

**NZX ANNOUNCEMENT**

22 July 2015

**PGC audit update**

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To clarify some misperceptions in the market, the audit of Pyne Gould Corporation's ("PGC") annual accounts for the 12 months to 30 June 2014 was completed on 3 November 2014 following which PGC announced the result. There are a number of points relating to the PGC audit:

- PGC's final audit of its annual accounts to 30 June 2014 released last year was qualified specifically and only to the extent that the Torchlight Fund LP ("TFLP") audit had not been completed. PGC held 25.33% of TFLP as at 31 March 2014 – which through one of its subsidiaries, had experienced a delay in closing its 31 March 2014 audit. This was due to a requirement by the auditor to fully value at 31 March 2014 a number of real estate assets in that TFLP subsidiary. This was a lengthy process.
- In completing the half year results for the period to 31 December 2014, PGC formed the view that although the TFLP audit process had not yet been completed it was likely that an impairment would result. The best view that PGC had at that time was that it was likely that there would be an impairment of approximately GBP5.8 million. Consequently, an impairment of GBP5.8m was reflected in the half year result.
- Following the recent completion of the TFLP 31 March 2014 audit process, the final impairment level was confirmed as being approximately GBP7m which was subsequently announced to the market. This is not in addition to the GBP5.8m which had already been reflected in the half year result i.e. the variance therefore is an additional GBP1.2m above what had already been allowed for.
- The PGC 2014 annual accounts are final and will not be re-issued. Had the TFLP audit been completed prior to release of the PGC accounts, PGC's net assets would have been reduced by approximately GBP7 million and consequently the Profit and Loss would also have been reduced by approximately GBP7 million. When PGC reports its full year results to 30 June 2015, the accounts will restate the 2014 numbers to reflect the reduction for comparative purposes only. The reduction of GBP7m represents an 8.8% negative impact on PGC's Statement of Financial Position which will be reflected when restated for comparative purposes.
- The relationship between Torchlight and PGC is that TFLP has historically been considered as an associate of PGC. For the current financial year ending 30 June 2016, TFLP will be treated as a subsidiary of PGC for accounting purposes. The manager of TFLP is a wholly owned subsidiary of PGC and receives management, investment acquisition and performance fees from TFLP.
- An audit of TFLP's most recent financial statements for the period ending 31 March 2015 is underway as per normal.

As has been explained on a number of occasions to shareholders and the market, PGC's



## Pyne Gould Corporation

results will be unpredictable and lumpy through the medium term. This has been and remains the case.

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