

GPG FINANCE PLC

HALF YEARLY FINANCIAL REPORT

2012

Chairman's Statement

GPG Finance plc ("the Company") is a company established and organized 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.

Two issues of Capital Notes remain outstanding at the commencement of the period.

The first issue of Capital Notes was originally made by the Company in 2003, with those Capital Notes being rolled-over in 2008 with an interest rate of 9% per annum (the "2008 Notes"). 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, 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 and GPG has the right on an election date to purchase for cash some or all of the 2006 Notes for their principal amount, together with any accrued and unpaid interest. GPG has announced that it intends to exercise this right to purchase these notes on 15 November 2012 and to cancel them.

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.

During the period 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. The loan in respect of the 2008 Notes was deemed to be repaid by GPG on 15 March 2012 on cancellation of these notes. The annual interest rate on the outstanding loan in respect of the 2006 Notes is 8.1%.

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 fulfills, 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. More information on that company's activities including an update on its strategy to realise value can be found in its announcement entitled "Half Yearly Report 2012" which is available on its website at <http://www.gpgplc.com/news/>.

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 this regime, including the credit rating requirement.

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

R L Todd
Chairman

18 September 2012

Profit and Loss Account

	6 months ended 30 June 2012 NZ\$ Unaudited	6 months ended 30 June 2011 NZ\$ Unaudited	Year ended 31 December 2011 NZ\$ Audited
Interest receivable	16,311,045	19,225,958	37,817,045
Interest payable	<u>(16,499,797)</u>	<u>(18,487,501)</u>	<u>(36,983,359)</u>
	(188,752)	738,457	833,686
Operating expenses	<u>(237,486)</u>	<u>(151,378)</u>	<u>(437,996)</u>
Operating (loss)/profit and (loss)/profit on ordinary activities before taxation	(426,238)	587,079	395,690
Tax on (loss)/profit on ordinary activities	<u>(597)</u>	<u>(210)</u>	<u>(325)</u>
RETAINED (LOSS)/PROFIT FOR THE PERIOD	<u>(426,835)</u>	<u>586,869</u>	<u>395,365</u>

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 (loss)/profit for those periods.

Reconciliation of Movements in Shareholder's Funds

	6 months ended 30 June 2012 NZ\$ Unaudited	6 months ended 30 June 2011 NZ\$ Unaudited	Year ended 31 December 2011 NZ\$ Audited
Shareholder's funds brought forward	12,521,411	12,126,046	12,126,046
(Loss)/profit attributable to ordinary shareholder	<u>(426,835)</u>	<u>586,869</u>	<u>395,365</u>
SHAREHOLDER'S FUNDS CARRIED FORWARD	<u>12,094,576</u>	<u>12,712,915</u>	<u>12,521,411</u>

Balance Sheet

	30 June 2012 NZ\$ Unaudited	30 June 2011 NZ\$ Unaudited	31 December 2011 NZ\$ Audited
CURRENT ASSETS			
Debtors: amounts falling due within one year	365,593,330	20,068,025	442,628,663
Debtors: amounts falling due after more than one year	-	422,230,489	-
	<u>365,593,330</u>	<u>442,298,514</u>	<u>442,628,663</u>
Cash at bank and in hand	33,185	31,203	30,037
	<u>365,626,515</u>	<u>442,329,717</u>	<u>442,658,700</u>
TOTAL CURRENT ASSETS			
Creditors: amounts falling due within one year	<u>(353,531,939)</u>	<u>(3,994,282)</u>	<u>(430,137,289)</u>
	12,094,576	438,335,435	12,521,411
NET CURRENT ASSETS			
Creditors: amounts falling due after more than one year	-	(425,622,520)	-
	<u>12,094,576</u>	<u>12,712,915</u>	<u>12,521,411</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	140,931	140,931	140,931
Profit and loss account	11,953,645	12,571,984	12,380,480
SHAREHOLDER'S FUNDS	<u>12,094,576</u>	<u>12,712,915</u>	<u>12,521,411</u>
The paid in share capital of the Company is £50,000 (2011: £50,000).			
Net tangible assets per share – NZ\$	<u>241.89</u>	<u>254.26</u>	<u>250.43</u>

Cash Flow Statement

	6 months to 30 June 2012 NZ\$ Unaudited	6 months to 30 June 2011 NZ\$ Unaudited	Year to 31 December 2011 NZ\$ Audited
Net cash inflow from operating activities	76,854,745	2,255	1,204
Taxation paid	(597)	(210)	(325)
Financing – Decrease in debt	<u>(76,851,000)</u>	<u>-</u>	<u>-</u>
INCREASE IN CASH FOR THE PERIOD	<u>3,148</u>	<u>2,045</u>	<u>879</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in cash for the period	3,148	2,045	879
Cash outflow from decrease in debt	<u>76,851,000</u>	<u>-</u>	<u>-</u>
Change in net debt resulting from cash flows	76,854,148	2,045	879
Non-cash movements	<u>(580,100)</u>	<u>(504,206)</u>	<u>(1,016,769)</u>
Movement in net debt for the period	<u>76,274,048</u>	<u>(502,161)</u>	<u>(1,015,890)</u>
Net debt brought forward	<u>(426,105,046)</u>	<u>(425,089,156)</u>	<u>(425,089,156)</u>
NET DEBT CARRIED FORWARD	<u>(349,830,998)</u>	<u>(425,591,317)</u>	<u>(426,105,046)</u>

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 2011 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 2012 has not been audited and the financial information for the equivalent period in 2011 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 2011: Nil; Year ended 31 December 2011: Nil).
4. On 15 March 2012 GPG exercised its option to purchase and cancel the 2008 Notes.
5. GPG has announced that it intends to exercise its right to purchase all the existing capital notes on 15 November 2012 and to cancel them.

Capital Note Registrar Address

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Telephone: 09 488 8700 Facsimile: 09 488 8787

GPG Finance plc

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Registered office – as above