

## 2016 Annual General Meeting Managing Director's Address

Thank you Russell.

PGC remains focused on patiently executing on its long-term strategy of exiting non-core assets and building a long term business from distressed assets. The exit of non-core assets is largely complete.

The core strategy of commitment to the growth of Torchlight is expected to deliver substantial long-term value. In the short term, value can be difficult to see, especially in businesses that require substantial investment and restructuring. In the long term, value can only be measured once assets have been fully realised.

Torchlight Fund LP – and its predecessor Torchlight Fund No.1 - has only made four material investments. The first was a super senior debt to South Canterbury Finance. This was heavily criticised when the investment was made, however, it generated an IRR of 26 percent for Torchlight. The second was ASX-listed Lantern Hotel Group, which again was a controversial turnaround, and at current market prices is trading at well over double Torchlight's cost base.

The third investment was Local World Media in the UK. This was also criticised at the time, naively, by commentators. This was exited at over four times the entry price in less than three years.

The fourth and largest investment is Residential Communities Limited. This was acquired by buying the debt and putting a listed company into receivership. Like the other investments, it was criticised by people who hoped Torchlight got it wrong. The final outcome for RCL – and Torchlight – won't be fully known until the natural end of the fund life in 2019, or out to 2021. Torchlight is, however, highly confident that much like South Canterbury Finance, Lantern and Local World, RCL will prove to be a highly profitable investment for Torchlight, and PGC.

Looking at RCL more closely, this is very long term in nature and value is only realised as blocks of land are converted to actual cash sales over time. RCL is continuing to unlock value in the underlying real estate portfolio.

The most significant event during the course of the past financial year has been the positive outcome in progressing a plan change at Jacks Point in Queenstown. The first stage of this project was recently released to the market with all 100 sections selling in line with list prices on the day of release. A further release of 50 sections occurred a few weeks ago, and all were sold on the day of release.

The near term focus within RCL remains on continuing to progress this project and optimize planning outcomes from existing Australian projects. RCL also has a number of opportunities to restock the Australian portfolio and expects to execute one or more of these over the next 12 months.

Looking at Torchlight's other major current investment in the Lantern Hotel Group, Lantern has a valuable portfolio of freehold gaming pubs in Australia. These pubs require time and expertise to unlock full potential.

For a period, Torchlight was the largest shareholder and dominated Lantern's board. Our preferred approach was a long-term one. As a result of changes at the board level, however, another strategy is now being implemented. While we maintain the Torchlight-led approach would have delivered the highest gains over time to shareholders, the current Lantern board is making progress towards achieving positive results for its shareholders. This was demonstrated over the past year with a cash distribution and unrealised gains over the year.

PGC and subsidiaries have been involved with a number of large and complex litigations over the course of the financial year. While this is unwelcome, it is a necessary requirement of defending the balance sheet of PGC. We devote considerable resources to this part of the business and fully expect our position to be validated by the courts in all cases.

As most PGC shareholders will know a small number of limited partners are seeking early exit from the Torchlight Fund partnership and liquidity for their investment. They are petitioning to have the Fund wound up prior to the fund termination date. Torchlight's general partner believes this is an ill-considered and meritless action which has no prospect of success.

As was outlined in the Director's Report, the legal actions concerning PGC and Bath Street Capital over the sale of Perpetual Trust Ltd has been discontinued. The parties are in the process of finalising the terms of a settlement. Once those terms have been finalised, a further announcement will be made.

Having been through a period of restructuring, PGC is now evolving and transforming into a venture with a very positive outlook ahead for our resolute shareholders. We still have

challenges ahead but we have made good progress on a number of fronts over the past year and is well poised to deliver value to shareholders over the coming years as our long term investment strategy approaches maturity.

As our shareholders understand, our style of value investing requires patience in order to reap the rewards. We are a long term investor and, in that, we differ from the focus of most listed companies. We have, however, been consistent in the explanation of this so that shareholders and other investors will not be misled into believing there may be early value and liquidity opportunities.

Essentially, we buy quality assets when their value is low and realise them when the time is right and value is restored, ideally at a considerable premium. This style of investing is contrarian and attracts criticism. However, the jury is now in on the success of three of the four investments, South Canterbury Finance, Lantern and Local World.

We believe the verdict for RCL is starting to become self-evident. We invite any remaining disbelievers to take a trip 20 minutes down the road from here to visit Jacks Point, where they can put their name on the waiting list to purchase a section.

***Ends***

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