



G P G F I N A N C E P L C

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"). 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 and lending the proceeds to companies within the GPG Group.

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The first issue was originally made in 2003.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 remain 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, 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 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 election date of 15 December 2013 and are subject to the condition that the Company or GPG, on giving 6 months' notice, may purchase all or any of the 2008 Notes at any time without payment of a premium.

On 26 August 2011 the Board of GPG announced an intention to give formal notice to exercise its option to purchase the outstanding 2008 Notes and indicated that a decision in relation to the 2006 Notes would be made in due course. On 9 September 2011, formal notice of GPG's exercise of its option to purchase the 2008 Notes on 15 March 2012 was given to the holders of 2008 Notes.

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. During the period the annualised interest rate on those loans was reduced from 9.63% to 8.73%.

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 is subject to, and complies with, the requirements of the Reserve Bank of New Zealand Non-bank Deposit Taker regime. It benefits from a formal exemption from the credit rating requirement under this regime. This exemption will continue to apply until 31 December 2011.

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

16 September 2011

Profit and Loss Account

	6 months ended 30 June 2011 NZ\$ Unaudited	6 months ended 30 June 2010 NZ\$ Unaudited	Year ended 31 December 2010 NZ\$ Audited
Interest receivable	19,225,958	20,172,726	40,680,432
Interest payable	(18,487,501)	(18,487,501)	(36,983,359)
	738,457	1,685,225	3,697,073
Operating expenses	(151,378)	(117,016)	(271,771)
Operating profit and profit on ordinary activities before taxation	587,079	1,568,209	3,425,302
Tax on profit on ordinary activities	(210)	(146)	(356)
RETAINED PROFIT FOR THE PERIOD	586,869	1,568,063	3,424,946

Balance Sheet

	30 June 2011 NZ\$ Unaudited	30 June 2010 NZ\$ Unaudited	31 December 2010 NZ\$ Audited
CURRENT ASSETS			
Debtors: amounts falling due within one year	20,068,025	16,606,236	18,978,995
Debtors: amounts falling due after more than one year	422,230,489	422,230,489	422,230,489
	442,298,514	438,836,725	441,209,484
Cash at bank and in hand	31,203	32,472	29,158
TOTAL CURRENT ASSETS	442,329,717	438,869,197	441,238,642
Creditors: amounts falling due within one year	(3,994,282)	(3,994,283)	(3,994,282)
NET CURRENT ASSETS	438,335,435	434,874,914	437,244,360
Creditors: amounts falling due after more than one year	(425,622,520)	(424,605,751)	(425,118,314)
NET ASSETS	12,712,915	10,269,163	12,126,046
CAPITAL AND RESERVES			
Called up share capital	140,931	140,931	140,931
Profit and loss account	12,571,984	10,128,232	11,985,115
SHAREHOLDER'S FUNDS	12,712,915	10,269,163	12,126,046

The paid in share capital of the Company is £50,000 (2010: £50,000).

Net tangible assets per share – NZ\$	254.26	205.38	242.52
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Statement of Total Recognised Gains and Losses

The Company has no recognised gains or losses in the current period or prior periods other than the profit for those periods.

Reconciliation of Movements in Shareholder's Funds

	6 months ended 30 June 2011 NZ\$ Unaudited	6 months ended 30 June 2010 NZ\$ Unaudited	Year ended 31 December 2010 NZ\$ Audited
Shareholder's funds brought forward	12,126,046	8,701,100	8,701,100
Profit attributable to ordinary shareholder	586,869	1,568,063	3,424,946
SHAREHOLDER'S FUNDS CARRIED FORWARD	12,712,915	10,269,163	12,126,046

Cash Flow Statement

	6 months ended 30 June 2011 NZ\$ Unaudited	6 months ended 30 June 2010 NZ\$ Unaudited	Year ended 31 December 2010 NZ\$ Audited
Net cash inflow/(outflow) from operating activities	2,255	(1,167)	(4,271)
Taxation paid	(210)	(146)	(356)
INCREASE/(DECREASE) IN CASH FOR THE PERIOD	2,045	(1,313)	(4,627)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Increase/(decrease) in cash for the period	2,045	(1,313)	(4,627)
Non-cash movements	(504,206)	(504,206)	(1,016,769)
Movement in net debt for the period	(502,161)	(505,519)	(1,021,396)
Net debt brought forward	(425,089,156)	(424,067,760)	(424,067,760)
NET DEBT CARRIED FORWARD	(425,591,317)	(424,573,279)	(425,089,156)

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

Notes to the Financial Statements

1. The financial statements 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 current period, the corresponding preceding period and the preceding year.

2. The figures for the year ended 31 December 2010 do not constitute statutory accounts for that year but have been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors reported on those accounts and that report was unqualified and did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006. The financial information for the six months ended 30 June 2011 has not been audited and the financial information for the equivalent period in 2010 was similarly not audited.
3. The directors have not recommended the payment of an interim or a final dividend in respect of the period (6 months to 30 June 2010: Nil; Year ended 31 December 2010: Nil).
4. On 26 August 2011 the Board of GPG announced an intention to give formal notice to exercise its option to purchase the outstanding 2008 Notes and indicated that a decision in relation to the 2006 Notes would be made in due course. On 9 September 2011, formal notice of GPG's exercise of its option to purchase the 2008 Notes on 15 March 2012 was given to the holders of 2008 Notes.

Capital Note Registrar Address

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Registered in England No. 4244726

Registered office – as above

