# GPG

GPG FINANCE PLC

ANNUAL REPORT

2011

# Contents

# Chairman's Statement

GPG Finance plc ("the Company") is a company established and organised in England and has securities quoted on the NZX Debt Market ("NZDX") operated by NZX Limited. The Company's sole activity is to provide funding for Guinness Peat Group plc ("GPG") and its subsidiary companies (together "the GPG Group") by issuing capital notes (the "Capital Notes") and lending the proceeds to companies within the GPG Group.

The first issue of Capital Notes was originally made by the Company in 2003, with those Capital Notes being rolled-over in 2008 with an interest rate of 9% per annum (the "2008 Notes"). Following the Company's announcement on 12 September 2011 of GPG's intention to exercise a call option in respect of the 2008 Notes, the outstanding 2008 Notes (comprising NZ$76,851,000 principal amount, together with accrued and unpaid interest) were purchased and cancelled by GPG on 15 March 2012.

The second issue of the Company's Capital Notes which remains outstanding at the financial year end was made in 2006, raising NZ$350 million and bearing interest at a rate of 8.3% per annum (the "2006 Notes").

The 2006 Notes have an initial election date of 15 November 2012, shortly prior to which the Company is required 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/or to convert some or all of those Capital 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) specified earlier purchase at a premium by GPG on terms set out in the trust deed that established the 2006 Notes. GPG has announced that it has no current intention to give notice of early repurchase in respect of the 2006 Notes.

The obligations of the Company under the 2006 Notes are guaranteed by GPG on a subordinated basis. If the interest payments on the 2006 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. A similar guarantee was provided by GPG in respect of the 2008 Notes, but this expired on 15 March 2012, when the 2008 Notes were cancelled.

During the year the Company continued to loan to GPG on a subordinated basis the proceeds from the two issues of Capital Notes and received interest income on those loans. During the year the annualised interest rate on those loans was reduced from 9.63% to 8.73%. The loan in respect of the 2008 Notes has been repaid by GPG after the year end.

Repayment of the remaining loan may not be demanded by the Company except on commencement of a liquidation of GPG. However, to the extent that the 2006 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 2006 Notes, an equivalent amount of the loan 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 Note holders. 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 Note holders.

The Company is subject to, and complies with, applicable requirements of the Reserve Bank of New Zealand Non-bank Deposit Takers Regime. It benefits from formal exemptions from a number of requirements of their regime, including the credit rating requirement. This particular exemption will continue to apply until 31 March 2012 and the Company has applied for an extension to 30 November 2012.

On 30 June 2011 Blake Nixon resigned as a director and Chairman of the Company, and I was appointed Chairman in his place.

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

R L Todd

Chairman

28 March 2012

# Directors' Report

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2011.

## Principal Activities and Review of the Business

The Company was incorporated on 2 July 2001 for the specific purpose of issuing unsecured subordinated fixed interest loan notes ("Capital Notes"). During 2006 the Company issued Capital Notes with a principal value of NZ$350 million and an initial term of six years ("2006 Notes") and during 2008 it rolled over further Capital Notes originally issued in 2003 with a principal value of NZ$77 million ("2008 Notes"). The 2008 Notes were purchased and cancelled by GPG after the year end on 15 March 2012, leaving only the 2006 Notes outstanding. The Company lends the proceeds from Capital Note issues to GPG on a subordinated basis. The loan in respect of the 2008 Notes was deemed to have been repaid and terminated on cancellation of these Notes. The Company expects to continue in this line of business for the foreseeable future. However, in light of GPG's announcement on 11 February 2011 regarding the realisation of its investment portfolio, and given the initial election date for the 2006 Notes of 15 November 2012, the Board will continue to review with GPG the requirement for the remaining loan.

The 2006 Notes may, in certain circumstances, be converted into ordinary shares in GPG ("GPG Ordinary Shares"). See note 9 on page 12 for further details.

The Company is subject to, and complies with, applicable requirements of the Reserve Bank of New Zealand Non-bank Deposit Takers Regime. It benefits from formal exemptions from a number of requirements of their regime, including the credit rating requirement. This particular exemption will continue to apply until 31 March 2012 and the Company has applied for an extension to 30 November 2012.

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 therefore the directors have decided to present the financial statements in that currency.

## Results and Dividends

The profit for the year after taxation amounted to NZ$395,365 (2010: NZ$3,424,946). No dividends were paid during the year (2010: NZ$Nil), and the directors do not recommend a final dividend (2010: NZ$Nil). The retained profit of NZ$395,365 will be transferred to reserves (2010: NZ$3,424,946).

## Going Concern

The directors have considered the use of the going concern basis, and the Company's ability to meet its obligations as they fall due, in the preparation of the financial statements. These considerations have taken into account the respective disclosures in the GPG financial statements and the fact that GPG has prepared its accounts on a going concern basis. Having regard to these matters, the directors have concluded that it is appropriate to prepare these accounts also on a going concern basis.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

## Directors

The directors who served during the year and up to the date of this report were as follows:

R L Todd (chairman from 30 June 2011)
J R Russell
N J Tarn
B A Nixon (chairman until resignation as a director on 30 June 2011)

## Directors' Interests

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

## 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 16.

# Directors' Report – continued

## Directors' Responsibilities Statement

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 are sufficient to show and explain the Company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information recorded on the Company's website, www.gpgplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Corporate Governance

GPG Finance plc is encompassed by the corporate governance practices and procedures of its ultimate parent company, GPG, details of which appear in the Corporate Governance section of that company's Annual Report.

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

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

By order of the Board
Chris Healy
Secretary
28 March 2012

# Supplementary Information (unaudited)

### SUPPLEMENTARY INFORMATION REQUIRED BY THE NEW ZEALAND STOCK EXCHANGE LISTING RULES FOR THE YEAR ENDED 31 DECEMBER 2011

**a)** The spread of holdings in the issued 2006 Notes at 29 February 2012 was as follows:

| Holding | No. | % | Value (NZ$) | % |
|---|---|---|---|---|
| 1,001 to 5,000 | 660 | 9.46 | 3,300,000 | 0.94 |
| 5,001 to 10,000 | 1,473 | 21.10 | 14,116,000 | 4.03 |
| 10,001 to 50,000 | 3,983 | 57.05 | 110,564,000 | 31.59 |
| 50,001 to 100,000 | 595 | 8.52 | 47,105,000 | 13.46 |
| Over 100,001 | 270 | 3.87 | 174,915,000 | 49.98 |
| **Total** | **6,981** | **100.00** | **350,000,000** | **100.00** |

**b)** The spread of holdings in the issued 2008 Notes at 29 February 2012* was as follows:

| Holding | No. | % | Value (NZ$) | % |
|---|---|---|---|---|
| 1,001 to 5,000 | 382 | 15.75 | 1,908,000 | 2.48 |
| 5,001 to 10,000 | 706 | 29.11 | 6,673,000 | 8.68 |
| 10,001 to 50,000 | 1,172 | 48.33 | 31,368,000 | 40.82 |
| 50,001 to 100,000 | 112 | 4.62 | 9,194,000 | 11.96 |
| Over 100,001 | 53 | 2.19 | 27,708,000 | 36.06 |
| **Total** | **2,425** | **100.00** | **76,851,000** | **100.00** |

*The 2008 Notes were purchased and cancelled by GPG on 15 March 2012.

**c)** None of the directors has, or had at any time during the year to 31 December 2011, any holding in the issued Capital Notes (2010: nil).

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GPG FINANCE PLC

We have audited the financial statements of GPG Finance plc for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sharon Fraser (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 March 2012

# Profit and Loss Account

| Year ended 31 December | Notes | **2011 NZ$** | 2010 NZ$ |
|---|---|---|---|
| Interest receivable | 3 | **37,817,045** | 40,680,432 |
| Interest payable | 4 | **(36,983,359)** | (36,983,359) |
| | | **833,686** | 3,697,073 |
| Operating expenses | 5 | **(437,996)** | (271,771) |
| **Operating profit and profit on ordinary activities before taxation** | | **395,690** | 3,425,302 |
| Tax on profit on ordinary activities | 6 | **(325)** | (356) |
| **PROFIT FOR THE YEAR** | | **395,365** | 3,424,946 |

**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.

The notes on pages 10 to 15 form part of these financial statements.

# Balance Sheet

| 31 December | Notes | **2011 NZ$** | 2010 NZ$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Debtors: amounts falling due within one year | 7 | **442,628,663** | 18,978,995 |
| Debtors: amounts falling due after more than one year | 8 | **–** | 422,230,489 |
| | | **442,628,663** | 441,209,484 |
| Cash at bank and in hand | | **30,037** | 29,158 |
| **TOTAL CURRENT ASSETS** | | **442,658,700** | 441,238,642 |
| Creditors: amounts falling due within one year | 9 | **(430,137,289)** | (3,994,282) |
| **NET CURRENT ASSETS** | | **12,521,411** | 437,244,360 |
| Creditors: amounts falling due after more than one year | 10 | **–** | (425,118,314) |
| **NET ASSETS** | | **12,521,411** | 12,126,046 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 11 | **140,931** | 140,931 |
| Profit and loss account | 12 | **12,380,480** | 11,985,115 |
| **SHAREHOLDER'S FUNDS** | 13 | **12,521,411** | 12,126,046 |
| Net tangible assets per share | | **NZ$250.42** | NZ$242.52 |

These financial statements were approved by the Board of Directors on 28 March 2012.

N J Tarn, Director

R L Todd, Director

GPG Finance plc
Registered in England No. 4244726

The notes on pages 10 to 15 form part of these financial statements.

# Cash Flow Statement

| Year ended 31 December | Notes | 2011 NZ$ | 2010 NZ$ |
|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | 14a | **1,204** | (4,271) |
| Taxation paid | 14b | **(325)** | (356) |
| **INCREASE/(DECREASE) IN CASH FOR THE YEAR** | | **879** | (4,627) |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

| | | | |
|---|---|---|---|
| Increase/(decrease) in cash for the year | | **879** | (4,627) |
| Non-cash movements | | **(1,016,769)** | (1,016,769) |
| **Movement in net debt for the year** | | **(1,015,890)** | (1,021,396) |
| Net debt as at 1 January | | **(425,089,156)** | (424,067,760) |
| **NET DEBT AS AT 31 DECEMBER** | 14c | **(426,105,046)** | (425,089,156) |

The non-cash movements comprise the amortisation of issue costs for Capital Notes.

# 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 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**

The directors have considered the use of the going concern basis in the preparation of the financial statements bearing in mind current market conditions and the forecast cash flow of its ultimate holding company. In light of this the directors believe the Company has adequate resources 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 therefore the directors have decided to present the financial statements in that currency. The exchange rate on 31 December 2011 was NZ$1.9922: £1 (31 December 2010: NZ$2.0042: £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) BORROWINGS**

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

These financial liabilities are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised over the period of the liabilities.

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) LOANS TO ULTIMATE HOLDING COMPANY**

Interest-bearing loans are initially measured at fair value. These financial assets are subsequently measured at amortised cost using the effective interest method, with interest income recognised over the period of the loans.

**g) 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 (2010: NZ$Nil).

## 3. Interest Receivable

| Year ended 31 December | **2011 NZ$** | 2010 NZ$ |
|---|---|---|
| Bank interest | **3,246** | 3,563 |
| Interest on loans to ultimate holding company | **37,813,799** | 40,676,869 |
| | **37,817,045** | 40,680,432 |

## 4. Interest Payable

| Year ended 31 December | 2011 NZ$ | 2010 NZ$ |
|---|---|---|
| Interest payable on Capital Notes | **35,966,590** | 35,966,590 |
| Amortisation of issue costs for Capital Notes | **1,016,769** | 1,016,769 |
| | **36,983,359** | 36,983,359 |

## 5. Operating Expenses

Auditor's remuneration of NZ$56,000 (2010: NZ$46,000) was borne by the parent company.

There were no fees payable to the Company's auditor for non-audit services in the current or prior year.

There were no employees (2010: Nil).

## 6. Tax on Profit on Ordinary Activities

| Year ended 31 December | 2011 NZ$ | 2010 NZ$ |
|---|---|---|
| **CURRENT TAX** | | |
| Overseas withholding tax | **325** | 356 |
| UK corporation tax | **–** | – |
| **CURRENT TAX CHARGE FOR THE YEAR** | **325** | 356 |

The current tax charge for the year is lower (2010: lower) than the standard rate of corporation tax in the UK (26.5% (2010: 28.0%)).

The differences are explained below:

| | | |
|---|---|---|
| Profit on ordinary activities before taxation | **395,690** | 3,425,302 |
| Profit on ordinary activities multiplied by standard rate of tax in the UK of 26.5% (2010: 28.0%) | **104,858** | 959,085 |
| Effect of group relief claimed without charge | **(104,533)** | (958,729) |
| Overseas withholding tax | **325** | 356 |
| Double tax relief | **(325)** | (356) |
| **CURRENT TAX CHARGE FOR THE YEAR** | **325** | 356 |

## 7. Debtors: Amounts Falling Due within One Year

| 31 December | 2011 NZ$ | 2010 NZ$ |
|---|---|---|
| Loans to ultimate holding company (including NZ$76,851,000 settled on 15 March 2012) | **422,230,489** | – |
| Other balances due from ultimate holding company | **20,398,174** | 18,976,267 |
| Other debtors | **–** | 2,728 |
| | **442,628,663** | 18,978,995 |

The loans to GPG, which are denominated in New Zealand dollars, were unsecured and subordinated to all other creditors. The loan in respect of the proceeds of the 2008 Notes was deemed to be repaid on the cancellation of these Notes on 15 March 2012. During the year the loans attracted interest at an average fixed rate of 8.73% per annum (2010: 9.63%). Repayment of the remaining loan may not be demanded by the Company other than on the commencement of a liquidation of GPG. However, to the extent that the 2006 Notes referred to in Note 9 are purchased and cancelled, or exchanged for GPG Ordinary Shares, an equivalent amount of this loan shall be deemed to have been settled.

Other debtors due from the ultimate holding company comprises interest receivable, none of which is in arrears (2010: NZ$Nil).

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

| 31 December | 2011 NZ$ | 2010 NZ$ |
|---|---|---|
| Loans to ultimate holding company (see note 7 for terms) | **–** | 422,230,489 |

# Notes to Financial Statements – continued

## 9. Creditors: Amounts Falling Due within One Year

| 31 December | **2011 NZ$** | 2010 NZ$ |
|---|---|---|
| Capital Notes (including NZ$76,851,000 purchased and cancelled by GPG on 15 March 2012) | **426,135,083** | – |
| Accrued interest payable | **4,002,206** | 3,994,282 |
| | **430,137,289** | 3,994,282 |

The 2006 Notes having an election date of 15 November 2012, raised NZ$350 million and bear interest at a rate of 8.3% per annum ("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 2011 the unamortised balance of these costs was NZ$715,917. Prior to the election date for the 2006 Notes the Company is due to 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. Such elections are subject to GPG's over-riding 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. In addition, GPG has the right, prior to 15 November 2012, to purchase for cash some or all of the holder's 2006 Notes on terms as specified in the Trust Deed. However, GPG has indicated that it has no current intention to exercise its call option prior to 15 November 2012.

The 2008 Notes outstanding at 31 December 2011 had a principal value of NZ$76,851,000 and bore interest at 9% per annum. The 2008 Notes had an initial election date of 15 December 2013. However, having given notice to this effect on 12 September 2011, on 15 March 2012 GPG purchased all of the 2008 Notes for their principal amount, together with accrued interest and unpaid interest. These Notes were then cancelled.

GPG continues to provide a subordinated and unsecured guarantee, 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 Notes. In the event that the Company is in liquidation and GPG is not, this guarantee is only enforceable after the scheduled election date for the 2006 Notes which next follows the liquidation of the Company. This guarantee is subordinated to all other creditors. A similar guarantee was provided in respect of the 2008 Notes, but this expired on 15 March 2012.

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

| 31 December | **2011 NZ$** | 2010 NZ$ |
|---|---|---|
| **Capital Notes:** | | |
| Election date between one and two years | – | 343,899,385 |
| Election date between two and five years | – | 81,218,929 |
| | – | 425,118,314 |

## 11. Share Capital

| 31 December | **2011 No.** | **2011 NZ$** | 2010 No. | 2010 NZ$ |
|---|---|---|---|---|
| **Issued and fully paid:** | | | | |
| Ordinary shares of £1 each | **50,000** | **140,931** | 50,000 | 140,931 |

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 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.

## 12. Profit and Loss Account

| Year ended 31 December | 2011 NZ$ | 2010 NZ$ |
|---|---|---|
| At 1 January | **11,985,115** | 8,560,169 |
| Retained profit for the year | **395,365** | 3,424,946 |
| **AT 31 DECEMBER** | **12,380,480** | 11,985,115 |

## 13. Reconciliation of Movements in Shareholder's Funds

| Year ended 31 December | 2011 NZ$ | 2010 NZ$ |
|---|---|---|
| At 1 January | **12,126,046** | 8,701,100 |
| Retained profit for the year | **395,365** | 3,424,946 |
| **AT 31 DECEMBER** | **12,521,411** | 12,126,046 |

## 14. Notes to Cash Flow Statement

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

| Year ended 31 December | 2011 NZ$ | 2010 NZ$ |
|---|---|---|
| Operating profit | **395,690** | 3,425,302 |
| Amortisation of issue costs for Capital Notes | **1,016,769** | 1,016,769 |
| Increase in debtors | **(1,419,179)** | (4,446,342) |
| Increase in creditors | **7,924** | – |
| **NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES** | **1,204** | (4,271) |

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 | 2011 NZ$ | 2010 NZ$ |
|---|---|---|
| Overseas tax paid | **(325)** | (356) |

### *c) Analysis of net debt*

| | 1 January 2011 NZ$ | Cash flow NZ$ | Non-cash movements NZ$ | 31 December 2011 NZ$ |
|---|---|---|---|---|
| Cash at bank and in hand | **29,158** | **879** | **–** | **30,037** |
| Due within one year | **–** | **–** | **(426,135,083)** | **(426,135,083)** |
| Debt due after more than one year | **(425,118,314)** | **–** | **425,118,314** | **–** |
| **NET DEBT** | **(425,089,156)** | **879** | **(1,016,769)** | **(426,105,046)** |

## 15. Post Balance Sheet Events

On 15 March 2012 GPG completed the purchase of the 2008 Capital Notes, which were then cancelled.

# Notes to Financial Statements – continued

## 16. 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 7. 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 at 31 December 2011 total NZ$430,137,289 (2010: NZ$429,112,596), 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% (2010: 8.43%). The weighted average period for which the rate is fixed is a further 9 months (2010: 25 months).

**Interest rate profile of financial assets**

The Company's financial assets at 31 December 2011 total NZ$442,658,700 (2010: NZ$441,238,642), 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 (2010: NZ$422,230,489) receive a weighted average fixed rate of interest of 8.73% (2010: 9.63%). The weighted average period for which the rate is fixed is a further 9 months (2010: 25 months). The cash deposits of NZ$30,037 (2010: NZ$29,158) 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 | **2011 NZ$** | 2010 NZ$ |
|---|---|---|
| Within one year | **430,137,289** | 3,994,282 |
| Between one and two years | **–** | 343,899,385 |
| More than two years but not more than five years | **–** | 81,218,929 |
| | **430,137,289** | 429,112,596 |

**Fair value of financial assets and financial liabilities**

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

| 31 December | **2011 Book value NZ$** | **2011 Fair value NZ$** | 2010 Book value NZ$ | 2010 Fair value NZ$ |
|---|---|---|---|---|
| Cash at bank | **30,037** | **30,037** | 29,158 | 29,158 |
| Short term debtors | **20,398,174** | **20,398,174** | 18,978,995 | 18,978,995 |
| Loans to ultimate holding company | **422,230,489** | **420,254,061** | 422,230,489 | 424,659,341 |
| Capital Notes | **(426,135,083)** | **(427,165,896)** | (425,118,314) | (422,950,160) |
| Other short term creditors | **(4,002,206)** | **(4,002,206)** | (3,994,282) | (3,994,282) |

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 values 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.

## 17. 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.

## 18. 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 directly 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 2011 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: addresses

## UNITED KINGDOM (Registered Office)

First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP
Tel: 020 7484 3370 Facsimile: 020 7925 0700
www.gpgplc.com

## 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<br>Tel: 09 488 8777 Facsimile: 09 488 8787 | Level 2, 159 Hurstmere Road,<br>Takapuna,<br>North Shore City 0622 |

## MANAGING YOUR NOTEHOLDING ONLINE

To change your address, update your payment instructions or view your investment portfolio including transactions, please visit;
**www.computershare.co.nz/investorcentre**

General enquiries can be directed to:
**enquiry@computershare.co.nz**

Please assist our registrar by quoting your CSN or noteholder number.