

GPG

GPG FINANCE PLC

ANNUAL REPORT

2009

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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 Guinness Peat Group plc ("GPG") or its subsidiary companies (together 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.

Two issues of Capital Notes by the Company remain outstanding and both issues are quoted on the NZDX. Summary terms and conditions of both issues are set out below.

The first issue was originally made in 2003. Following a roll-over in 2008 there remain outstanding NZ\$76,851,000 of these notes bearing interest at 9% per annum (the "2008 Notes"). The second issue of the Company's Capital Notes which remains outstanding 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, immediately 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 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) specified earlier purchase at a premium by GPG on terms 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 condition that the Company or GPG may purchase all or any of the 2008 Notes at any time without payment of a premium on giving 180 days' notice.

The obligations of the Company under the 2006 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 2009.

Repayment of the loans may not be demanded by the Company except on commencement of 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

25 March 2010

Directors' Report

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2009.

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 12 and 13 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\$3,467,979 (2008: NZ\$1,534,308). No dividends were paid during the year (2008: NZ\$Nil), and the directors do not recommend a final dividend (2008: NZ\$Nil). The retained profit of NZ\$3,467,979 will be transferred to reserves (2008: NZ\$1,534,308).

Going Concern

The directors have considered the use of the going concern basis in the preparation of the financial statements and concluded that it is appropriate.

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

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.

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' 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 adequate 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 ensuring the maintenance and integrity of the corporate and financial information relating to the Company which is included on the website of its ultimate parent company, GPG. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

The corporate governance policies, practices and procedures of the Company are encompassed within those 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.

Auditors

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 auditors are 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 auditors are 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 have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board
Chris Healy
Secretary
25 March 2010

Supplementary Information (unaudited)

SUPPLEMENTARY INFORMATION REQUIRED BY THE NEW ZEALAND STOCK EXCHANGE LISTING RULES FOR THE YEAR ENDED 31 DECEMBER 2009

a) The spread of holdings in the issued 2006 Notes at 28 February 2010 was as follows:

Holding	No.	%	Value (NZ\$)	%
1,001 to 5,000	737	9.68	3,685,000	1.05
5,001 to 10,000	1,622	21.31	15,563,000	4.45
10,001 to 50,000	4,307	56.60	119,974,000	34.28
50,001 to 100,000	671	8.82	53,594,000	15.31
Over 100,001	273	3.59	157,184,000	44.91
Total	7,610	100.00	350,000,000	100.00

b) The spread of holdings in the issued 2008 Notes at 28 February 2010 was as follows:

Holding	No.	%	Value (NZ\$)	%
1,001 to 5,000	415	15.84	2,073,000	2.70
5,001 to 10,000	738	28.17	6,984,000	9.09
10,001 to 50,000	1,285	49.05	34,652,000	45.09
50,001 to 100,000	136	5.19	11,067,000	14.40
Over 100,001	46	1.75	22,075,000	28.72
Total	2,620	100.00	76,851,000	100.00

c) None of the directors has, or had at any time during the year to 31 December 2009, any holding in the issued Capital Notes (2008: 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 2009 which comprise the profit and loss account, balance sheet and cash flow statement and the related notes 1 to 17. 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 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

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 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 (APB'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.

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 2009 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.

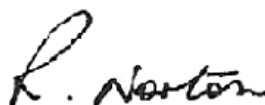
Opinion on other matters prescribed by the Companies Act 2006

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.



Richard Norton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
25 March 2010

Profit and Loss Account

Year ended 31 December	Notes	2009 NZ\$	2008 NZ\$
Interest receivable	3	40,681,899	51,177,691
Interest payable	4	(36,983,214)	(49,151,167)
		3,698,685	2,026,524
Operating expenses	5	(230,203)	(490,534)
Operating profit and profit on ordinary activities before taxation		3,468,482	1,535,990
Tax on profit on ordinary activities	6	(503)	(1,682)
PROFIT FOR THE YEAR	12	3,467,979	1,534,308

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	2009 NZ\$	2008 NZ\$
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	14,532,653	10,052,307
Debtors: amounts falling due after more than one year	8	422,230,489	422,230,489
		436,763,142	432,282,796
Cash at bank and in hand		33,785	34,340
TOTAL CURRENT ASSETS		436,796,927	432,317,136
Creditors: amounts falling due within one year	9	(3,994,282)	(3,999,239)
NET CURRENT ASSETS		432,802,645	428,317,897
Creditors: amounts falling due after more than one year	10	(424,101,545)	(423,084,776)
NET ASSETS		8,701,100	5,233,121
CAPITAL AND RESERVES			
Called up share capital	11	140,931	140,931
Profit and loss account	12	8,560,169	5,092,190
SHAREHOLDER'S FUNDS	13	8,701,100	5,233,121

These financial statements were approved by the Board of Directors on 25 March 2010.

B A Nixon, Director

R L Todd, Director

GPG Finance plc
Registered in England No. 4244726

The notes on pages 10 to 16 form part of these financial statements.

Cash Flow Statement

Year ended 31 December	Notes	2009 NZ\$	2008 NZ\$
Net cash (outflow)/inflow from operating activities	14a)	(52)	138,158,626
Taxation paid	14b)	(503)	(1,682)
Financing:			
Decrease in debt	14c)	—	(138,149,000)
		—	(138,149,000)
(DECREASE)/INCREASE IN CASH FOR THE YEAR		(555)	7,944
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
(Decrease)/increase in cash for the year		(555)	7,944
Cash outflow from decrease in debt		—	138,149,000
Change in net debt resulting from cash flows		(555)	138,156,944
Non-cash movements	4	(1,016,769)	(1,911,507)
Movement in net debt for the year		(1,017,324)	136,245,437
Net debt as at 1 January		(423,050,436)	(559,295,873)
NET DEBT AS AT 31 DECEMBER	14d)	(424,067,760)	(423,050,436)

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 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

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 2009 was NZ\$2.2193: £1 (31 December 2008: NZ\$2.4602: £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 (2008: NZ\$Nil).

3. Interest Receivable

Year ended 31 December	2009 NZ\$	2008 NZ\$
Bank interest	5,030	16,828
Interest on loan to ultimate holding company	40,676,869	51,160,863
	<u>40,681,899</u>	<u>51,177,691</u>

4. Interest Payable

Year ended 31 December	2009 NZ\$	2008 NZ\$
Interest payable on Capital Notes	35,966,445	47,239,660
Amortisation of issue costs for Capital Notes	1,016,769	1,911,507
	36,983,214	49,151,167

5. Operating Expenses

Auditors' remuneration of NZ\$51,000 (2008: NZ\$60,000) was borne by the parent company.

There were no employees (2008: Nil).

6. Tax on Profit on Ordinary Activities

Year ended 31 December	2009 NZ\$	2008 NZ\$
CURRENT TAX		
Current tax charge for the year – overseas withholding tax	503	1,682

The current tax charge for the year is lower (2008: lower) than the standard rate of corporation tax in the UK (28.0% (2008: 28.5%)).

The differences are explained below:

Profit on ordinary activities before taxation	3,468,482	1,535,990
Profit on ordinary activities multiplied by standard rate of tax in the UK of 28.0% (2008: 28.5%)	971,175	437,757
Effect of group relief claimed without charge	(970,672)	(436,075)
Overseas withholding tax	503	1,682
Double tax relief	(503)	(1,682)
CURRENT TAX CHARGE FOR THE YEAR	503	1,682

7. Debtors: Amounts Falling Due within One Year

31 December	2009 NZ\$	2008 NZ\$
Due from ultimate holding company	14,532,653	10,052,307

The amounts shown as due from the ultimate holding company comprises interest receivable, none of which is in arrears (2008: NZ\$Nil).

See note 8 for details of the terms of this loan.

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

31 December	2009 NZ\$	2008 NZ\$
Loans to ultimate holding company	422,230,489	422,230,489

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 (2008: 9.63%). 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	2009 NZ\$	2008 NZ\$
Accrued interest payable	<u>3,994,282</u>	<u>3,999,239</u>

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

31 December	2009 NZ\$	2008 NZ\$
Capital Notes repayable between two and five years	<u>424,101,545</u>	<u>423,084,776</u>

2006 NOTES

In 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 2009 the unamortised balance of these costs was NZ\$2,749,455. 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 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 and be cancelled or reissued at GPG'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:

- (a) 103% where the Purchase Date occurs before 15 November 2010; or
- (b) 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.

2008 NOTES

In 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: Option to purchase

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 the principal amount of the notes to be purchased plus any accrued interest and unpaid interest. There is no premium payable if the 2008 Notes are purchased early under this option.

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	2009 No.	2009 NZ\$	2008 No.	2008 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	2009 NZ\$	2008 NZ\$
At 1 January	5,092,190	3,557,882
Retained profit for the year	3,467,979	1,534,308
AT 31 DECEMBER	8,560,169	5,092,190

13. Reconciliation of Movements in Shareholder's Funds

Year ended 31 December	2009 NZ\$	2008 NZ\$
At 1 January	5,233,121	3,698,813
Retained profit for the year	3,467,979	1,534,308
AT 31 DECEMBER	8,701,100	5,233,121

14. Notes to Cash Flow Statement

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

Year ended 31 December	2009 NZ\$	2008 NZ\$
Operating profit	3,468,482	1,535,990
Amortisation of issue costs for Capital Notes	1,016,769	1,911,507
(Increase)/decrease in debtors	(4,480,346)	33,119,968
Decrease in loan to ultimate holding company	–	102,101,542
Decrease in creditors	(4,957)	(510,381)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(52)	138,158,626

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

b) Taxation paid

Year ended 31 December	2009 NZ\$	2008 NZ\$
Overseas tax paid	(503)	(1,682)

c) Financing

Year ended 31 December	2009 NZ\$	2008 NZ\$
Capital Notes repaid	–	(138,149,000)
Decrease in debt	–	(138,149,000)

d) Analysis of net debt

	1 January 2009 NZ\$	Cash flow NZ\$	Non-cash movements NZ\$	31 December 2009 NZ\$
Cash at bank and in hand	34,340	(555)	–	33,785
Debt due after more than one year	(423,084,776)	–	(1,016,769)	(424,101,545)
NET DEBT	(423,050,436)	(555)	(1,016,769)	(424,067,760)

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\$428,095,827 (2008: NZ\$427,084,015), 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% (2008: 8.43%). The weighted average period for which the rate is fixed is a further 37 months (2008: 49 months).

Interest rate profile of financial assets

The Company's financial assets total NZ\$436,796,927 (2008: NZ\$432,317,136), 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 (2008: NZ\$422,230,489) receive a weighted average fixed rate of interest of 9.63% (2008: 9.63%). The weighted average period for which the rate is fixed is a further 37 months (2008: 49 months). The cash deposits of NZ\$33,785 (2008: NZ\$34,340) 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	2009 NZ\$	2008 NZ\$
In one year or less	3,994,282	3,999,239
In more than two years but not more than five years	424,101,545	423,084,776
	428,095,827	427,084,015

Fair value of financial assets and financial liabilities

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

31 December	2009 Book value NZ\$	2009 Fair value NZ\$	2008 Book value NZ\$	2008 Fair value NZ\$
Cash at bank	33,785	33,785	34,340	34,340
Short term debtors	14,532,653	14,532,653	10,052,307	10,052,307
Loans to ultimate holding company	422,230,489	423,001,851	422,230,489	419,925,292
Capital Notes	(424,101,545)	(416,199,551)	(423,084,776)	(406,602,434)
Other short term creditors	(3,994,282)	(3,994,282)	(3,999,239)	(3,999,239)

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 2009 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

Computershare Investor
 Services Limited

Telephone and postal enquiries

Private Bag 92119, Auckland 1142
 Tel: 09 488 8777 Facsimile: 09 488 8787

Inspection of Register

Level 2, 159 Hurstmere Road,
 Takapuna,
 North Shore City 0622

MANAGING YOUR NOTEHOLDING ONLINE

To change your address, update your payment instructions and to 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.

