Pyne Gould Corporation

NZX ANNOUNCEMENT

29 August 2017

**PGC Preliminary Full Year Results 2016-17**

## Managing Director's Report

Pyne Gould Corporation ("PGC") recorded a Total Comprehensive Loss for the year to 30 June 2017 of GBP 17.12 million (this compares with Total Comprehensive Income of GBP 6.46 million for the year to 30 June 2016.)

The result was dominated by recognition of an abnormal expense of GBP 20.54 million for NZ Credit Fund 1 Limited ("NZGP"), a wholly owned subsidiary, in respect of the judgement in the Wilaci litigation.

At 30 June 2017, PGC held Net Current Assets of GBP 50.04 million (up from negative GBP 3.73 million last year). This is made up of current assets of GBP 76.5 million (GBP 43.8 million last year), with GBP 26.5 million current liabilities (down from GBP 47.6 million last year). PGC held long-term assets of GBP 86.7million (down from GBP108.2 million) with GBP 52.5 million long-term liabilities (up from GBP 3.1 million).

After allowing for non-controlling interests, PGC recorded a fall in Net Tangible Assets (NTA) per share from 26.11 pence to 17.09 pence.

### Commentary

Recognition of the Wilaci judgement within NZGP is the primary driver for the negative impact on both Comprehensive income and 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 Torchlight Fund No 1 LP ("TLF1" - a former associate of PGC placed into receivership in 2014) 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 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 balance sheet.
- 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 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, we note that the GP will no longer satisfy control tests in respect to consolidation within the Group. Accordingly the liability relating to the Wilaci judgement will no longer be recognised in the consolidated Group's balance sheet from that point, consequently the negative impact on the Group's equity in the 2017 financial year is expected to reverse.

Another factor to have had a material impact on year-on-year comparisons of current/non-current liabilities is the refinancing and extension of debt facilities within RCL, resulting in this liability moving from current in the prior year to non-current this year.

PGC is continuing to focus on maximising returns from its core assets - residual real estate acquired from Marac and Torchlight Fund LP (TFLP).

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 1700 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.

The receivable from the exit of Perpetual Trust Limited remains outstanding and has been independently valued at NZ$17.7 million (down from NZD$20.8 million). Reduction in value reflects 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 recoverable, however, time will be required to achieve this outcome.

As we have reported previously, PGC and subsidiaries continue 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.

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