# Guinness Peat Group plc

## Information in respect of the Company's Stock Events in 2010:

### Interim dividend for the year ended 31 December 2009:

- Scrip Dividend Alternative

### Proposed 1 for 10 Capitalisation Issue

*THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.*

***If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser (who in the United Kingdom should be authorised under the Financial Services and Markets Act 2000).***

*If you have sold or otherwise transferred all your holding of Ordinary Shares in Guinness Peat Group plc (registered in England No. 103548), please send this document, together with the accompanying forms, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.*

GPG

PROPOSED CAPITALISATION ISSUE 2010 AND DIVIDEND ARRANGEMENTS

Application will be made to the UK Listing Authority for the Scrip Shares and the Capitalisation Shares to be admitted to the Official List. An application will be made for the admission of the Scrip Shares and the Capitalisation Shares to trading on the London Stock Exchange. Application will be made for the official quotation and listing of the Scrip Shares and the Capitalisation Shares on the Australian Securities Exchange. The Scrip Shares and the Capitalisation Shares have been accepted for quotation on the New Zealand Stock Exchange and will be quoted on completion of allotment procedures.

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# Guinness Peat Group plc

## Proposed 1 for 10 Capitalisation Issue of up to 168,214,647 new Ordinary Shares

and

## Scrip Dividend Alternative of 1 new Ordinary Share for every 35 Ordinary Shares held in lieu of the interim cash dividend of 1 penny per Ordinary Share for the year ended 31 December 2009

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**This document should be read as a whole. Your attention is drawn to the letter from your Chairman which is set out on pages 2 and 3 of this document and which recommends that you vote in favour of the resolutions to be proposed at the Annual General Meeting ("AGM") referred to below.**

**Your attention is also drawn to the Notice of AGM to be held on 7 May 2010 which appears at the end of the Company's 2009 Annual Report.**

PROXY FORMS FOR THE AGM MUST BE RECEIVED BY THE COMPANY'S RELEVANT REGISTRARS BY **NO LATER THAN 10.30 A.M. (UK TIME) ON WEDNESDAY 5 MAY 2010.**

FORMS OF ELECTION IN RESPECT OF THE SCRIP DIVIDEND ALTERNATIVE AND THE SCRIP DIVIDEND MANDATE SCHEME AND FORMS REVOKING SCRIP DIVIDEND MANDATES MUST BE RECEIVED BY THE COMPANY'S RELEVANT REGISTRARS BY **NO LATER THAN 5.00 P.M. (LOCAL TIME) ON MONDAY 10 MAY 2010.**

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# DEFINITIONS

The following definitions are used throughout this document:

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|---|---|
| "Annual General Meeting" or "AGM" | the annual general meeting of the Company to be held at 10.30 a.m. (UK time) on 7 May 2010 (or such later time or date to which it may be adjourned), notice of which is set out in the Annual Report |
| "Annual Report" | the Annual Report of the Company for the year ended 31 December 2009 |
| "Articles" | the articles of association of the Company |
| "Australian Securities Exchange" or "ASX" | ASX Limited, trading as Australian Securities Exchange |
| "Board" | the board of directors of the Company |
| "Capitalisation Issue" | the proposed issue of up to 168,214,647 new Ordinary Shares *pro rata* to Shareholders by way of capitalisation of part of GPG's other reserve as described in this document |
| "Capitalisation Shares" | the new Ordinary Shares to be issued pursuant to the Capitalisation Issue |
| "Cash Dividend" | the interim cash dividend of 1.00p per Ordinary Share in respect of the financial year ended 31 December 2009 to be paid on 17 May 2010 |
| "CDI" | a Chess Depository Interest over an Ordinary Share |
| "CREST" | the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which CRESTCo. Limited is the Operator (as defined in such Regulations) |
| "the Directors" | the directors of the Company |
| "Dividend Record Date" | the record date for the Cash Dividend and Scrip Dividend Alternative being the close of business (local time) on 12 March 2010 |
| "Form of Election" | the form of election for the Scrip Dividend Alternative accompanying this document for Shareholders who have not elected to join the Scrip Dividend Mandate Scheme |
| "Form of Proxy" | the form of proxy for use at the AGM sent out with the Annual Report which accompanies this document |
| "GPG" or "the Company" | Guinness Peat Group plc |
| "the Group" | GPG and its subsidiaries |
| "London Stock Exchange" or "LSE" | London Stock Exchange plc |
| "New Ordinary Shares" | the Scrip Shares and the Capitalisation Shares |
| "New Zealand Stock Exchange" or "NZX" | NZX Ltd, and, where the context requires, the relevant market operated by that company |
| "Notice of Entitlement" | the notice of entitlement in relation to the Scrip Dividend Alternative to accompany this document for Shareholders who have elected to join the Scrip Dividend Mandate Scheme |
| "Official List" | the Official List maintained by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000 |
| "Ordinary Shares" | ordinary shares of 5 pence each in the capital of the Company having the rights, and being subject to the restrictions, set out in the Articles in force from time to time, and includes holdings of CDIs where appropriate |
| "Scrip Dividend Alternative" | the issue by way of an enhanced scrip dividend of 1 new Ordinary Share for every 35 Ordinary Shares held by Shareholders on the Dividend Record Date and who are electing not to take the Cash Dividend |
| "Scrip Dividend Mandate Scheme" or "the Mandate Scheme" | the scrip dividend mandate scheme which has been in effect since 1996 |
| "Scrip Shares" | the new Ordinary Shares or CDIs where the context requires to be issued pursuant to the Scrip Dividend Alternative |
| "Shareholders" | holders of Ordinary Shares in the Company, including holders of CDIs where appropriate |
| "UK Listing Authority" | the Financial Services Authority as the competent authority for listing under Part VI of the Financial Services and Markets Act 2000 |

In this document, except where otherwise stated, the exchange rates used in translating amounts in sterling into foreign currencies were the rates ruling in London at close of business on 12 March 2010 ("the Standard Exchange Rates"). This date was the latest practicable date before the publication of this document. These rates were as follows: £1 = A$1.6585; and £1 = NZ$2.1675.

In this document, all times are local times unless otherwise specified.

# Guinness Peat Group plc

Directors:

Sir Ron Brierley *(Chairman)*
A. I. Gibbs
R. Langley
B. A. Nixon
Dr. G. H. Weiss

Registered Office:

First Floor
Times Place
45 Pall Mall
London SW1Y 5GP

Registered in England No. 103548

25 March 2010

*To Shareholders and, for information only, to option holders and holders of the capital notes issued by GPG Finance plc*

Dear Sir or Madam

**Introduction**

The purpose of this document is to provide you with full information on certain resolutions to be put to Shareholders at GPG's 2010 Annual General Meeting to be held on 7 May 2010; specifically, proposals relating to a 1 for 10 Capitalisation Issue, and the extension of the scrip dividend alternative facility for a further year.

This document also provides further details of the Cash Dividend and Scrip Dividend Alternative and the Capitalisation Issue referred to in the announcement on 26 February 2010 of the Group's preliminary results for the year ended 31 December 2009.

**Cash Dividend**

The Board has declared an interim cash dividend of 1.00p per Ordinary Share payable on 17 May 2010. Based on the Standard Exchange Rates the Cash Dividend of 1.00p per Ordinary Share equates to Aus 1.66 cents and NZ 2.17 cents per Ordinary Share respectively. The dividend has been declared in sterling but will automatically be paid in local currencies for shareholdings on the UK register and the Australian and New Zealand branch registers respectively.

**Scrip Dividend Alternative**

A scrip dividend alternative will be offered on the basis of one new Ordinary Share for every 35 Ordinary Shares held on the Dividend Record Date for those Shareholders who choose not to take the Cash Dividend. If all eligible Shareholders were to elect for the Scrip Dividend Alternative the maximum number of shares to be issued pursuant to the Scrip Dividend Alternative would be 46,374,088, representing 2.86 per cent. of the current issued share capital of GPG. If no elections for the Scrip Dividend Alternative are received, the maximum total Cash Dividend to be paid by the Company is £16,230,931.22. The right to elect for the Scrip Dividend Alternative is non-transferable. Further details of the Scrip Dividend Alternative are set out in Part I of this document.

Part I also contains details of the Scrip Dividend Mandate Scheme. This enables Shareholders to elect to receive new Ordinary Shares automatically in respect of all future dividends, whether enhanced or not, for which a scrip dividend alternative is offered.

At the AGM, a Resolution will be proposed extending for a further year the authority granted to the Directors to operate a scrip dividend alternative in lieu of a cash dividend each time such a dividend is paid.

**Capitalisation Issue**

In keeping with the Group's prospects your Directors are proposing a 1 for 10 capitalisation issue of new Ordinary Shares, which will take account of any new Ordinary Shares issued as a result of participation in the Scrip Dividend Alternative. It is intended that the current dividend will at least be maintained on share capital increased by the Capitalisation Issue. Further details of the Capitalisation Issue can be found in Part II of this document.

**AGM**

The proposals in connection with the extension of the scrip dividend alternative facility and the Capitalisation Issue require Shareholder approval at the AGM. Notice of the AGM containing further information regarding the resolutions to be considered can be found in the Annual Report.

**Action to be taken**

The Notice of AGM is printed at the back of the Annual Report. A Form of Proxy in respect of the resolutions to be put to Shareholders at the AGM is being posted to all Shareholders. You are invited to complete and return this as soon as possible in accordance with the instructions printed thereon, whether or not you propose to attend the AGM in person. The Form of Proxy should be lodged with the Company's registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (for members with registered addresses in the UK), Computershare Investor Services Ltd at Private Bag 92119, Auckland 1142 (for members with registered addresses in New Zealand) or Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne VIC 3001 (for members with registered addresses in Australia) so as to be received not later than **10.30 a.m. (UK time) on Wednesday 5 May 2010** by the relevant registrars. Shareholders may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different shares. Completing and returning the Form of Proxy will not prevent you from attending the AGM and voting in person, should you wish to do so.

**The Directors are unanimously of the opinion that the resolutions to be proposed at the 2010 AGM are in the best interests of Shareholders as a whole. Your Board strongly recommends that you vote in favour of these resolutions at the AGM. The Directors intend to vote in favour of these resolutions in respect of their own beneficial interests in Ordinary Shares which represented approximately 5.78 per cent. of the issued Ordinary Share capital of the Company on 16 March 2010, being the latest practicable date prior to the publication of this document.**

Yours faithfully,

Ron Brierley
*Chairman*

# PART I
# SCRIP DIVIDEND ALTERNATIVE

**Expected timetable of principal Scrip Dividend Alternative events**

Actions take place on all three exchanges on which GPG's shares are traded unless otherwise indicated.

| | 2010 |
|---|---|
| Dividend Record Date for the Cash Dividend and Scrip Dividend Alternative | Close of business (local time) on 12 March |
| Latest date for receipt of Forms of Election | 5.00 p.m. (local time) on 10 May |
| Allotment of Scrip Shares | 5.00 p.m. (London time) on 14 May |
| FASTER statements mailed showing allotment of Scrip Shares (NZ) | 17 May |
| Dispatch of holding statements for Scrip Shares (Aus) | 17 May |
| Definitive certificates for Scrip Shares in UK to be dispatched | 17 May |
| CREST member accounts credited (UK) | 5.00 a.m. (London time) on 17 May |
| Scrip Shares admitted and dealings commence | 17 May |
| Cheques posted in respect of payment of Cash Dividend | 17 May |

**Introduction**

As mentioned in the Chairman's letter, the Cash Dividend of 1.00p per Ordinary Share is to be paid on 17 May 2010. The exchange rate to convert the sterling amount into Australian dollars or New Zealand dollars, as appropriate, will be struck on 10 May 2010 by reference to the spot rates for exchanging pounds sterling into the other two currencies as quoted by the principal London office of HSBC Bank plc at or around 4.30 p.m. (London time).

The Board has decided to offer Shareholders the opportunity to elect to receive a scrip dividend of 1 new Ordinary Share for every 35 existing Ordinary Shares they held on the Dividend Record Date in lieu of their Cash Dividend ("1:35"). Since the original announcement of the Scrip Dividend ratio of 1:35, the Company's share price as quoted on the London Stock Exchange has risen. Based on the average of the closing middle market price of an Ordinary Share derived from the Daily Official List of the London Stock Exchange for 12 March 2010 and the four preceding business days, and the Standard Exchange Rate, the value of the scrip dividend per Ordinary Share is 1.12p, Aus 1.86 cents and NZ 2.43 cents. Consequently, the value of the Scrip Dividend Alternative is currently higher than the Cash Dividend.

**For Shareholders' protection, the Directors have resolved that if the middle market quotation of an Ordinary Share, as derived from the London Stock Exchange Daily Official List on 12 May 2010, is below 35p, they will have the right (but not the obligation) to withdraw the Scrip Dividend Alternative. In those circumstances all elections will be void and all Shareholders will receive the Cash Dividend instead. If the Ordinary Share price falls or remains below this level after 12 May 2010, Shareholders should be aware that elections will remain in force.**

**Effect on Shareholders**

The Scrip Dividend Alternative is designed to be advantageous to our Shareholders resident in the United Kingdom, Australia and New Zealand. The Scrip Dividend Alternative enables Shareholders who wish to receive fully paid new Ordinary Shares instead of cash to increase their holdings in a simple manner and without incurring dealing costs or stamp duty. This is particularly beneficial to electing Shareholders as all of the Scrip Shares they receive pursuant to the Scrip Dividend Alternative will be taken into account when their entitlement to the subsequent proposed Capitalisation Issue is calculated.

To assist Shareholders, a brief comparison of the dividend proposals is included on pages 7 and 8 of this document.

A summary of the tax consequences for UK, Australian or New Zealand Shareholders of electing for the Scrip Dividend Alternative, which will depend on the individual circumstances of each Shareholder, is set out in paragraph 8 of the section headed "Further Information Relating to the Scrip Dividend Alternative" on pages 11 to 15 of this document.

**Entitlement**

Shareholders with a registered holding of fewer than 35 Ordinary Shares at the close of business (local time) on the Dividend Record Date as set out in the timetable on page 4 are not entitled to make an election for the Scrip Dividend Alternative. Such Shareholders will receive their dividend entitlement by way of cash.

Shareholders who had a registered holding of 35 Ordinary Shares or more on the close of business (local time) on the Dividend Record Date may elect to receive the Scrip Dividend Alternative in respect of their entire registered holding ("Full Participation") or in respect of part(s) of their registered holding ("Partial Participation"). No fractions of Scrip Shares will be allotted. Where a shareholder elects for Full Participation, to the extent that the Shareholder's holding is not exactly divisible by 35, and therefore would give rise to a fractional entitlement, the Shareholder's entitlement will be rounded to the nearest whole number. Entitlements for one half of a share or more will be rounded upwards for the purposes of calculating each Shareholder's entitlement to Scrip Shares pursuant to the Scrip Dividend Alternative. The treatment of fractions of Scrip Shares remains solely at the Company's discretion in instances where an election has been made for Partial Participation.

The table below illustrates the effect of rounding:

| Number of Ordinary Shares as at the Dividend Record Date | Entitlement to Scrip Shares |
|---|---|
| 1 - 34 | No entitlement |
| 35 - 52 | 1 |
| 53 - 87 | 2 |
| 88 - 122 | 3 |
| and so on | |

Full details of the Scrip Dividend Alternative and the procedure to be followed for acceptance are set out in the section headed "Further Information Relating to the Scrip Dividend Alternative" on pages 9 to 17.

**Terms of the Scrip Shares**

The Scrip Shares, when issued, will rank *pari passu* in all respects with the ordinary shares then in issue having the rights and restrictions set out in the Articles. They will also rank *pari passu* for any future dividends or other distributions declared, made or paid on the Ordinary Shares (other than the Cash Dividend).

**Scrip Dividend Mandate Scheme ("the Mandate Scheme")**

Shareholders who currently participate in the Mandate Scheme will receive a Notice of Entitlement giving details of their entitlement to Scrip Shares as at the Dividend Record Date.

The Mandate Scheme is operated for the convenience of those Shareholders who wish automatically to receive their entitlement to new Ordinary Shares instead of cash on all future dividends, without having to complete a form of election on each occasion that a scrip dividend alternative is made available. **If you make such an election, you will be authorising the Company to round any fractional entitlement to which you are entitled on the basis indicated by the Company at the time each such scrip dividend alternative is made available.**

Full details of the Mandate Scheme are set out in paragraph 10 of the section headed "Further Information Relating to the Scrip Dividend Alternative" on pages 15 to 17 of this document.

If you do not currently participate in the Mandate Scheme and now wish to do so, you should complete the Mandate Box on Part B of the enclosed Form of Election and sign and return it to the relevant Company's Registrar by no later than 5.00 p.m. (local time) on 10 May 2010.

Shareholders have the ability to withdraw or cancel their scrip dividend mandates at any time, and, should they so wish, have the opportunity now to do so by completing and returning the form on the Notice of Entitlement – see below "Action to be taken", paragraph (a).

**Action to be taken**

**(a) Shareholders who already participate in the Scrip Dividend Mandate Scheme will have received a Notice of Entitlement with this document.**

If you wish to receive the Scrip Dividend Alternative instead of the Cash Dividend and wish to continue to receive scrip dividend alternatives instead of cash dividends in future years, do nothing.

If you now wish to receive the Cash Dividend and some or all future dividends in cash, you should revoke your scrip dividend mandate by completing and returning Part B of the form accompanying this document entitled "Notice of Entitlement" to the relevant registrar by the date set out below.

**(b) Shareholders who do not already participate in the Scrip Dividend Mandate Scheme will have received a Form of Election with this document.**

If you wish to elect to receive the Scrip Dividend Alternative in lieu of the Cash Dividend, please complete Part B of the enclosed Form of Election and return it to the relevant registrars by the date set out below.

If you wish to participate in the Scrip Dividend Mandate Scheme and elect to receive new Ordinary Shares whenever a scrip dividend alternative is offered by the Company in lieu of future cash dividends in respect of your entire holding, please complete the Mandate Box on Part B of the enclosed Form of Election and return it to the relevant Company registrar by the date set out below.

If you wish to receive all of your dividend in cash, or if you hold fewer than 35 Ordinary Shares, you need take no action.

**Forms of Election must be received by the relevant registrar by no later than 5.00 p.m. (local time) on 10 May 2010.**

**Shareholders should also note that due to differing administration systems operated by the Company's registrars in the UK, Australia and New Zealand, mandates for Partial Participation are not possible in respect of UK registered holdings. UK registered shareholders who wish to elect for Partial Participation should complete and return a Form of Election.**

**BRIEF COMPARISON OF DIVIDEND PROPOSALS AND TAXATION TREATMENT**

There appear on the following pages a series of tables comparing the options to take the Cash Dividend or the Scrip Dividend Alternative and the taxation consequences for Shareholders in UK, Australia and New Zealand.

This summary is not exhaustive nor does it consider the position of any Shareholder who for tax purposes is treated as not resident in the United Kingdom, Australia or New Zealand. Further information on the tax consequences for a Shareholder electing to receive Scrip Shares instead of the Cash Dividend is set out under the heading "8. Tax" in the "Further Information Relating to the Scrip Dividend Alternative" section on pages 11 to 15 of this document. If unsure about the effect on their tax position, or if shares are held on a register (including the branch registers) located in a country different from their country of residence for tax purposes, UK Shareholders should consult their authorised investment adviser and Australian and New Zealand Shareholders should consult an appropriate professional adviser before deciding whether or not to make the election.

## BRIEF COMPARISON OF DIVIDEND PROPOSALS

### OVERVIEW

| | Cash Dividend | Scrip Dividend Alternative |
|---|---|---|
| Nature of participation | Cash Dividend out of retained profits. Payment will be made by cheque in the relevant currency, either pounds sterling, Australian dollars or New Zealand dollars. | Waiver of Cash Dividend in lieu of further Ordinary Shares. |
| Eligibility to participate | All Shareholders. | Not available to Shareholders with holdings of less than 35 Ordinary Shares. |
| Rounding of allocation | Not applicable. | Where Shareholders elect for Full Participation, entitlement will be rounded to the nearest whole number. Entitlements to one half of a share or more will be rounded upwards. The treatment of fractions of Scrip Shares remains solely at the Company's discretion in instances where an election has been made for Partial Participation. |
| Charges | Not applicable. | No brokerage, commission or other transaction costs and no stamp duty or other duties on allotment. |
| Ranking | Not applicable. No additional shares issued. | Once allotted, Scrip Shares allotted rank equally with all other Ordinary Shares in issue at the time. |

### TAXATION - GENERAL IMPLICATIONS

**The general tax implications set out below are based on the tax legislation at 19 March 2010. Shareholders are advised to consult their own professional adviser in regard to their specific personal circumstances.**

### TAXATION - AUSTRALIA

| | Cash Dividend | Scrip Dividend Alternative |
|---|---|---|
| Individuals | Assessable for income tax.<br><br>The amount assessable for income tax is the cash amount of the dividend received. No UK tax applies to the dividend payment and accordingly no foreign tax credit is available to Australian resident individual shareholders. | Assessable for income tax<br><br>Scrip Shares are likely to be deemed to be dividends for income tax purposes. The amount assessed should be equal to the cash dividend. The cost base of the Scrip Shares acquired should include the amount of the cash dividend which is applied by the Shareholder to acquire the share. |
| Corporate Shareholders owning <10 per cent. voting shares | Assessable for income tax.<br><br>The amount assessable for income tax is the cash amount of the dividend received. No UK tax applies to the dividend payment and accordingly no foreign tax credit is available to Australian resident corporate shareholders. | Assessable for income tax.<br><br>Scrip Shares are likely to be deemed to be dividends for income tax purposes. The amount assessed should be the equal to the cash dividend. The cost base of the Scrip Shares acquired should include the amount of the cash dividend which is applied by the Shareholder to acquire the share. |

## BRIEF COMPARISON OF DIVIDEND PROPOSALS *(Continued)*

### TAXATION - UNITED KINGDOM

| | Cash Dividend | Scrip Dividend Alternative |
|---|---|---|
| Individuals | Assessable for income tax by reference to the amount of the cash dividend.<br><br>Cash dividends paid are subject to income tax on the cash dividend grossed up by one ninth of the dividend received (or approximately 11.1 per cent.) to reflect a notional tax credit of 10 per cent. This tax credit is deemed to cover the basic rate liability. It is not repayable.<br><br>Higher rate tax payers are subject to tax on the gross dividend at 32.5 per cent. less the 10 per cent. tax credit.<br><br>From 6 April 2010, tax payers with taxable income over £150,000 are liable to income tax at a new higher rate of 42.5 per cent. of the gross dividend less the 10 per cent. tax credit. | Assessable for income tax by reference either to (1) the amount of the cash dividend entitlement, or (2) the market value of the Scrip Shares depending on the market value of the Scrip Shares as determined on the first day of dealing in the Scrip Shares (see further section 8, below).<br><br>Higher rate tax payers are subject to tax on the gross dividend at 32.5 per cent. less the 10 per cent. tax credit.<br><br>From 6 April 2010, tax payers with taxable income over £150,000 are liable to income tax at a new higher rate of 42.5 per cent. of the gross dividend less the 10 per cent. tax credit.<br><br>Base cost for capital gains purposes is equivalent to the amount on which a tax payer is charged to income tax on the Scrip Shares. |
| Corporate Shareholders | Generally not taxable unless the shares are held on trading account. | Not taxable upon issue of Scrip Shares. No addition to base cost of aggregate holding. |
| Exempt funds | Not taxable.<br><br>No refund of tax credit available. | Not taxable.<br><br>No refund of tax credit available. |

### TAXATION - NEW ZEALAND

**New legislation took effect from 1 April 2007 which requires the "Fair Dividend Rate" ("FDR") method to be used for calculating income from foreign portfolio investments. There is a 5 year exemption for overseas companies which meet certain criteria. GPG meets these criteria and therefore the following tax consequences assume that shareholders continue to apply the pre FDR tax treatment.**

| | Cash Dividend | Scrip Dividend Alternative |
|---|---|---|
| Individuals | Cash dividend received is taxable at marginal income tax rate. No foreign tax credit is available. | Shares allotted are subject to income tax on the equivalent of the cash dividend. |
| Corporate Shareholders | Subject to income tax, or foreign dividend withholding payment (depending on timing of the Shareholder's income year). | Shares allotted are subject to income tax, or foreign dividend withholding payment (depending on timing of the Shareholder's income year), on the equivalent of the cash dividend. |

## FURTHER INFORMATION RELATING TO THE SCRIP DIVIDEND ALTERNATIVE

### 1. Terms of election

Instead of receiving the Cash Dividend of 1.00p per Ordinary Share in cash, Shareholders may elect to receive, for every 35 Ordinary Shares registered in their name at close of business (local time) on the Dividend Record Date, 1 new Ordinary Share, credited as fully paid.

Shareholders with a registered holding of fewer than 35 Ordinary Shares at the close of business (local time) on the Dividend Record Date are not entitled to make an election. Shareholders who had a registered holding of 35 Ordinary Shares or more at the close of business (local time) on the Dividend Record Date may elect to receive the Scrip Dividend Alternative in respect of their entire registered holding ("Full Participation") or in respect of part(s) of, their registered holding ("Partial Participation"). No fraction of a Scrip Share will be allotted. Where a Shareholder elects for Full Participation, to the extent that the Shareholder's holding of Ordinary Shares is not an exact multiple of 35 and therefore would give rise to a fractional entitlement, the Shareholder's entitlement will be rounded to the nearest whole number. Entitlements representing a half of a share or more will be rounded up to the nearest whole number and allotted. The treatment of fractions of Scrip Shares remains solely at the Company's discretion in instances where an election has been made for Partial Participation.

**The Board also resolved that the Scrip Dividend Alternative may be withdrawn, in which case any election would become automatically void, if the middle market quotation of an Ordinary Share, as derived from the London Stock Exchange Daily Official List for 12 May 2010, is below 35p. The Company also reserves the right to terminate at any time Shareholders' entitlements to receive Scrip Shares in lieu of the Cash Dividend if the Directors consider that the circumstances are such that it would be inappropriate. In such circumstances, Shareholders will be advised accordingly and will receive the Cash Dividend.**

### 2. How to make the election

If you are not an existing participant of the Scrip Dividend Mandate Scheme, and you hold 35 or more Ordinary Shares and wish to receive Scrip Shares instead of the Cash Dividend in respect of all or part of your entire holding, you should complete and return Part B of the enclosed Form of Election to the Company's registrars so as to be received no later than 5.00 p.m. (local time) on 10 May 2010. The Company reserves the right, but shall not be obliged, to accept Part B of Forms of Election which are received after 5.00 p.m. (local time) on 10 May 2010. If Part B of the Form of Election is not received by 5.00 p.m. (local time) on 10 May 2010 and the Directors do not exercise their discretion to accept Part B of the Form of Election, the Cash Dividend will be paid in respect of all Ordinary Shares that were registered in the name of the Shareholder concerned on the Dividend Record Date.

Existing participants in the Scrip Dividend Mandate Scheme should refer to paragraph 10 below. See also page 5 "Scrip Dividend Mandate Scheme". Existing participants should be aware that if they return a Form of Election indicating that they wish to elect for the Scrip Dividend Alternative over part of their registered shareholding, this will revoke the existing scrip dividend mandate.

If you are an existing participant of the Mandate Scheme and you wish to revoke your mandate and receive the Cash Dividend rather than Scrip Shares in respect of your entire holding, then you should complete Part B of the form of the Notice of Entitlement which will revoke your mandate and post it to the relevant registrar so as to be received not later than 5.00 p.m. (local time) on 10 May 2010.

### 3. Overseas persons

It is the responsibility of any Shareholder outside the United Kingdom, Australia or New Zealand wishing to elect to receive Scrip Shares, either in respect of this invitation or by way of mandate, to ensure that an election to receive such shares can be validly made without any further obligation on the Company, and to be satisfied as to full observance of the laws of the relevant jurisdiction in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in such territory. Such a Shareholder should be aware that the responsibility is ongoing while a mandate is in force. Receipt of a Form of Election will not constitute an invitation to make such an election in those jurisdictions in which it would be illegal to extend such an invitation and, in such circumstances, a Form of Election is sent for information only.

**4. If you have received more than one Form of Election**

If for any reason your Ordinary Shares are registered in more than one holding and as a result you have received more than one Form of Election, they will be treated for all purposes as separate holdings. Should you wish to elect for the Scrip Dividend Alternative in respect of all the shares set out in such Forms of Election, you should complete and return Part B of each Form of Election accordingly (unless you wish and are able, before 5.00 p.m. (local time) on 10 May 2010, to arrange with the Company's registrars to have your holdings combined). Furthermore, if in the UK your Ordinary Shares are registered partly in certificated form and partly in uncertificated form, the Company will treat your holdings as if they were separate holdings.

**5. If you recently disposed of Ordinary Shares**

If you disposed of any of your holding of Ordinary Shares prior to the relevant ex-dividend date for the jurisdiction in which your Ordinary Shares are registered, but those Ordinary Shares are nevertheless included in the number shown in Box 1 on the Form of Election or the Notice of Entitlement that you have received, you should consult your stockbroker, bank or other adviser without delay who will advise you how to deal with them.

**6. If you recently acquired Ordinary Shares**

If you acquired Ordinary Shares prior to the relevant ex-dividend date for the jurisdiction in which your Ordinary Shares are registered but have not received a Form of Election, or if those Ordinary Shares do not appear in the number shown in Box 1 on the Form of Election or the Notice of Entitlement that you have received, you should contact the stockbroker, bank or other agent through whom those shares were acquired, without delay.

**7. Listing of Scrip Shares and issue and delivery of Scrip Shares**

Application will be made to the UK Listing Authority for admission of the Scrip Shares to the Official List and an application will be made for admission of the Scrip Shares to trading on the London Stock Exchange. Application for official quotation and listing of the Scrip Shares in CDI form will also be made to the Australian Securities Exchange. The Scrip Shares have been accepted for quotation on the New Zealand Stock Exchange and will be quoted on completion of allotment procedures. Admission to listing and dealings in the Scrip Shares are expected to begin on 17 May 2010 on the New Zealand and the London Stock Exchanges and on the Australian Securities Exchange. The Scrip Dividend Alternative is conditional on the admission of the Scrip Shares to the Official List and the admission to trading on the London Stock Exchange or on listing on the Australian Securities Exchange and also on the fact that the Board has not by such date withdrawn the Scrip Dividend Alternative. When allotted the Scrip Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares and will rank for all future dividends (other than the Cash Dividend) and any other distributions declared, made or paid on the Ordinary Shares. They will also be entitled to participate in the Capitalisation Issue (providing it is approved at the AGM).

No acknowledgement of receipt of Part B of the Forms of Election or the Notices of Entitlement will be issued. Subject to admission to the Official List and to trading on the London Stock Exchange, and where UK Shareholders have chosen to retain their shareholdings in certificated form, it is expected that definitive share certificates for the Scrip Shares will be posted, at the risk of the persons entitled thereto, on 17 May 2010. The date for posting of the dividend cheques in respect of the Cash Dividend is 17 May 2010. Where Shareholders hold Ordinary Shares in uncertificated form on the UK register, Scrip Shares will be issued in the same uncertificated form, and their CREST member accounts will be updated electronically on 17 May 2010. Where Shareholders hold Ordinary Shares on the NZ branch register, Scrip Shares will be issued under the FASTER system. Statements showing allotments will be mailed on 17 May 2010. Where Shareholders hold Ordinary Shares on the Australian branch register through the CHESS Depository Instrument facility (CDIs), Scrip Shares will be issued under the CDI system in the same uncertificated form on 17 May 2010. In the unlikely event that the Scrip Shares are not admitted to the Official List or the Australian Securities Exchange, Part B of the Forms of Election in respect of the Cash Dividend will be disregarded, any definitive share certificates arising therefrom which have been posted will have no value or effect and the Cash Dividend will be paid, as soon as practicable thereafter. The validity of mandates in respect of future scrip dividend alternatives will not be affected.

**8. Tax**

The following statements are intended only as a general guide to certain UK, Australian and New Zealand tax considerations and do not purport to be a complete analysis of all potential tax consequences of acquiring or holding of Scrip Shares. Prospective acquirers of Scrip Shares are advised to consult their own professional advisers concerning the tax consequences of the acquisition and ownership of Scrip Shares. The following statements are based on current UK, Australian and New Zealand legislation and what is understood to be the current practice of the respective local tax authorities as at the date of this document both of which may change, possible with retroactive effect. They apply only to Shareholders who are resident for tax purposes in (and only in) the UK, Australia or New Zealand, as the case may be, who hold their shares as an investment, and, who are the absolute beneficial owners of their shares as well as any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Scrip Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The tax consequences for a Shareholder making an election to receive Scrip Shares instead of the Cash Dividend will depend on the personal circumstances of that Shareholder. Your Directors have been advised that, based on UK, Australian and New Zealand legislation and published local taxation practice as at the date of this document, the tax consequences for Shareholders resident in those countries for tax purposes will be broadly as outlined below.

**Shareholders who are in any doubt as to their tax position are strongly recommended to consult their professional tax advisers immediately.**

**A. UK resident individuals (other than trustees)**

Where an individual elects to take Scrip Shares the tax treatment will depend upon the value of Scrip Shares compared to the Cash Dividend. Individuals who receive shares instead of a Cash Dividend are taxed on the amount of that Cash Dividend unless the difference between the Cash Dividend and the market value of the Scrip Shares is 15 per cent. or more of the market value of those Scrip Shares, in which case individuals will be taxed on the amount of the market value of the Scrip Shares. For these purposes market value is the value of the Scrip Shares on the first day of dealing in the Scrip Shares.

Therefore, if on the first day of dealing on the London Stock Exchange the market value of the Scrip Shares (as established for tax purposes) exceeds the amount of the Cash Dividend by 15 per cent. or more of the market value of the Scrip Shares, then the market value of the Scrip Shares will be substituted as the taxable amount.

Individuals receiving Scrip Shares will therefore need to compare the amount of Cash Dividend they would have received had they not made the election for the Scrip Shares with the value of the Scrip Shares then received in order to calculate the taxable amounts (taking into account the effect of rounding on their individual entitlements, as explained on page 5).

- For example, a shareholder with 1,000 shares will be entitled to a Cash Dividend of 1,000p (i.e. £10) or 29 Scrip Shares (being 1,000 ÷ 35, rounded to the nearest whole number). If the market value of the Scrip Shares on the first day of dealing on the London Stock

Exchange (as established for tax purposes) is 40.57 pence or more, then the market value of the Scrip Shares will be the taxable amount for this shareholder.

The treatment for an individual who receives a Scrip Dividend Alternative will be the same as an individual receiving a Cash Dividend, in that the dividend is grossed up by one ninth of the dividend received (or approximately 11.1 per cent.) to reflect a notional tax credit of 10 per cent.

An individual who pays tax at the basic rate (after taking account of his receipt of Scrip Shares or dividends) will not be required to pay any additional tax in respect of the Scrip Shares or dividends as the tax liability is effectively paid in the form of the available tax credit of 10 per cent.

However, the tax credit is notional only. To the extent that the individual has no income other than the cash or the Scrip Dividend Alternative and is not assessable on the receipt of the cash or the Scrip Shares because of personal allowances, he will not be entitled to a repayment of the 10% tax credit.

From 6 April 2010, higher rate taxpayers are subject to tax on the gross dividend at 32.5 per cent. less the 10 per cent. tax credit. Individual tax payers with taxable income over £150,000 are liable to income tax at a new higher rate of 42.5 per cent. of the gross dividend less the 10 per cent. tax credit to the extent that the gross dividend when treated as the top slice of the shareholder's income falls above the £150,000 threshold.

For example, if the taxable income in respect of the dividend (being the amount of the Cash Dividend, or the market value of the Scrip Shares received, as described above) for an individual subject to tax at the higher rate is £90, the gross dividend is £100 and this is taxed at 32.5 per cent. A tax credit for 10 per cent. of the taxed amount is allowed and will be offset against the individual's total liability to tax. Accordingly, the tax liability of £32.50 is reduced by the tax credit of £10, leaving £22.50 of tax to be paid.

For the purposes of an individual's capital gains tax liability, the Scrip Shares will be treated as forming part of his existing pool of shares. The base cost to be included in the new combined holding is equal to the amount of the cash dividend entitlement (or, if the difference between the Cash Dividend and the market value of the Scrip Shares is 15 per cent. or more of the market value of the Scrip Shares, the market value of the shares on the first day of dealings on the London Stock Exchange).

**B. UK resident trustees**

The provisions regarding the taxation of scrip dividends apply generally to trustees as they apply to UK resident individuals. Therefore, trustees will also be treated as having received gross income, the tax liability on which is reduced by the associated tax credit. Again, however, the tax credit is not repayable. The exact taxation of the dividend received by the trustees will depend on the type of trust. If in any doubt, the shareholder should consult their professional tax advisers immediately.

The capital gains tax treatment in respect of scrip dividends for trusts is also the same as it is for individuals on the basis that the Scrip Shares form part of the existing holding and the base cost of the shares is equal to the amount of the cash dividend entitlement (or, if the difference between the Cash Dividend and the market value of the Scrip Shares is 15 per cent. or more of the market value of the Scrip Shares, the market value of the shares on the first day of dealings on the London Stock Exchange).

**C. UK resident corporate Shareholders**

The Scrip Dividend Alternative should not be subject to corporation tax at the time of issue.

For the purposes of corporation tax on chargeable gains, however, there will be no addition to the base cost of the aggregate holding.

### D. UK resident exempt funds

The tax credit on the Cash Dividend and the Scrip Dividend Alternative is notional only and an exempt fund is therefore not able to claim a repayment of the tax credit.

### E. UK Stamp Duty

There is no stamp duty payable in the UK on the issue of the Scrip Shares (provided no such shares are issued into a depository or clearance service). Any stamp duty in the UK on the sale of the Scrip Shares normally will be borne by the purchaser of such shares.

### F. Australian Shareholders

The following paragraphs, which are intended as a guide only and which are based on the legislation as at 19 March 2010 and the current Australian Taxation Office practice, summarise advice received by the Directors as to the position of Shareholders who are resident in Australia for tax purposes and who hold their shares (including shares received under the Scrip Dividend Alternative) as a capital investment. Shareholders are advised to consult their own professional adviser in regard to their specific personal circumstances. References to "corporate shareholders" are references to corporations owning less than 10 per cent. of the issued share capital of GPG. It is assumed that the Australian resident Shareholders do not derive the Scrip Dividends through a permanent establishment or fixed base outside Australia.

#### (i) Resident individuals

An Australian tax resident individual Shareholder who receives a Cash Dividend will be assessable to income tax on the amount of the Cash Dividend received. No UK tax will be payable in respect of the Cash Dividend and accordingly no foreign tax credit will be available in Australia to Australian tax resident individual Shareholders.

The cash dividend will be deemed to have been credited to the Shareholder and paid out of GPG's profits. As such an amount equal to the amount of the cash dividend will be included in the Shareholder's assessable income. No UK tax will be payable and accordingly no foreign tax credit will be available in Australia to Australian tax resident individual Shareholders.

The cost base of the Scrip Shares for capital gains purposes should include the amount of the cash dividend which is applied by the Shareholder to acquire the share.

#### (ii) Resident corporate Shareholders (holding less than 10 per cent. of voting shares)

An Australian tax resident corporate Shareholder who receives a cash dividend will be assessable to income tax on the amount of the Cash Dividend received. No UK tax will be payable in respect of the Cash Dividend and accordingly no foreign tax credit will be available in Australia to Australian tax resident corporate Shareholders (holding less than 10 per cent. of voting shares).

The cash dividend will be deemed to have been credited to the Shareholder and paid out of GPG's profits. As such an amount equal to the amount of the cash dividend will be included in the Shareholder's assessable income. No UK tax will be payable then no foreign tax credit will be available in respect of the Scrip Dividend Alternative. The cost base of the Scrip Shares for capital gains purposes should include the amount of the cash dividend which is applied by the Shareholder to acquire the share.

### G. New Zealand resident individuals

The following paragraphs, which are intended as a guide only, and which are based on the legislation as at 19 March 2010 and the New Zealand Inland Revenue practice, summarise advice received by the Directors as to the position of shareholders who are resident in New Zealand for tax purposes and who hold their shares as a capital investment.

From 1 April 2007 new legislation took effect in relation to the taxation of foreign portfolio income (those investments where the NZ Shareholder holds less than 10 per cent. of the foreign company). Currently GPG is a foreign company given that it is tax resident in the UK.

Generally the new rules require the FDR method to be used for calculating the income from foreign portfolio investments. The FDR method is intended to be a proxy for dividends and as such investors will not be taxed on actual dividend income but on a deemed return of 5 per cent. per annum based on the market value of such investments at the commencement of each income year.

For individual Shareholders there is an exemption where their total foreign shares (excluding certain Australian shares) cost less than NZ$50,000. In addition there is a 5 year exemption for overseas companies which meet certain criteria. GPG meets these criteria and therefore the pre FDR tax consequences outlined below will continue to apply to GPG Shareholders.

Taxpayers however have the option of electing into the FDR regime rather than being taxed based on the rules below. This election is effected by completing the taxpayer's tax return on the basis that the taxpayer has elected to treat their investment in GPG as a 'foreign investment fund' for income tax purposes and adopted the FDR method to calculate the tax liability in respect of their shareholding in GPG. Taxpayers can only elect to treat their investment in GPG as a 'foreign investment fund' where their total portfolio of foreign investments exceeds NZ$50,000. In relation to Shareholders who hold their shares on revenue account there may be advantages in electing to treat their investment in GPG under the FDR rules rather than being taxed on any gain on realising their investment in GPG. However, if Shareholders elect into the FDR regime they must remain in the FDR regime for future income years, that is there is no ability to revert back to the tax treatment outlined below. Shareholders are advised to consult their own professional advisors in this regard.

Assuming the Shareholders continue to apply the pre FDR tax treatment (i.e. they do not elect to apply FDR) the tax consequences for New Zealand resident individuals should be as follows.

Where a New Zealand resident individual receives the Cash Dividend, he will be treated as having received gross income of that amount and will be subject to income tax on it at his marginal income tax rate. For New Zealand tax purposes a dividend is taxable on the date of payment of that dividend. No foreign tax credit will be available.

Where a New Zealand resident individual elects to take Scrip Shares instead of the Cash Dividend, he will be treated, in respect of the Scrip Shares received, as having derived gross income of an amount equal to the Cash Dividend offered as an alternative to the Scrip Shares. For example, an individual receiving Scrip Shares, in respect of which the cash alternative is NZ$100, will be deemed to have derived gross income of NZ$100.

**H. New Zealand resident corporate Shareholders**

New Zealand's foreign dividend withholding payment ("FDWP") rules have been repealed with application for all income years beginning on or after 1 July 2009. Dividends derived by New Zealand resident companies in income years beginning on or after 1 July 2009 are also generally exempt from income tax, but not where the holding in respect of which the dividends are paid is a less than 10% holding in the foreign company and is subject to certain exemptions from the requirement to apply the FDR method (or the foreign investment fund rules generally), including the 5-year exemption applicable to shares in GPG.

Accordingly, the tax consequences of the Cash Dividend (paid on 17 May 2010) for a New Zealand resident corporate Shareholder with a less than 10% shareholding in GPG and that has not elected to use the FDR method are as follows:

- if the New Zealand resident corporate Shareholder has an income year beginning between 1 July 2009 and 17 May 2010 (including the standard income year beginning on 1 April 2010) it will be subject to income tax at the rate of 30 per cent. of the cash received
- if the New Zealand resident corporate Shareholder has an income year beginning between 18 May 2010 and 30 June 2010, it will be subject to FDWP at the rate of 30 per cent. on the cash received.

Where a corporate Shareholder resident in New Zealand elects to receive Scrip Shares instead of the Cash Dividend, it will, depending (as above) on when its income year begins. be subject to a FDWP on an amount equal to the cash offered as an alternative to the Scrip Shares. For example, a corporate Shareholder receiving Scrip Shares in respect of which the cash alternative is NZ$100 will be deemed to have derived a foreign dividend of NZ$100. Income tax/FDWP will be payable on the NZ$100 received at the rate of 30 per cent.

There will be no foreign tax credit. Whether a corporate Shareholder receives Scrip Shares or the Cash Dividend, it is responsible for paying the income tax/FDWP to the New Zealand Inland Revenue at the appropriate time.

**This summary of the tax treatment is neither exhaustive nor does it consider the position of any Shareholder who for tax purposes is treated as not resident in the United Kingdom, Australia or New Zealand. It is based on UK, Australian and New Zealand revenue law and published practice in effect as at 19 March 2010, which may be subject to change, including with retrospective effect. If unsure about the effect on their tax position, or if shares are held on a register (including the branch registers) located in a country different from their country of residence for tax purposes, UK Shareholders should consult their authorised investment adviser and Australian and New Zealand Shareholders should consult an appropriate professional adviser.**

**9. Calculation of the value of the Scrip Dividend Alternative**

The calculation of the value of the Scrip Dividend Alternative assuming a holding of at least 35 Ordinary Shares is as follows:

| | UK pence |
|---|---|
| Average of the closing middle market prices of an Ordinary Share quoted ex-dividend in the Daily Official List of the London Stock Exchange for 12 March 2010, the latest practicable date prior to the publication of this document, and on the four previous business days | 39.2 |
| Value per Ordinary Share held of the Scrip Dividend Alternative at a ratio of 1 for 35 | 1.12 |

On this basis, the Australian equivalent is Aus 1.86 cents and New Zealand equivalent is NZ 2.43 cents based on the Standard Exchange Rates.

**10. Scrip Dividend Mandate Scheme**

The Scrip Dividend Mandate Scheme is entirely optional. Any mandate given will remain valid in relation to each dividend for which a scrip dividend alternative is offered unless and until it is (a) revoked by you or, in certain circumstances, (b) revoked by the Company (see paragraph D below) or (c) in any given year you return a Form of Election indicating that you wish to elect for Full Participation or Partial Participation in the Scrip Dividend Alternative.

**A. Completing a mandate**

A mandate may be given only by completing the Mandate Box on Part B of the Form of Election and signing and returning Part B of the Form of Election to the Company's registrars in the United Kingdom or branch registrars in Australia or New Zealand, so as to be received no later than 5.00 p.m. (local time) on 10 May 2010.

A mandate will have the effect of being an election to receive scrip shares in respect of your total registered holding of Ordinary Shares if you have elected for Full Participation. If you acquire or dispose of shares in the same holding, the mandate will continue to apply (until revoked) in respect of the holding as so increased or reduced. If you wish to elect for Partial Participation then you should complete a fresh form every year.

**Note that because of differing administration systems operated by the Company's registrars in the UK, Australia and New Zealand mandates for Partial Participation are not possible in respect of UK registered holdings.**

**B. Fractional entitlements**

The Mandate Scheme authorises the Company to round any entitlements which would not result in an exact number of shares being issued in respect of any future scrip dividend alternatives to the nearest whole number. Where a shareholder elects for Full Participation, entitlements representing a half share will be rounded up to the nearest whole number. The treatment of fractions of Scrip Shares remains solely at the Company's discretion in instances where an election has been made for Partial Participation.

**C. Regular advice of entitlement**

When a scrip dividend alternative is offered in respect of any future dividend, Shareholders who have given the Company a mandate will be sent, at the appropriate time prior to the dividend payment date, a letter giving details of their entitlement to new Ordinary Shares. Unless the mandate is revoked before the close of business on the final date for receipt of forms of election in respect of the relevant scrip dividend alternative, new Ordinary Shares will be issued automatically for that dividend instead of cash. The minimum holding stipulated as entitling them to make an election may be varied by the Directors on each occasion that a scrip dividend alternative is proposed. Shareholders with a registered holding below the minimum stipulated as entitling them to make an election will automatically receive the cash dividend for that particular occasion.

**D. Revocation of a mandate**

A mandate may be revoked at any time. To be effective for any particular scrip dividend alternative offered by the Company, notice of revocation of the mandate must be received before the close of business on the final date for receipt of forms of election in respect of the relevant scrip dividend alternative (being on this occasion 5.00 p.m. (local time) on 10 May 2010).

A mandate will be deemed to be revoked in respect of any shares which a Shareholder sells or otherwise transfers to another person, but only with effect from registration of the relevant transfer in the share register. Transfers registered between the relevant ex-dividend date and payment date of a dividend will not be deemed to revoke elections already made. A mandate will also be deemed to be revoked immediately on notice of death, bankruptcy or insanity of a Shareholder unless that Shareholder is a joint Shareholder and the other joint Shareholder(s) is/are not similarly affected, in which case the mandate will continue.

**E. Operation, modification or termination of the Scrip Dividend Mandate Scheme (the "Scheme")**

The operation of the Scrip Dividend Mandate Scheme is subject to a shareholder resolution being in force empowering the Directors to offer a scrip dividend alternative. Such a resolution was passed by the Company in general meeting on 22 May 2009 and remains in force until the beginning of the fifth annual general meeting after such date. The Company proposes to renew this resolution for a further five years at its forthcoming AGM on 7 May 2010. The Scheme is also subject to the Directors' decision to offer a scrip dividend alternative for any particular dividend. If the necessary Shareholders' authority is not in force, or if the Directors decide not to offer a scrip dividend alternative, or if any condition subject to which such a scrip dividend alternative is offered is not satisfied, the relevant dividend would be paid entirely in cash.

The basis of the calculation of the number of shares to be offered in lieu of cash shall be determined by the Directors in their discretion in accordance with the Articles and the relevant scrip dividend alternative authority applicable at that time.

The Scheme may be modified or terminated at any time by the Directors by notice in writing to Shareholders on or before the making of the next offer of a scrip dividend alternative. In the case of any modification, current mandates will be deemed to remain valid under the Scheme as modified unless the Company receives notice in writing of revocation.

**11. Registrars**

Further copies of this document, Forms of Election and/or Notices of Entitlement may be obtained up to and including 7 May 2010 from the relevant registrars at the addresses shown at the end of this document.

# PART II
# CAPITALISATION ISSUE

**Expected timetable of principal Capitalisation Issue events**

Actions take place on all three exchanges on which the Company's shares are listed unless otherwise indicated.

| | |
|---|---|
| | 2010 |
| Ordinary Shares marked ex-capitalisation and bonus shares traded on a deferred settlement basis (ASX) | 24 May |
| Record date for the Capitalisation Issue | 28 May |
| Head securities quoted ex-capitalisation (NZX) | 31 May |
| Allotment of Capitalisation Shares | 5.00 p.m. (London time) on 4 June |
| CREST member accounts credited with Capitalisation Shares (UK) | 7 June |
| Ordinary Shares marked ex-capitalisation (LSE) | 7 June |
| Definitive certificates (UK) for Capitalisation Shares to be dispatched | 7 June |
| Dealings (and admission to listing) in Capitalisation Shares (LSE) to commence | 7 June |
| FASTER Statements showing allotment of Capitalisation Shares (NZ) to be dispatched | 8 June |
| Holding Statements (Australia) for Capitalisation Shares to be dispatched | 8 June |
| Last day for deferred settlement trading (ASX) | 8 June |

**Terms of the Capitalisation Issue**

The Board proposes that the Capitalisation Issue of up to 168,214,647 new Ordinary Shares be made to Shareholders following completion of the allotments of the Scrip Shares as described in Part I of this document, subject to the approval of the Shareholders at the AGM. Shareholders whose names are entered on the register at the close of business on 28 May 2010 will receive one new Ordinary Share, credited as fully paid, for every ten Ordinary Shares then held, and so on in proportion for any number of Ordinary Shares then held. Where necessary, Shareholders' entitlements will be rounded down to the nearest whole number of Capitalisation Shares and fractions will not be allotted.

The Capitalisation Shares, when issued, will rank *pari passu* in all respects with the Ordinary Shares then in issue having the rights and restrictions set out in the Articles. They will also rank *pari passu* for any future dividends or other distributions declared, made or paid on Ordinary Shares (other than the Cash Dividend).

The Capitalisation Shares when issued will be freely transferable, subject to the rules of the relevant exchange where they are listed and/or admitted.

Up to £8,410,732.34, being part of the amount standing to the credit of the other reserve of the Company (currently £179 million) will be available for capitalisation.

Application will be made to the UK Listing Authority for the Capitalisation Shares to be admitted to listing and an application will be made for the admission of the Capitalisation Shares to trading on the London Stock Exchange. Application for official quotation and listing of the Capitalisation Shares will also be made to the Australian Securities Exchange in CDI form. The Capitalisation Shares have been accepted for quotation on the New Zealand Stock Exchange and will be quoted upon completion of the allotment procedures. The Capitalisation Issue will be conditional on the passing of the necessary resolution at the AGM and the admission of the Capitalisation Shares to the Official List or the Australian Securities Exchange and to trading on the London Stock Exchange.

The Capitalisation Shares will not be made available to the public except in accordance with the terms of the Capitalisation Issue.

**Dealings in and admission to listing of the Capitalisation Shares**

On 24 May 2010, the ASX Ordinary Shares will be marked ex-Capitalisation and Capitalisation Shares are expected to be traded on a deferred settlement basis.

On 7 June 2010, dealings in the Capitalisation Shares are expected to commence on the London Stock Exchange and the Capitalisation Shares are expected to be admitted to listing by the UK Listing Authority.

Quotation is also expected to occur and dealings in the Capitalisation Shares to commence on the New Zealand Stock Exchange on 31 May 2010.

**Issue and delivery of Capitalisation Shares**

In the UK, where Shareholders hold their share documents in certificated form, definitive share certificates for Capitalisation Shares are expected to be posted, at the risk of the persons entitled thereto, on 7 June 2010. Where Shareholders hold Ordinary Shares in uncertificated form through CREST on the UK register, Capitalisation Shares will be issued in the same uncertificated form and their CREST member accounts will also be updated electronically on 7 June 2010. No temporary or renounceable documents of title will be issued.

Where Shareholders hold Ordinary Shares on the Australian branch register through the CHESS Depository Instrument facility as CHESS Depository Instruments (CDIs), Capitalisation Shares will be issued under the CDI system in the same uncertificated form following allotment on 4 June 2010 in London. Holding statements showing allotments are expected to be posted, at the risk of the persons entitled thereto, on 7 June 2010.

Where Shareholders hold Ordinary Shares on the New Zealand branch register FASTER members accounts will be updated electronically on 7 June 2010. Statements showing the allotment of Capitalisation Shares on the New Zealand register will be mailed on 7 June 2010.

**Taxation**

The following statements are intended only as a general guide to certain UK, Australian and New Zealand tax considerations and do not purport to be a complete analysis of all potential tax consequences of acquiring or holding of Capitalisation Shares. Prospective acquirers of Capitalisation Shares are advised to consult their own professional advisers concerning the tax consequences of the acquisition and ownership of Capitalisation Shares. The following statements are based on current UK, Australian and New Zealand legislation and what is understood to be the current practice of the respective local tax authorities as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident for tax purposes in (and only in) the UK, Australia or New Zealand, as the case may be, who hold their Shares as an investment and who are the absolute beneficial owners of their Shares as well as any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Capitalisation Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Your Directors have been advised that, based on UK, Australian and New Zealand legislation and published local taxation practice as at the date of this document, the tax consequences for Shareholders resident in those countries for tax purposes will be broadly as outlined below.

**Shareholders who are in any doubt as to their tax positon are strongly recommended to consult their professional tax advisers immediately.**

**A. United Kingdom**

(i) Taxation of Capitalisation Issue

The Capitalisation Issue should not be a taxable distribution.

(ii) Taxation of chargeable gains

For the purposes of United Kingdom taxation of chargeable gains, there should be no disposal of a Shareholder's existing holding of Ordinary Shares and a Shareholder's existing holding of Ordinary Shares and their holding of Capitalisation Shares should be treated as the same asset, acquired at the time they acquired their existing Ordinary Shares. There will be no addition to the base cost of the Shareholder's aggregate holding. If, following the Capitalisation Issue, a Shareholder sells all or any of the Ordinary Shares, depending on the Shareholder's circumstances, a liability to taxation on any chargeable gain realized may be incurred.

(iii) Stamp duty

There is no stamp duty payable on the issue of the Capitalisation Shares (provided no such shares are issued into a depository or clearance service). Any stamp duty on the sale of the Capitalisation Shares normally will be borne by the purchaser of such shares.

(iv) Taxation of future dividends and distributions

When the Capitalisation Shares are issued they will rank *pari passu* in all respects with the existing issued Ordinary Shares. Based on legislation enacted as at the date of this document, the treatment for taxation of any future dividends and distributions will be identical to that described on page 8 of this document.

**B. Australia**

The following paragraphs, which are intended as a guide only and which are based on the legislation as at 19 March 2010 and Australian Taxation Office practice, summarise advice received by the Directors as to the position of Shareholders who are resident in Australia for tax purposes, hold their shares as a capital investment and acquired their shares on or after 20 September 1985. Shareholders are advised to consult their own professional adviser in regard to their specific personal circumstances.

(i) Taxation of Capitalisation Issue

The issue of the Capitalisation Shares should not be an assessable dividend.

(ii) Taxation of capital gains

The cost base of the Ordinary Shares held prior to the Capitalisation Issue by a shareholder should be apportioned in a reasonable way over all the shares held by that shareholder after the Capitalisation Issue. There is no addition to the cost base of the aggregate shareholding as a result of the Capitalisation Issue. The Capitalisation Shares are deemed to be acquired at the same time as the Ordinary Shares in respect of which they are issued.

(iii) Stamp duty

There is no Australian stamp duty on the issue of the Capitalisation Shares. Subsequent transfers of the Capitalisation Shares will not be subject to Australian stamp duty as they are quoted securities.

(iv) Taxation of future dividends and distributions

When the Capitalisation Shares are issued they will rank in all respects with the existing issued Ordinary Shares. The treatment for taxation purposes of equivalent future dividends and distributions should be identical to that described on page 7 of this document, subject to future tax amendments.

**C. New Zealand**

The following paragraphs, which are based on the taxation laws of New Zealand as in force at 19 March 2010, summarise advice received by the Directors as to the position of Shareholders who are residents of New Zealand for tax purposes. They do not purport to be, or to contain, specific advice.

From 1 April 2007 new legislation took effect in relation to the taxation of foreign portfolio income (those investments where the NZ shareholder holds less than 10 per cent. of the foreign company). Currently GPG is a foreign company given that it is tax resident in the UK.

Generally the new rules require the FDR method to be used for calculating the income from foreign portfolio investments. The FDR method is intended to be a proxy for dividends and as such investors will not be taxed on actual dividend income but on a deemed return of 5 per cent. per annum based on the market value of such investments at the commencement of each income year.

For individual Shareholders there is an exemption where their total foreign shares (excluding certain Australian shares) cost less than NZ$50,000. In addition there is a 5 year exemption for overseas companies which meet certain criteria. GPG meets these criteria and therefore the pre FDR tax consequences outlined below will continue to apply to GPG Shareholders.

Taxpayers however have the option of electing into the FDR regime rather than being taxed based on the rules below. This election is effected by completing the taxpayer's tax return on the basis that the FDR rules apply to their foreign portfolio investments.

Assuming an election into the FDR regime is NOT made, the tax treatment is as follows:

(i) Taxation of Capitalisation Issue

The Capitalisation Shares will be non-taxable bonus issue shares to New Zealand resident Shareholders.

(ii) Taxation of capital gains

New Zealand does not have a capital gains tax and, accordingly, provided the shares are held as capital assets, amounts realised on any subsequent sale of shares should not be subject to tax in New Zealand. Were the non-taxable Capitalisation Shares to be repurchased by the Company in the future, the amount received might be treated as a dividend for New Zealand taxation purposes. In relation to Shareholders (including corporate Shareholders) who hold their shares on revenue account there may be advantages in electing to treat their investment in GPG under the FDR rules rather than being taxed on any gain on realising their investment in GPG. Shareholders are advised to consult their own professional advisers in this regard.

(iii) Taxation of future dividends and distributions

When the Capitalisation Shares are issued they will rank in all respects with the existing issued Ordinary Shares. The treatment for taxation of any future dividends and distributions will be identical to that described on page 8 of this document.

**This summary of the tax treatment is neither exhaustive nor does it consider the position of any Shareholder who for tax purposes is treated as not resident in the United Kingdom, Australia or New Zealand. It is based on UK, Australian and New Zealand revenue law and published practice in effect as at 19 March 2010, which may be subject to change, including with retrospective effect. If unsure about the effect on their tax position, UK Shareholders should consult their authorised investment adviser and Australian and New Zealand Shareholders should consult an appropriate professional adviser immediately.**

### D. Overseas territories

Shareholders resident in all overseas territories, other than Australia or New Zealand, should consult their own tax advisers concerning their tax liabilities (in the United Kingdom and any other country) as a result of the Capitalisation Issue, including any liability to taxation of capital gains and the tax treatment of future dividends and distributions made by the Company.

# GUINNESS PEAT GROUP PLC

**United Kingdom**

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**Australia**

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Level 10, 1 Margaret Street, Sydney NSW 2000
Telephone: 02 9251 4100  Facsimile: 02 9240 9821

**New Zealand**

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

**Registered in England No. 103548**

**Location of share registers**

The Company's register of members is maintained in the UK with branch registers in Australia and New Zealand.

Register enquiries may be addressed direct to the Company's share registrars named below:

| Registrar | Telephone and postal enquiries | Inspection of Register |
|---|---|---|
| **UK Main Register:**<br>Computershare Investor Services PLC | The Pavilions<br>Bridgwater Road<br>Bristol BS99 6ZZ<br>Telephone: 0870 707 1022<br>Facsimile: 0870 703 6143 | The Pavilions<br>Bridgwater Road<br>Bristol BS99 6ZZ |
| **Australian Branch Register:**<br>Computershare Investor Services Pty Limited | GPO Box 242<br>Melbourne VIC 3001<br>Freephone: 1 800 501 366<br>(within Australia)<br>Telephone: 03 9415 4083<br>Facsimile: 03 9473 2506 | Yarra Falls<br>452 Johnston Street<br>Abbotsford VIC 3067 |
| **New Zealand Branch Register:**<br>Computershare Investor Services Limited | Private Bag 92119, Auckland 1142<br>Telephone: 09 488 8777<br>Facsimile: 09 488 8787 | Level 2, 159 Hurstmere Road<br>Takapuna<br>North Shore City 0622 |

**Managing Your Shareholding Online**

**UK Registered Members:**
To manage your shareholding online, please visit:
**www.investorcentre.co.uk**

**Australia and New Zealand Members:**
The 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 shareholder number.