apply to that loss.

As a result of recent changes to Australian tax legislation, the Australian tax treatment of the further CLNs will differ in some respects from that of the CLNs. Our comments therefore deal first with the CLNs and then with the further CLNs.

Redemption of the CLNs

It is reasonably arguable (i.e. it is as likely as not) that the tax consequences on redemption will be as follows :

- If the GBP/AUD exchange rate has moved between the date of issue of the CLNs and the date of redemption, a gain or loss will arise on redemption, and Australia’s capital gains tax rules will apply to the gain or loss. However, the position is not entirely clear, and it could be argued that the gain or loss will be on revenue account.
- For Australian tax purposes, the gain or loss will arise at the time of redemption.

Conversion of the CLNs

It is reasonably arguable that the tax consequences of conversion will be as follows :

- A taxable gain or loss will arise at the time of conversion of the CLNs.
- The amount of the gain or loss will be equal to the market value of the Ordinary Shares (determined in AUD) at the date of conversion less the market value of the CLNs (also determined in AUD) at the time of acquisition. However, because of the uncertainty in Australian law, it could be argued that the amount of the gain or loss will be equal to the difference between the market value of the Ordinary Shares (determined in GBP) at the date of conversion and the market value of the CLNs (also determined in GBP) at the time of acquisition and that that difference should be translated to AUD at the spot rate at the time of conversion.
- The cost base of the Ordinary Shares acquired on conversion of the CLNs will be equal to the sum of the cost base of the CLNs converted and the taxable gain (if any) arising on conversion.

The tax consequences of the automatic exchange of Ordinary Shares for Parent Shares and of a subsequent disposal of Parent Shares are dealt with below.

Redemption of the Further CLNs

If the GBP/AUD exchange rate has moved between the date of issue of the Further CLNs and the date of redemption, under Australia’s new foreign-exchange rules a gain or loss should arise on redemption. If there is a gain, it should be taxed as ordinary income. Similarly, if there is a loss, it should be deductible.

Conversion of the Further CLNs

If the GBP/AUD exchange rate has moved between the date of issue of the Further CLNs and the date of conversion, under Australia’s new foreign-exchange rules a taxable gain or deductible loss should arise on conversion. The gain should be equal to the cost of the Further CLNs multiplied by the difference between the spot rate at the time of conversion and the spot rate at the time of acquisition of the Further CLNs.

If the conversion gives rise to a taxable gain, the cost base of the Ordinary Shares acquired on conversion should be equal to the sum of the cost base of the Further CLNs and the amount of the gain taxed on conversion. On the other hand, if the conversion gives rise to a deductible loss, the effect of the loss should be as follows :

- If the subsequent disposal of the Ordinary Shares gives rise to a capital loss, it is reasonably arguable that the deductible loss arising on conversion reduces the cost base of the Ordinary Shares (and thus reduces the capital loss arising on the disposal of the Ordinary Shares).

- If the subsequent disposal of the Ordinary Shares gives rise to a capital gain, it could be argued that the deductible loss does not reduce the cost base of the Ordinary Shares. However, this argument is aggressive, and it is recommended that Noteholders consult their advisers before adopting this argument.

Finally, if the conversion does not give rise to a taxable gain or a deductible loss, the cost base of the Further CLNs converted should simply be carried over into the cost base of the Ordinary Shares acquired on conversion.

The tax consequences of the automatic exchange of Ordinary Shares for Parent Shares and of a subsequent disposal of Parent Shares are dealt with below.

Exchange of Ordinary Shares for Parent Shares

Regardless of whether the Noteholder held CLNs or Further CLNs the automatic exchange of Ordinary Shares for Parent Shares will be a taxable event and may therefore give rise to a taxable capital gain or a capital loss. The gain or loss should be equal to the difference between the market value of the Parent Shares and the cost base of the Ordinary Shares.

However, if the exchange gives rise to a capital gain, it is reasonably arguable that a shareholder may elect to obtain share for share rollover relief. If rollover relief is obtained, the capital gain arising from the disposal of the Ordinary Shares should not be taxed, and the cost base of the Ordinary Shares should be carried over into the cost base of the Parent Shares. Rollover relief will not be available if the exchange gives rise to a capital loss.

If rollover relief is not obtained, for the purposes of calculating capital gains tax arising on any future disposal of Parent Shares the cost base of those shares should be equal to their market value at the date of conversion.

C. New Zealand

The following does not purport to be, or contain, specific legal or professional advice, and does not constitute a full discussion of New Zealand tax issues.

The Conversion, Redemption or sale of any Notes will give rise to a base price adjustment calculation for the Noteholder. This calculation will include all the consideration received by the Noteholder (including interest, redemption payments or the value of the Ordinary Shares received) less the consideration they paid to acquire the Notes. An adjustment will be made for income or expenditure amounts that have been dealt with for tax purposes in earlier years. The effect of this is to bring into tax any accrued, but previously unreported, gains on the Notes. Losses may be deductible if the relevant criteria are met.

If you are in doubt as to your tax position, you are strongly advised to consult your professional adviser before taking any action.

Comparative Values

The following example is supplied for information only and is intended to be helpful to you in considering how to exercise your Election Option. It is based on the latest information practicably available in respect of quoted prices at the close of business on 12 May 2004 and an exchange rate of £1 = NZ\$2.9030 being the mid market exchange rate quoted in London for 12 May 2004 as derived from the London *Financial Times* on 13 May 2004.

When you come to make your decision you are recommended to substitute the latest information available from your local Exchange. If you are in any doubt as to the action you should take, you are recommended to consult immediately your stockbroker, bank manager, solicitor, accountant or other independent professional adviser (who, in the UK, should be authorised under the Financial Services and Markets Act 2000).

Please note that whilst the Notes are issued in sterling, the majority of Notes are traded on the New Zealand Stock Exchange and the example has therefore been based on prices quoted on that exchange as being more representative.

The example shows that, based on the assumptions as set out below, a holder with 10,000 notes will receive a redemption amount of £1,000 (NZ\$2,903.00) or 2,252 Parent Shares arising as an automatic consequence of conversion, with an estimated Capital Value of £1,543.74 (NZ\$4,481.84). £1,000 cash invested at 5.09 per cent per annum would generate £50.90 (NZ\$147.76), compared to the final cash dividend paid by GPG for the year ended 31 December 2003 of £22.52 (NZ\$65.38).

Capital Value

Conversion:

Number of Parent Shares = £1,000 ÷ 44.4 pence
= 2,252

Value of conversion:

2,252 x NZ\$1.99** = NZ\$4,481.48 (£1,543.74)

*Assuming GPG's 2004 capitalisation issue becomes effective on 24 May 2004.

** Estimated ex-GPG's 2004 capitalisation share price based on the NZSE quoted share price at the close of business on 13 May 2004 (see below):

NZ\$2.19 x $\frac{10}{11}$ = NZ\$1.99 (£0.69)

Income

Cash proceeds of Redemption:

£1,000 carrying interest at the rate of 5.09 per cent per annum*** = £50.90 (NZ\$147.76)

Income from Parent Shares arising on Conversion:

2,252 Parent Shares assuming a dividend of 1p per Parent Share**** = £22.52 (NZ\$65.38)

*** Average gross redemption yield derived from the table of FTSE Actuaries British Government Securities for maturities of 5-15 years as published in the *London Financial Times* on 13 May 2004.

**** It should be noted that the dividend rate is based on the declaration by GPG of the final cash dividend for the 2003 financial year and does not necessarily mean that such rate of dividend will be maintained in future years.

Mid-market quotations

Set out below are the closing prices of the Notes and the Parent Shares, as derived from the New Zealand Stock Exchange and the middle market quotations of the Notes and the Parent Shares, as derived from The Daily Official List of the London Stock Exchange, on the first dealing day in each month from December 2003 to May 2004 and on 13 May 2004 (the latest practicable date prior to the printing of this Notice):

Date	Price of Notes		Ordinary Share price	
	(NZ\$)	(UK pence)	(NZ\$)	(UK pence)
1 December 2003	0.78	22.5	1.82	65.5
5 January 2004	0.77	22.5	1.89	67.5
2 February 2004	0.73	22.5	1.90	68.5
1 March 2004	0.76	22.5	1.94	71.0
1 April 2004	0.80	22.5	2.02	72.5
4 May 2004	0.85	32.5	2.11	77.5
13 May 2004	0.85	32.5	2.19	75.0

The exchange rate for converting NZ Dollars into Australian dollars as published in the *London Financial Times* on 13 May 2004 (the latest practicable date prior to the printing of this Notice) was NZ\$1 = A\$0.8771 or A\$1 = NZ\$1.1402

By order of the Board

J R Russell
Company Secretary