

GPG
GPG Finance plc

HALF-YEARLY FINANCIAL REPORT

2009

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.

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The first issue was originally made in 2003.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 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 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) specified earlier purchase by the Company or 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 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 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 30 June 2009.

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

18 September 2009

Profit and Loss Account

	6 months ended 30 June 2009 NZ\$ Unaudited	6 months ended 30 June 2008 NZ\$ Unaudited	Year ended 31 December 2008 NZ\$ Audited
Interest receivable	20,173,920	25,836,416	51,177,691
Interest payable	(18,487,501)	<u>(25,016,147)</u>	<u>(49,151,167)</u>
	1,686,419	820,269	2,026,524
Operating expenses	(152,537)	<u>(81,330)</u>	<u>(490,534)</u>
Operating profit and profit on ordinary activities before taxation	1,533,882	738,939	1,535,990
Tax on profit on ordinary activities	(265)	(1,043)	(1,682)
RETAINED PROFIT FOR THE PERIOD	1,533,617	737,896	1,534,308

Balance Sheet

	30 June 2009 NZ\$ Unaudited	30 June 2008 NZ\$ Unaudited	31 December 2008 NZ\$ Audited
CURRENT ASSETS			
Debtors: amounts falling due within one year	12,085,425	45,043,090	10,052,307
Debtors: amounts falling due after more than one year	422,230,489	<u>524,332,031</u>	<u>422,230,489</u>
	434,315,914	569,375,121	432,282,796
Cash at bank and in hand	34,087	<u>32,125</u>	<u>34,340</u>
TOTAL CURRENT ASSETS	434,350,001	569,407,246	432,317,136
Creditors: amounts falling due within one year	(3,994,281)	<u>(219,249,325)</u>	<u>(3,999,239)</u>
NET CURRENT ASSETS	430,355,720	350,157,921	428,317,897
Creditors: amounts falling due after more than one year	(423,588,982)	(345,721,212)	(423,084,776)
NET ASSETS	6,766,738	4,436,709	5,233,121
CAPITAL AND RESERVES			
Called up share capital	140,931	140,931	140,931
Profit and loss account	6,625,807	4,295,778	5,092,190
SHAREHOLDER'S FUNDS	6,766,738	4,436,709	5,233,121

The paid in share capital of the Company is £50,000 (2008: £50,000).

Net tangible assets per share – NZ\$	<u>135.33</u>	<u>88.73</u>	<u>104.66</u>
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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 2009 NZ\$ Unaudited	6 months ended 30 June 2008 NZ\$ Unaudited	Year ended 31 December 2008 NZ\$ Audited
Shareholder's funds brought forward	5,233,121	3,698,813	3,698,813
Profit attributable to ordinary shareholder	1,533,617	737,896	1,534,308
SHAREHOLDER'S FUNDS CARRIED FORWARD	6,766,738	4,436,709	5,233,121

Cash Flow Statement

	6 months ended 30 June 2009 NZ\$ Unaudited	6 months ended 30 June 2008 NZ\$ Unaudited	Year ended 31 December 2008 NZ\$ Audited
Net cash inflow from operating activities	12	6,772	138,158,626
Taxation paid	(265)	(1,043)	(1,682)
Financing – Decrease in debt	–	–	(138,149,000)
(DECREASE)/INCREASE IN CASH FOR THE PERIOD	(253)	5,729	7,944

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

(Decrease)/increase in cash for the period	(253)	5,729	7,944
Cash outflow from decrease in debt	–	–	138,149,000
Change in net debt resulting from cash flows	(253)	5,729	138,156,944
Non-cash movements	(504,206)	(1,138,645)	(1,911,507)
Movement in net debt for the period	(504,459)	(1,132,916)	136,245,437
Net debt brought forward	(423,050,436)	(559,295,873)	(559,295,873)
NET DEBT CARRIED FORWARD	(423,554,895)	(560,428,789)	(423,050,436)

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 2008 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 Section 237(2) or (3) of the Companies Act 1985. The financial information for the six months ended 30 June 2009 has not been audited and the financial information for the equivalent period in 2008 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 2008: Nil; Year ended 31 December 2008: Nil).

Capital Note Registrar Address

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Registered office – as above

