Pyne Gould Corporation

NZX ANNOUNCEMENT

29 September 2017

PGC Annual Report to 30 June 2017

Pyne Gould Corporation ("PGC") has today released its annual report and financial statements for the year to 30 June 2017. The full report is attached to this release and is available on the PGC website.

DIRECTOR'S REPORT

Pyne Gould Corporation Limited's ("PGC" or "the Company") financial results for the 2017 fiscal year saw Net Tangible Assets ("NTA") end at £36.1 million (down from £54.2 million last year) or NZD63.8 million (NZD102.5 million last year). On a per share basis this was down in GBP terms from 26.11p per share at 30 June 2016 to 17.39p per share at 30 June 2017 (in NZD terms 49.40 cents per share to 30.77 cents per share).

Recognition of the Wilaci judgement within the General Partner ("NZGP") of Torchlight Fund No 1 LP ("TLF1" - a former associate of PGC placed into receivership in 2014) is the primary driver for the negative impact on both total comprehensive income and the Company's equity.

The Court of Appeal ruled in May that a late payment fee claimed by Wilaci, an entity connected with Australian businessman John Grill, against TLF1 was enforceable. Subsequently TLF1 was denied leave to appeal. As a result, NZGP, as the General Partner of TLF1, is also liable for the judgement amount.

- An expense of £20.5 million for the judgement amount has been reflected in PGC's consolidated accounts.
- Recognition of the judgement amount also negatively impacted equity as the liability was also reflected in the consolidated Statement of Financial Position.
- NZGP is not cross-guaranteed by any other group entity, nor has any security over any other Group assets been pledged in respect of the subsidiary company's obligations.
- NZGP is a dormant subsidiary that has not traded since 2012 and will now be liquidated.

NZGP holds nominal assets and liquidation of this entity is not expected to have any flow on impact on any other group entity.

Once NZGP is placed into liquidation, the liability relating to the Wilaci judgement will no longer be recognised in the consolidated Statement of Financial Position, consequently the negative impact to equity in the 2017 financial year will be reversed.

Variance against Preliminary Full Year Announcement

The variance between the preliminary full year announcement and these consolidated financial statements is an increase of GBP1.2 million in NTA from £84.3 million to £85.5 million, before accounting for non-controlling interests, at 30 June 2017. Losses for the financial year decreased from £22.1 million to £20.9 million for the year ended 30 June 2017.

Long Term Focus

The Company's long term focus remains unchanged, as is the patience and discipline required to successfully execute this strategy.

The near term focus is on finalising the successful exit of the remaining non-core assets, including the realisation of the outstanding receivable from the sale of Perpetual Trust Limited ("PTL").

Operating Performance

At an operating level PGC delivered a loss after tax of £20.929 million for the 2017 financial year. This compares with a loss after tax of £2.556 million for the same period last year.

Excluding the Wilaci litigation claim, total comprehensive income for the 2017 financial year was £4.622 million. This compares with total comprehensive income of £6.464 million for the 2016 financial year.

The result was dominated by non-cash movements in foreign currency reserves. In the 2017 financial year, PGC recorded a £6.794 million unrealised gain from the foreign exchange translation of foreign associates and subsidiaries (compared with a £9.158 million unrealised gain from foreign exchange translations for the 2016 financial year).

At 30 June 2017, PGC held net current assets of £50.827 million (up from a deficiency of £3.736 million last year). The increase in net current assets is due to debt within a subsidiary of RCL Real Estate Holdings ("RCL") being refinanced and shifting to a non-current liability. RCL is an investment of Torchlight Fund LP ("TFLP") and is consolidated in PGC's results.

Total Group assets held were £164.459 million, with total equity of £85.454 million (down from £101.404 million in the prior financial year).

After allowing for non-controlling interests of £49.407 million (up from £47.233 million in the prior year), net equity attributable to PGC was £36.077 million (down from £54.171 million in the prior year).

We remain confident in our core long term strategy of patiently executing the exit and realisation of non-core assets and building a sustainable long term business. As we have previously outlined, the commitment to the growth of TFLP is central to this strategy and is expected to deliver significant long term value to our shareholders.

Russell Naylor
Director

MANAGING DIRECTOR'S REPORT

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 material residual receivable arose from the exit from PTL.

This receivable remains outstanding and has been independently valued at 30 June 2017 at NZD17.7 million (down from NZD20.8 million at 30 June 2016). The reduction in value reflects an extension in timeframe for recovery of this receivable following non-completion by Complectus of the previously announced initial public offering and the subsequently announced trade sale. The Directors consider the receivable remains fully recoverable, however, time will be required to achieve this outcome.

Torchlight Fund LP

The core strategy of commitment to the growth of TFLP is expected to deliver long-term value for PGC shareholders.

TFLP's largest investment is 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, 247 sites have been sold in a series of progressive releases. Focus is now on delivering the stock which have been sold, with settlements expected to commence around March 2018.

<u>RCL</u>

The largest investment of TFLP is RCL. 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 Jack's Point in Queenstown. The first four stages of this project were all sold on the day of release, in line with list prices. The near-term focus within RCL remains on continuing to progress this project, with the first round of settlements expected to commence around March 2018.

The near-term focus within RCL remains on continuing to progress this project and optimise 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.

<u>Lantern Hotel Group</u>

For a period, Torchlight was the largest shareholder in Lantern Hotel Group ("Lantern") 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 was implemented by the new management, which resulted in Lantern divesting all of its assets. While we maintain the Torchlight-led approach would have delivered significantly better long-run returns to shareholders, returns from the sales of assets have still resulted in a positive investment outcome for TFLP. All of Lantern's assets have been sold and the majority of funds distributed, with a final distribution expected to be received during the 2018 financial year.

Litigation

As we have reported previously, PGC and its subsidiaries have continued to be involved in a number of large and complex litigations over the course of the financial year. This is an unwelcome, but necessary, requirement of defending the balance sheet of PGC. We continue to devote considerable resources to this part of the business. We will only comment on individual proceedings as outcomes occur.

Final comment

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, usually at a considerable premium. PGC's financial position makes it well placed to continue this path with a focused implementation strategy.

George Kerr
Managing Director

For more information, please contact: David Lewis +64 21 976 119