

GPG
GPG Finance plc

ANNUAL REPORT
2008

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Chairman's Statement

GPG Finance plc ("the Company") is a company established and organised in England and has securities quoted on the New Zealand Debt Market ("NZDX"). The Company's sole activity is to provide funding for the GPG group by issuing capital notes and lending the proceeds to companies within the GPG group at a margin above its average cost of funds.

During the year, the scheduled election date occurred for the capital notes originally issued in 2003. GPG re-purchased and cancelled NZ\$138,149,000 of these notes, with NZ\$76,851,000 being rolled over to become the 2008 Capital Notes ("2008 Notes"). These bear interest at 9% per annum.

The other issue outstanding of the Company's capital notes was made in 2006, raising NZ\$350 million and bearing interest at a rate of 8.3% per annum ("2006 Notes"). Both the 2006 Notes and 2008 Notes are quoted on the NZDX, and summary terms and conditions of both issues are set out below.

The 2006 Notes have an initial election date of 15 November 2012, immediately prior to which the Company is entitled to propose terms and conditions on which 2006 Noteholders may elect to roll over their 2006 Notes. Noteholders would then be entitled to elect to retain some or all of their 2006 Notes for a further period on the new terms and conditions and to convert some or all of these Notes into ordinary shares in GPG. Such elections would be subject to (i) GPG's overriding right (at its option) on the election date to purchase for cash some or all of the 2006 Notes for their principal amount, together with any accrued and unpaid interest, and (ii) earlier purchase by the Company or GPG on specified terms as set out in the Trust Deed that established the 2006 Notes.

The 2008 Notes have similar terms and conditions to the 2006 Notes, the main differences being that the 2008 Notes bear interest at a different rate,

have an initial election date of 15 December 2013 and are subject to the right for the Company or GPG to purchase all or any of the 2008 Notes at any time on giving 6 months' notice.

The obligations of the Company under the 2006 Notes and 2008 Notes are guaranteed by GPG on a subordinated basis. If the interest payments on the capital notes are not paid on the due date, for as long as such payments remain unpaid GPG covenants not to pay any dividends or make certain other returns of capital or distributions in respect of its ordinary shares.

The Company has lent to GPG on a subordinated basis the proceeds from the two issues of capital notes and receives interest income on those loans. The loans attract interest at an average fixed rate of 9.63% per annum. No amounts were in arrears at 31 December 2008.

Repayment of the loans may not be demanded by the Company except following a liquidation of GPG. However, to the extent that the capital notes are exchanged for ordinary shares in GPG or purchased by GPG and cancelled or GPG is required to make a payment under its guarantee of the capital notes, an equivalent amount of the loans shall be deemed to have been satisfied.

As the Company's sole activity is the intra-group lending role which it fulfils, its financial data is of little relevance to capital noteholders. Instead, the key to the credit-worthiness of the Company is the financial position and performance of the GPG group. The financial health of the GPG group determines the Company's ability to pay money due to its capital noteholders.

The Company does not have a formally constituted Audit Committee of the Board of Directors.

B A Nixon

Chairman

30 March 2009

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal Activities and Review of the Business

The Company was incorporated in 2001 for the specific purpose of issuing unsecured subordinated fixed interest loan notes ("capital notes") and lending the proceeds to companies in the Guinness Peat Group plc ("GPG") group under the terms of subordinated loan agreements. The Company expects to continue in this line of business for the foreseeable future. During 2006 the Company issued NZ\$350 million capital notes ("2006 Notes") and during 2008 it rolled over a further NZ\$77 million capital notes originally issued in 2003 ("2008 Notes"). The 2006 Notes have an initial term of 6 years and the 2008 Notes have an initial term of 5 years. Both issues may, in certain circumstances, be converted into ordinary shares in GPG ("GPG Ordinary Shares"). See note 10 on pages 14 and 15 for further details.

A more extensive review of the business of the Company and its principal risks can be found in the Chairman's Statement on page 2. Given the nature of the business, key performance indicators are not necessary for an understanding of the development, performance or position of the business.

Functional Currency

The Company's assets, liabilities and cash flows are mainly denominated in New Zealand dollars ("NZ\$"), and the directors have therefore decided to present the financial statements in that currency.

Results and Dividends

The profit for the year after taxation amounted to NZ\$1,534,308 (2007: NZ\$1,513,535). No dividends were paid during the year (2007: NZ\$Nil), and the directors do not recommend a final dividend (2007: NZ\$Nil). The retained profit of NZ\$1,534,308 will be transferred to reserves (2007: NZ\$1,513,535).

Directors

The directors who served throughout the year were as follows:

B A Nixon (chairman)
J R Russell
N J Tarn
R L Todd

Directors' Interests

Throughout the year no director held an interest in the shares of the Company.

The interests at the year-end of the directors and their connected persons in the shares and securities of the ultimate holding company, GPG, are set out below. All holdings are beneficial.

Ordinary shares of 5p each in GPG

B A Nixon held 11,760,710 shares at 31 December 2008 (2007: 10,516,284 shares).

J R Russell held 189,806 shares at 31 December 2008 (2007: 170,509 shares).

N J Tarn held no shares at 31 December 2008 (2007: none).

R L Todd held no shares at 31 December 2008 (2007: none).

Since the year end, B A Nixon has acquired a further 259,366 shares on the exercise of two share options.

Directors' Report – continued

Options under the Group's share option schemes

The comparative figures have been adjusted to take account of the effect of the 2008 capitalisation issue by GPG of 1 new GPG Ordinary Share for every 10 GPG Ordinary Shares held. The exercise price of these options is stated in UK pence, being the currency of these options.

Option type	31 December 2008 Number	31 December 2007 Number	Effective exercise price (p)	Exercise period
B A Nixon				
Ordinary	163,401	163,401	21.98	22.03.02 - 21.03.09
Super	95,965	95,965	21.98	22.03.04 - 21.03.09
Super	3,654,814	3,654,814	20.57	02.09.04 - 01.09.09
Ordinary	1,948,712	1,948,712	20.78	17.10.04 - 16.10.11
Ordinary	1,932,607	1,932,607	47.75	23.04.07 - 23.04.14
Ordinary	1,830,122	1,830,122	57.44	09.03.08 - 09.03.15
Ordinary	1,663,747	1,663,747	60.86	24.10.08 - 24.10.15
Ordinary	798,597	798,597	67.47	15.03.09 - 15.03.16
Ordinary	1,210,000	1,210,000	67.36	09.03.10 - 09.03.17
Ordinary *	1,100,000	-	59.55	10.04.11 - 10.04.18
J R Russell				
Ordinary	-	86,413	19.51	Exercised in 2008
Super	-	43,264	19.51	Exercised in 2008
Ordinary	-	126,145	24.17	Exercised in 2008
Super	-	74,270	24.17	Exercised in 2008
Super	425,278	750,253	20.57	Part-exercised in 2008
Ordinary	292,306	292,306	20.78	17.10.04 - 16.10.11
Ordinary	88,577	88,577	27.66	21.03.06 - 21.03.13
Ordinary	120,782	120,782	47.75	23.04.07 - 23.04.14
Ordinary	219,615	219,615	52.93	09.03.08 - 09.03.15
Ordinary	99,822	99,822	60.86	24.10.08 - 24.10.15
Ordinary	153,062	153,062	67.47	15.03.09 - 15.03.16
Ordinary	139,150	139,150	67.36	09.03.10 - 09.03.17
Ordinary *	110,000	-	59.55	10.04.11 - 10.04.18
N J Tarn				
Ordinary	199,647	199,647	60.86	24.10.08 - 24.10.15
Ordinary	266,197	266,197	67.47	15.03.09 - 15.03.16
Ordinary	302,500	302,500	70.25	11.10.09 - 11.10.16
Ordinary	181,500	181,500	67.36	09.03.10 - 09.03.17
Ordinary *	165,000	-	59.55	10.04.11 - 10.04.18
R L Todd				
Ordinary	177,153	177,153	24.55	08.01.06 - 08.01.13
Ordinary	512,431	512,431	46.79	27.08.07 - 27.08.14
Ordinary	266,197	266,197	60.86	24.10.08 - 24.10.15
Ordinary	465,847	465,847	67.47	15.03.09 - 15.03.16
Ordinary	363,000	363,000	70.25	11.10.09 - 11.10.16
Ordinary	363,000	363,000	67.36	09.03.10 - 09.03.17
Ordinary *	220,000	-	59.55	10.04.11 - 10.04.18

*Granted during 2008

Since the year end, no options have lapsed and no further options have been granted or exercised, other than by B A Nixon who acquired 259,366 ordinary shares in GPG on the exercise of his two options that were due to expire in March 2009.

Financial Risk Management

Financial risks are monitored on an ongoing basis. Disclosure of the use of financial instruments by the Company can be found in Note 15.

Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pursuant to s.234ZA of the Companies Act 1985, each of the persons who is a director at the date of approval of this Annual Report confirms that:

- so far as he is aware, there is no relevant audit information of which the auditor is not aware; and
- he has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Corporate Governance

GPG Finance plc is encompassed by 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.

GPG provides certain protections for directors and officers of companies within the GPG group against personal financial exposure that they may incur in the course of their professional duties.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the forthcoming Annual General Meeting.

By order of the Board
J R Russell
Director and Secretary
30 March 2009

Supplementary Information (unaudited)

SUPPLEMENTARY INFORMATION REQUIRED BY THE NEW ZEALAND STOCK EXCHANGE LISTING RULES FOR THE YEAR ENDED 31 DECEMBER 2008

a) The top 20 registered holdings of the issued 2006 Notes at 27 February 2009 were as follows:

Holder	Holding
Custodial Services Limited <A/c 3>	13,931,000
Investment Custodial Services Limited <A/c C>	11,913,000
FNZ Custodians Limited	9,281,000
Guardian Trust Investment Nominees (RWT) Limited NZCSD <NZGT95>	6,124,000
Custodial Services Limited <A/c 2>	5,911,000
ASB Nominees Limited <677680 A/c>	5,862,000
Forsyth Barr Custodians Limited <Account 1 M>	4,467,000
Tappenden Holdings Limited	3,944,000
Private Nominees Limited <Residents A/c>	3,578,000
NZ Guardian Trust Investment Nominees Limited NZCSD <NZGT91>	3,174,000
Masfen Securities Limited	2,900,000
Forsyth Barr Custodians Limited <Account 1 L>	2,781,000
NZPT Custodians (Grosvenor) Limited NZCSD	2,559,000
Proteus Suncorp Wealth Management NZCSD <PSWM40>	2,347,000
Custodial Services Limited <A/c 1>	2,063,000
Portfolio Custodian Limited <042592 A/c>	2,000,000
Premier Nominees Limited Armstrong Jones Secure Income Fund NZCSD <PNL190>	1,871,000
Custodial Services Limited <A/c 4>	1,738,000
FNZ Custodians Limited <DRP NZ A/c>	1,709,000
Asteron Life Limited NZCSD <NORWMF>	1,663,000

b) The spread of holdings in the issued 2006 Notes at 27 February 2009 was as follows:

Holding	No.	%	Value (NZ\$)	%
1,001 to 5,000	743	9.75	3,715,000	1.06
5,001 to 10,000	1,625	21.33	15,585,000	4.45
10,001 to 50,000	4,316	56.66	120,353,000	34.39
50,001 to 100,000	658	8.64	52,902,000	15.11
Over 100,001	276	3.62	157,445,000	44.99
Total	7,618	100.00	350,000,000	100.00

c) The top 20 registered holdings of the issued 2008 Notes at 27 February 2009 were as follows:

Holder	Holding
Premier Nominees Limited – Armstrong Jones Secure Income Fund NZCSD <PNL190>	3,598,000
Investment Custodial Services Limited <A/c C>	2,966,000
Citibank Nominees (New Zealand) Limited NZCSD <CNOM90>	1,455,000
Carter Holt Harvey Retirement Plan	1,000,000
George Gerbic <St Vincent Account>	1,000,000
NZ Guardian Trust Investment Nominees Limited NZCSD <NZGT91>	1,000,000
HSBC Nominees (New Zealand) Limited A/c State Street NZCSD <HKBN45>	900,000
Eastern Central Community Trust Inc.	700,000
FNZ Custodians Limited	670,000
Goldman Sachs JBWere (NZ) Limited	520,000
The Nursing Sisters of the Little Company of Mary Trust Board	500,000
Portfolio Custodian Limited <42388 A/c>	500,000
New Zealand Methodist Trust Association	400,000
Portfolio Custodian Limited <080024 A/c>	385,000
Neil Alistair Ross & Christine Jan Ross <Cranbrook A/c>	371,000
Tappenden Holdings Limited	313,000
Manchester Unity Friendly Society	300,000
Nancy Lee Rick	285,000
Asset Custodian Nominees Limited NZCSD <ACNL40>	277,000
Portfolio Custodian Limited <49200 A/c>	250,000

d) The spread of holdings in the issued 2008 Notes at 27 February 2009 was as follows:

Holding	No.	%	Value (NZ\$)	%
1,001 to 5,000	413	15.82	2,055,000	2.67
5,001 to 10,000	745	28.56	7,034,000	9.15
10,001 to 50,000	1,264	48.45	33,935,000	44.16
50,001 to 100,000	137	5.25	11,149,000	14.51
Over 100,001	50	1.92	22,678,000	29.51
Total	2,609	100.00	76,851,000	100.00

e) None of the directors has, or had at any time during the year to 31 December 2008, any holding in the issued capital notes (2007: nil).

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF GPG FINANCE PLC

We have audited the financial statements of GPG Finance plc for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions with the Company is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
30 March 2009

Profit and Loss Account

Year ended 31 December	Notes	2008 NZ\$	2007 NZ\$
Interest receivable	3	51,177,691	51,836,131
Interest payable	4	(49,151,167)	(50,045,504)
		2,026,524	1,790,627
Operating expenses	5	(490,534)	(272,771)
Operating profit and profit on ordinary activities before taxation		1,535,990	1,517,856
Tax on profit on ordinary activities	6	(1,682)	(4,321)
PROFIT FOR THE YEAR	12	1,534,308	1,513,535

Continuing operations

All results are derived from continuing operations.

Statement of total recognised gains and losses

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

The movements in reserves are disclosed in note 12 to the financial statements.

Balance Sheet

31 December	Notes	2008 NZ\$	2007 NZ\$
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	10,052,307	43,172,275
Debtors: amounts falling due after more than one year	8	422,230,489	524,332,031
		432,282,796	567,504,306
Cash at bank and in hand		34,340	26,396
TOTAL CURRENT ASSETS		432,317,136	567,530,702
Creditors: amounts falling due within one year	9	(3,999,239)	(218,617,668)
NET CURRENT ASSETS		428,317,897	348,913,034
Creditors: amounts falling due after more than one year	10	(423,084,776)	(345,214,221)
NET ASSETS		5,233,121	3,698,813
CAPITAL AND RESERVES			
Called up share capital	11	140,931	140,931
Profit and loss account	12	5,092,190	3,557,882
SHAREHOLDER'S FUNDS	13	5,233,121	3,698,813

These financial statements were approved by the Board of Directors on 30 March 2009.

B A Nixon, Director

R L Todd, Director

The notes on pages 12 to 18 form part of these financial statements.

Cash Flow Statement

Year ended 31 December	Notes	2008 NZ\$	2007 NZ\$
Net cash inflow/(outflow) from operating activities	14a)	138,158,626	(307,638)
Taxation paid	14b)	(1,682)	(4,321)
Financing:			
Decrease in debt	14c)	(138,149,000)	–
		(138,149,000)	–
INCREASE/(DECREASE) IN CASH FOR THE YEAR		7,944	(311,959)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash for the year		7,944	(311,959)
Cash outflow from decrease in debt		138,149,000	–
Change in net debt resulting from cash flows		138,156,944	(311,959)
Non-cash movements		(1,911,507)	(2,283,550)
Movement in net debt for the year		136,245,437	(2,595,509)
Net debt as at 1 January		(559,295,873)	(556,700,364)
NET DEBT AS AT 31 DECEMBER	14d)	(423,050,436)	(559,295,873)

The non-cash movements comprise the amortisation of issue costs for capital notes.

The notes on pages 12 to 18 form part of these financial statements.

Notes to Financial Statements

1. Statement of Accounting Policies

a) ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention and in accordance with applicable law and accounting standards in the United Kingdom.

The Company operates as a finance vehicle, and accordingly its interest receivable and interest payable are presented within operating profit.

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

b) GOING CONCERN NOTE

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions. The Directors believe the Company has adequate resources and forecast cashflows to meet both its short term and long term obligations. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

c) REPORTING CURRENCY

The Company's assets, liabilities and cash flows are mainly denominated in New Zealand dollars ("NZ\$"), and the directors have therefore decided to present the financial statements in that currency. The exchange rate on 31 December 2008 was NZ\$2.4602: £1 (31 December 2007: NZ\$2.5867: £1).

d) FOREIGN CURRENCIES

Transactions in currencies other than the New Zealand dollar are recorded at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the New Zealand dollar are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

e) DEBT

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

The costs incurred in issuing capital notes are deducted from the proceeds of issue. The issue costs are then charged to the profit and loss account as a financing cost over the initial term of the capital notes.

f) TAXATION

Provision is made for domestic and foreign taxation assessable on the profit for the year as adjusted for disallowable and non-taxable items. Deferred taxation is provided in full in respect of timing differences which have arisen but not reversed at the balance sheet date, except that deferred tax assets (including those attributable to tax losses carried forward) are only recognised if it is considered more likely than not that they will be recovered.

2. Directors' Emoluments

The directors are employed and remunerated as directors or executives of the ultimate holding company, and received no emoluments in respect of their services to the Company (2007: NZ\$Nil).

3. Interest Receivable

Year ended 31 December	2008 NZ\$	2007 NZ\$
Bank interest	16,828	42,260
Interest on loan to ultimate holding company	51,160,863	51,793,871
	<u>51,177,691</u>	<u>51,836,131</u>

4. Interest Payable

Year ended 31 December	2008 NZ\$	2007 NZ\$
Interest payable on capital notes	47,239,660	47,761,954
Amortisation of issue costs for capital notes	1,911,507	2,283,550
	49,151,167	50,045,504

5. Operating Expenses

Auditors' remuneration of NZ\$60,000 (2007: NZ\$58,200) was borne by the parent company.

There were no employees (2007: Nil).

6. Tax on Profit on Ordinary Activities

Year ended 31 December	2008 NZ\$	2007 NZ\$
CURRENT TAX		
Overseas withholding tax	1,682	4,321
UK corporation tax	–	–
CURRENT TAX CHARGE FOR THE YEAR	1,682	4,321

The current tax charge for the year is lower (2007: lower) than the standard rate of corporation tax in the UK (28.5% (2007: 30%)).

The differences are explained below:

Profit on ordinary activities before taxation	1,535,990	1,517,856
Profit on ordinary activities multiplied by standard rate of tax in the UK of 28.5% (2007: 30%)	437,757	455,357
Effect of group relief claimed without charge	(436,075)	(451,036)
Overseas withholding tax	1,682	4,321
Double tax relief	(1,682)	(4,321)
CURRENT TAX CHARGE FOR THE YEAR	1,682	4,321

7. Debtors: Amounts Falling Due within One Year

31 December	2008 NZ\$	2007 NZ\$
Due from ultimate holding company	10,052,307	9,347,039
Due from parent company	–	33,825,236
	10,052,307	43,172,275

Due from ultimate holding company comprises interest receivable, none of which is in arrears (2007: NZ\$Nil).

See note 8 for details of the terms of these loans.

8. Debtors: Amounts Falling Due after more than One Year

31 December	2008 NZ\$	2007 NZ\$
Loans to ultimate holding company	422,230,489	524,332,031

The loans to GPG, which are denominated in New Zealand dollars, are unsecured and subordinated to all other creditors. The loans attract interest at an average fixed rate of 9.63% per annum (2007: 9.88%). Repayment of the loans may not be demanded by the Company other than on the commencement of a liquidation of GPG. However, to the extent that the capital notes referred to in Note 10 are purchased and cancelled, or exchanged for GPG Ordinary Shares, an equivalent amount of the above loans shall be deemed to have been satisfied.

Notes to Financial Statements – continued

9. Creditors: Amounts Falling Due within One Year

31 December	2008 NZ\$	2007 NZ\$
Accrued interest payable	3,999,239	4,509,620
Capital notes	–	214,108,048
	<u>3,999,239</u>	<u>218,617,668</u>

2003 NOTES

The Company issued capital notes in 2003. During the year, the scheduled election date for these notes occurred. NZ\$138 million were re-purchased for cash by GPG and cancelled, and NZ\$77 million were rolled over into 2008 capital notes: see note 10.

10. Creditors: Amounts Falling Due after more than One Year

31 December	2008 NZ\$	2007 NZ\$
Capital notes repayable between two and five years	<u>423,084,776</u>	<u>345,214,221</u>

2006 NOTES

Between 31 August 2006 and 29 September 2006, the Company issued NZ\$350 million of 2006 Notes. The issue costs for the 2006 Notes amounted to NZ\$6,100,615, and these costs are being charged to the profit and loss account over the initial six year term of the debt. At 31 December 2008 the unamortised balance of these costs was NZ\$3,766,224. The 2006 Notes bear interest at a fixed rate of 8.3% per annum, payable on a quarterly basis.

The 2006 Notes have an initial election date of 15 November 2012, prior to which the Company will provide terms and conditions on which noteholders may elect to roll over their 2006 Notes. Noteholders may then elect to retain some or all of their 2006 Notes for a further period on the new terms and conditions and/or to convert some or all of their 2006 Notes into GPG Ordinary Shares. Conversion of the 2006 Notes would be at a price of 97% of the weighted average sale price of a GPG Ordinary Share on each of the five business days prior to the election date. These elections are subject to GPG's overriding right (at its option) to purchase for cash some or all of the 2006 Notes for their principal amount, together with any accrued interest and unpaid interest.

2006 Notes: Call options

In addition to the GPG option to purchase described above, GPG or the Company may, at their option, purchase all or part of the 2006 Notes at any time, by giving not less than 180 days' notice of their intention to do so, and paying the relevant purchase price calculated in accordance with the provisions of the Trust Deed summarised below.

Notice by GPG or the Company of their intention to purchase 2006 Notes in this way must be given to all noteholders and released to NZDX. Purchase is effected by GPG or the Company paying the relevant purchase price to noteholders on the Purchase Date, which payment will constitute full and final settlement of all moneys due to a noteholder under the 2006 Notes, which will be deemed to be surrendered to GPG or the Company (as the case may be) and be cancelled or reissued at GPG's or the Company's discretion.

The purchase price to be paid in respect of each 2006 Note acquired under this option will be the sum of:

- "A" percent of the principal amount of the relevant 2006 Notes to be purchased; plus
- interest accrued and unpaid on those 2006 Notes to the Purchase Date,

where "A" percent equals:

- 104% where the Purchase Date occurs before 15 November 2009;
- 103% where the Purchase Date falls during the period from and including 15 November 2009 to but excluding 15 November 2010; or
- 101.5% where the Purchase Date falls during the period from and including 15 November 2010 to but excluding 15 November 2012.

10. Creditors: Amounts Falling Due after more than One Year - continued

Any interest which has accrued and which is to be paid as part of the purchase price is calculated on a daily basis from the previous interest payment date to the Purchase Date at 8.3% per annum.

Where part only of the 2006 Notes are purchased under the provisions described above:

- the 2006 Notes must, subject as provided below, be purchased pro-rata to noteholders' principal amounts;
- the aggregate principal amount of 2006 Notes remaining outstanding following such redemption must be not less than NZ\$100 million; and
- if, in relation to any noteholder, partial redemption would result in the principal amount of the 2006 Notes held by that noteholder falling below NZ\$5,000, the Company may sell those 2006 Notes on the noteholder's behalf.

2008 NOTES

On 15 December 2008, the Company rolled over NZ\$77 million of the 2003 Notes, which are now referred to as the 2008 Notes. The 2008 Notes bear interest at a fixed rate of 9.0% per annum, payable on a quarterly basis. These Notes have an initial election date of 15 December 2013, prior to which the Company will provide terms and conditions on which Noteholders may elect to roll over their 2008 Notes. Noteholders may then elect to retain some or all of their 2008 notes for a further period on the new terms and conditions and/or convert some or all of their 2008 Notes into GPG Ordinary Shares. Conversion of the 2008 Notes would be at a price of 97% of the weighted average sale price of a GPG Ordinary Share on each of the five business days prior to the election date. These elections are subject to GPG's overriding right (at its option) to purchase for cash some or all of the 2008 Notes for their principal amount, together with any accrued interest and unpaid interest.

2008 Notes: Call option

In addition to the GPG option to purchase described above, GPG or the Company may purchase some or all of the 2008 Notes at any time by giving not less than 180 days' notice and paying 100% of the principal amount of the notes to be purchased plus any accrued interest and unpaid interest.

GUARANTEES

GPG has provided subordinated and unsecured guarantees contingent on liquidation of the Company or of GPG itself in respect of the repayment of principal and the payment of interest and unpaid interest due on the 2006 and 2008 Notes. In the event that the Company is in liquidation and GPG is not, these guarantees are only enforceable after the scheduled election dates for the 2006 and 2008 Notes which next follows the liquidation of the Company. These guarantees are subordinated to all other creditors.

11. Share Capital

31 December	2008 No.	2008 NZ\$	2007 No.	2007 NZ\$
Authorised:				
Ordinary shares of £1 each	<u>50,000</u>	<u>140,931</u>	<u>50,000</u>	<u>140,931</u>
Issued and fully paid:				
Ordinary shares of £1 each	<u>50,000</u>	<u>140,931</u>	<u>50,000</u>	<u>140,931</u>

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

There are no restrictions on the allotment of ordinary shares.

Notes to Financial Statements – continued

12. Profit and Loss Account

Year ended 31 December	2008 NZ\$	2007 NZ\$
At 1 January	3,557,882	2,044,347
Retained profit for the year	1,534,308	1,513,535
AT 31 DECEMBER	5,092,190	3,557,882

13. Reconciliation of Movements in Shareholder's Funds

Year ended 31 December	2008 NZ\$	2007 NZ\$
At 1 January	3,698,813	2,185,278
Retained profit for the year	1,534,308	1,513,535
AT 31 DECEMBER	5,233,121	3,698,813

14. Notes to Cash Flow Statement

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

Year ended 31 December	2008 NZ\$	2007 NZ\$
Operating profit	1,535,990	1,517,856
Amortisation of issue costs for capital notes	1,911,507	2,283,550
Decrease/(increase) in debtors	33,119,968	(4,079,952)
Decrease in loan to ultimate holding company	102,101,542	–
Decrease in creditors	(510,381)	(29,092)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	138,158,626	(307,638)

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

b) Taxation paid

Year ended 31 December	2008 NZ\$	2007 NZ\$
Overseas tax paid	(1,682)	(4,321)

c) Financing

Year ended 31 December	2008 NZ\$	2007 NZ\$
Capital notes repaid	(138,149,000)	–
Decrease in debt	(138,149,000)	–

d) Analysis of net debt

	1 January 2008 NZ\$	Cash flow NZ\$	Non-cash movements NZ\$	31 December 2008 NZ\$
Cash at bank and in hand	26,396	7,944	–	34,340
Debt due within one year	(214,108,048)	138,149,000	75,959,048	–
Debt due after more than one year	(345,214,221)	–	(77,870,555)	(423,084,776)
NET DEBT	(559,295,873)	138,156,944	1,911,507	(423,050,436)

15. Financial Instruments

The Company's main financial instruments comprise:

- trade debtors and creditors that arise from its operations;
- loans to group companies;
- cash and bank deposits; and
- capital notes.

The main risk arising from the Company's financial instruments relates to interest rate fluctuations, which impact on the fair value of its most significant financial instruments (being the capital notes in issue and the loans to its ultimate holding company).

The Company's sole activity is to borrow, by way of capital notes, and then lend the proceeds to other companies within the GPG group at a margin. The Company pays and receives interest at a fixed rate on the capital notes and on the loans to its ultimate holding company respectively.

The Company's financial assets and liabilities are mainly denominated in New Zealand dollars, with the result that the Company is not subject to a significant exchange rate risk.

The repayment terms for the Company's loans to its ultimate holding company are described in Note 8. Notwithstanding this, for the purpose of evaluating the fair value of these loans, the maturity periods have been set to coincide with the initial election dates for the capital notes.

Interest rate profile of financial liabilities

The Company's financial liabilities total NZ\$427,084,015 (2007: NZ\$563,831,889), being the capital notes plus accrued interest payable. The capital notes are denominated in New Zealand dollars and bear interest at a weighted average fixed rate of 8.43% (2007: 8.45%). The weighted average period for which the rate is fixed is a further 49 months (2007: 41 months).

Interest rate profile of financial assets

The Company's financial assets total NZ\$432,317,136 (2007: NZ\$567,530,702), being the loans to its ultimate holding company, accrued interest receivable and cash at bank. The ultimate holding company loans of NZ\$422,230,489 (2007: NZ\$524,332,031) receive a weighted average fixed rate of interest of 9.63% (2007: 9.88%). The weighted average period for which the rate is fixed is a further 49 months (2007: 41 months). The cash deposits of NZ\$34,340 (2007: NZ\$26,396) earn floating rate interest based on LIBID equivalents.

Maturity of financial liabilities

The maturity profile of the Company's financial liabilities is shown below:

31 December	2008 NZ\$	2007 NZ\$
In one year or less	3,999,239	218,617,668
In more than two years but not more than five years	423,084,776	345,214,221
	427,084,015	563,831,889

Fair value of financial assets and financial liabilities

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

31 December	2008 Book value NZ\$	2008 Fair value NZ\$	2007 Book value NZ\$	2007 Fair value NZ\$
Cash at bank	34,340	34,340	26,396	26,396
Short term debtors	10,052,307	10,052,307	43,172,275	43,172,275
Loans to ultimate holding company	422,230,489	419,925,292	524,332,031	521,557,619
Capital notes	(423,084,776)	(406,602,434)	(559,322,269)	(537,821,669)
Other short term creditors	(3,999,239)	(3,999,239)	(4,509,620)	(4,509,620)

The fair value of the capital notes is based on their market value. The fair values of the ultimate holding company loans have been determined by discounting the future cash flows using the discount rates implicit in the market values of the capital notes.

The fair value of the cash at bank, short term debtors and short term creditors have been assumed to approximate to their book values because of the short maturity of the year-end balances.

Notes to Financial Statements – continued

16. Related Parties

There were no transactions with entities that are part of the GPG group of companies or investees of those companies other than as disclosed in these financial statements.

17. Controlling Parties

The Company is controlled by GPG (UK) Holdings plc, a company incorporated in the United Kingdom and registered in England and Wales, which owns 100% of the issued share capital. GPG is the parent company of GPG (UK) Holdings plc and the ultimate holding company of the Company. Copies of the Annual Report of GPG for the year ended 31 December 2008 are available from the Company Secretary, First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP, England.

GPG is the parent undertaking of the only group to consolidate the Company's financial statements.

GPG Finance plc

UNITED KINGDOM

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NEW ZEALAND

c/o Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Tel: 09 488 8700 Facsimile: 09 488 8787

Registered in England No. 4244726

LOCATION OF CAPITAL NOTE REGISTER

The Company's register of capital notes is maintained in New Zealand.
Register enquiries may be addressed direct to the Company's registrars named below:

Registrar	Telephone and postal enquiries	Inspection of Register
Computershare Investor Services Limited	Private Bag 92119, Auckland 1142 Tel: 09 488 8777 Facsimile: 09 488 8787	Level 2, 159 Hurstmere Road, Takapuna, North Shore City 0622

LOCATION OF SHARE REGISTERS

The Company's register of members is maintained in the UK with branch registers in Australia and New Zealand.
Register enquiries may be addressed direct to the Company's share registrars named below:

Registrar	Telephone and postal enquiries	Inspection of Register
UK Main Register: Computershare Investor Services PLC	PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH Tel: 0870 707 1022 Facsimile: 0870 703 6143	The Pavilions, Bridgwater Road, Bristol BS99 7NH
Australian Branch Register: Registries Ltd	GPO Box 3993, Sydney NSW 2000 Tel: 02 9290 9600 Facsimile: 02 9279 0664	Level 7, 207 Kent Street, Sydney NSW 2000
New Zealand Branch Register: Computershare Investor Services Limited	Private Bag 92119, Auckland 1142 Tel: 09 488 8777 Facsimile: 09 488 8787	Level 2, 159 Hurstmere Road, Takapuna, North Shore City 0622

