

**NZX ANNOUNCEMENT**

29 August 2018

**PGC Preliminary Full Year Results 2017-18**

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**Managing Director's Report**

Pyne Gould Corporation ("PGC") recorded a Net Profit attributable to security holders of GBP 8.32 million for the year to 30 June 2018 (compared with a Net Loss of GBP 19.73 million for the year to 30 June 2017).

As a result PGC recorded a 14.1% rise in Net Tangible Assets (NTA) per share from 17.39 pence to 19.84 pence (after allowing for non-controlling interests and other comprehensive income).

At 30 June 2018, PGC held Net Current Assets of GBP 65.31 million (up from GBP 51.67 million last year). This is made up of current assets of GBP 75.56 million (GBP 79.22 million last year), with GBP 10.24 million current liabilities (down from GBP 27.55 million last year). PGC held long-term assets of GBP 63.57 million (down from GBP 85.23 million) with GBP 55.35 million long-term liabilities (up from GBP 51.42 million). After adjusting for non-controlling interests, equity attributable to security holders rose to GBP41.16 million (up from GBP36.077 million).

Balance Sheet and Profit and Loss movements over the year were predominantly driven by outcomes flowing from the settlement of the Wilaci litigation and consequent reversal of the Wilaci litigation expense. After accounting for the Wilaci settlement payment, unfavourable non-cash movements in foreign currency translation and ongoing costs associated with the Cayman litigation within Torchlight Fund LP ("TFLP"), but prior to adjusting for non-controlling interests, PGC recorded a Total Comprehensive Loss for the year to 30 June 2018 of GBP 11.95 million. However, after adjusting for non-controlling interests the total comprehensive profit attributable to PGC shareholders was GBP 5.08 million, leading to a consequential lift in NTA to GBP41.16 million in the year to 30 June 2018.

**Commentary**

We have previously commented on the large and complex litigations which involved the company. While it occurred after 30 June, it was nonetheless very pleasing that the Cayman Islands proceedings between TFLP and Aurora Funds Management, Crown Asset Management and the Accident Compensation Corporation have now settled (as was announced on 11 July 2018). Aurora, CAML and ACC stated they believed that all parties' interests would have been better served had the proceedings not been commenced.

The impact on PGC of the settlement is expected to lead to a material increase in NTA for PGC, which will be reflected in PGC's December 2018 half year and full year 2019 results this time next year. PGC retains 100% ownership of Torchlight GP Limited (TFLP's General Partner) and our direct limited partner interests have increased from 44.2% to 70.4% as at 10 July 2018 without PGC investing additional capital. All other Limited Partners, with the

exception of those involved in the litigation, likewise saw a pro rata increase in their interests without investing additional capital.

We continue to see excellent progress from TFLP's investment in RCL, which has a series of residential land development projects located across Australia (Victoria, New South Wales and Queensland) and New Zealand (Queenstown). RCL's approach is to effectively manage its portfolio through the successful, timely and efficient re-zoning, construction, development and sale of each project.

RCL's largest project is Hanley Farm in Queenstown, where it is developing in excess of 1,700 sites. To date, approximately 250 sites have been sold in a series of progressive releases, with the first stage now largely delivered and settled. Focus remains on delivery of the balance of the stock which has already been sold.

The receivable from the exit of Perpetual Trust Limited remains outstanding and has been independently valued at NZ\$16.64 million (down from NZD\$17.7 million). The Directors consider the receivable remains recoverable, however, time will be required to achieve this outcome. Litigation is looking increasingly likely to be necessary in order to progress recovery of this asset.

Overall, it has been a very satisfactory year for PGC. We are still only part way towards our goal of realising significant value from all the distressed assets acquired over the past decade, but considerable progress has been made. With TFLP having successfully defended the Cayman litigation and agreed settlement on terms favourable for the remaining limited partners, its full focus is now on maximising returns for its investors and PGC.

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