Pyne Gould Corporation Limited

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

PYNE GOULD CORPORATION LIMITED
Contents

For the year ended 30 June 2019

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT

Directors' Report

Pyne Gould Corporation Limited ("PGC" or "the Company") recorded a Net Loss attributable to security holders of £3.39 million for the year to 30 June 2019 (compared with a Net Profit of £8.94 million for the year to 30 June 2018).

After favourable foreign currency movements in foreign currency translation, PGC recorded a Total Comprehensive Loss of £3.62 million prior to adjustment for non-controlling interests.

Total Comprehensive Loss attributable to PGC shareholders was £2.51 million (compared with Total Comprehensive Income of £5.68 million for the year to 30 June 2018).

Net Tangible Assets ("NTA") attributable to security holders increased to £44.36 million (up from £41.76 million last year). Lift in NTA was primarily driven by the positive outcome of the settlement of the Cayman litigation as announced last year.

On a per share basis this was 6.21% higher, rising from 20.13 pence per share to 21.38 pence per share (after allowing for non-controlling interests and other comprehensive income).

Variance against Preliminary Full Year Announcement

The variance between the preliminary full year announcement and these consolidated financial statements is a decrease of £4.65 million in NTA (before adjustment for non-controlling interests ("NCI")) from £60.92 million to £56.27 million at 30 June 2019.

After adjusting for NCI, NTA attributable to security holders decreased by £3.19 million from £47.55 million to £44.36 million. Loss attributable to security holders increased by £3.12 million to £3.39 million. Total Comprehensive Loss attributable to security holders increased by £3.17 million to £2.52 million.

The variance was primarily attributable to a change in value of third party corporate debt facilities, following completion of future cash flow forecasts which altered the amortised cost accounted balance, resulting in an increase of £3.59 million in interest expense recognition.

Long-Term Focus

Whist we have previously commented on the settlement of the Cayman litigation, it is worth reiterating that this chapter for the Group is now behind us and we can focus on creating value for shareholders.

The judgement was a compelling vindication for the General Partner in defending the action, however, we agree with Aurora, CAML and ACC that all parties' interests would have been better served had the proceedings not been commenced.

The impact on PGC of the settlement has been positive and is the primary driver for the uplift in NTA for the 2019 financial year. PGC retains 100% ownership of Torchlight GP Limited (the General Partner of Torchlight Fund LP) and our direct limited partner interests increased from 44.2% to 70.3% as a result of the settlement 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.

The long-term strategy of exiting non-core assets and building a sustainable long-term business from distressed assets remains unchanged.

Our near-term focus remains on finalising the successful exit of our remaining non-core assets, including the realisation of the outstanding receivable from the sale in 2013 of Perpetual Trust Limited ("PTL"). This, in our view, remains recoverable. We had hoped that litigation could be avoided, but this has not been possible.

As announced on 18 September 2018, PGC has lodged proceedings in the Auckland High Court against Bath Street Capital ("BSC") and Mr Barnes seeking damages of not less than NZD22 million, together with interest and costs. The claim concerns the sale in 2013 by PGC to BSC (then called Coulthard Barnes Capital Ltd) of PGC's shareholding in PTL. The amount of the claim represents unpaid consideration in respect of carry rights that were vested in PGC.

This matter remains ongoing and consistent with our approach we will only comment on this as outcomes occur.

Following the successful delivery of the first stage of our residential project located within the Bethlehem suburb of Tauranga City, we are continuing to explore development options for the balance of this site.

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT (CONTINUED)

Directors' Report (continued)

Operating Performance
At an operating level PGC delivered a Net Loss attributable to security holders of £3.39 million (compared to a Net Profit of £8.94 million for the same period last year).

On a consolidated basis (before allowing for non-controlling interests), the result for the 2019 financial year was a Loss after tax of £4.62 million. This compares with a Loss after tax of £5.66 million for the same period last year.

After allowing for foreign exchange translation movements, the consolidated Total Comprehensive Loss for the 2019 financial year was £3.62 million. This compares with a consolidated Total Comprehensive Loss of £11.26 million for the 2018 financial year.

Following adjustment for non-controlling interests, the Total Comprehensive Loss attributable to PGC shareholders was £2.52 million (compared to Total Comprehensive Income of £5.68 million for the same period last year).

The result was dominated by outcomes flowing from the settlement of the Cayman litigation, ongoing costs associated with finalisation of the Cayman Litigation within TFLP, and the negative impact of the recalculation of the effective interest rate applying to one of the third party debt facilities within the RCL business.

At 30 June 2019, PGC held Net Current Assets of £53.38 million (down from £65.87 million last year). The deterioration in net current assets is primarily due to repayment during the year of a current loan asset by the transfer to the Group of non-current inventories.

Total Group Assets held were £131.70 million (down from £139.15 million at 30 June 2018) with total equity of £56.27 million (down from £74.22 million at 30 June 2018). Deterioration in equity primarily flowed from the outcome of the settlement of the Cayman litigation and recognition of the liability of £14.10 million relating to the acquisition of non-controlling interests.

After allowing for non-controlling interests of £11.91 million (down from £32.46 million in the prior year), net equity attributable to security holders rose to £44.36 million (up from £41.76 million).

Consistent with our previous advice, we remain committed to creating value within TFLP, which is central to our strategy of building a long-term sustainable business from distressed assets. This, together with focusing on optimising value from the realisation of non-core assets, is expected to continue to deliver value to our shareholders.

Share Buyback

Capital management remains an ongoing focus for the Board and we expect part of the proceeds generated from the divestment of non-core assets to be used to facilitate buyback of shares on market.

PGC shares trade at a considerable discount to NAV and buying them back is consistent with our value creation strategy.

For and on behalf of the Directors

Russell Naylor
Director
Date: 30 October 2019

Managing Director's Report

Overall, it has been another challenging year for PGC, however good progress continues to be made toward our goal of realising significant value from all of the distressed assets acquired over the past decade.

Consistent with our previously advised strategy, PGC remains focused on the long run success of Torchlight Fund LP ("TFLP"), in which PGC has an ownership, through direct limited partner interests, of 70.3%.

Torchlight's role was to make counter-cyclical investments at a time of low liquidity in the banking and investment sectors. We said then that the prevailing investment climate provided considerable opportunity for investors with access to capital and the focus and skill-set to deploy this capital.

In the aftermath of the Global Financial Crisis, we said its focus would be on situations where banking capital was restricted, and which presented significant economic opportunities for investors.

Torchlight is set to deliver excellent long-term returns to PGC and its Limited Partners from patiently executing our strategy of investing in distressed assets.

Torchlight Fund No. 1 LP generated a return of over 15.2% per annum over its 3 year life. Its most significant investment was a super senior debt position in South Canterbury Finance, which generated a return of over 26% per annum for the period it was held.

The successor fund, Cayman-based TFLP is on track for comparable returns as it nears maturity. It is notable that this financial success has been achieved with significant headwinds, in particular the hijacking of its investment strategy with Lantern and the significant distraction (both management time and expense) of the Cayman Petition.

All of TFLP's material investments, Local World, Lantern and RCL have been highly successful.

RCL

We continue to see excellent progress from TFLP's investment in RCL, which has a series of residential land development projects located across Australia (in Victoria, New South Wales and Queensland) and New Zealand (in 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's Farm in Queenstown, where it is developing in excess of 1,700 sites. To date, approximately 510 sites have been sold in a series of progressive releases, with around 260 sites delivered and settled. Focus remains on delivery of the balance of the stock which has already been sold. Subject to market conditions, additional land will be released over the course of calendar year 2019.

RCL continues to look for additional acquisitions to re-stock the underlying portfolio.

Planning work is ongoing on the projects acquired to date with the first of these expected to commence generating sales during calendar year 2020.

KCR Investment

As part of the General Partner's efforts to maximise its investment and facilitate an exit for RCL, TFLP has, subsequent to the year end, made a follow-on investment in KCR, a UK-based, AIM-listed residential REIT.

The investment is strategic as a potential avenue to assist with value crystallisation for TFLP's investment in RCL.

The investment was made at a discount to Net Asset Value and will enable TFLP to establish a global REIT with a Strategic Partnership Agreement entered into with RCL.

The Strategic Agreement with RCL enables sale of completed product for a mix of cash and scrip.

TFLP:

- Invested £4.05 million to acquire 9,000,000 ordinary shares at 45 pence per share;
- Entered into an Option Agreement to subscribe for a further 50,000,000 ordinary shares during the option agreement; and
- KCR entered into a Strategic Agreement with RCL (see note 35).

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT (CONTINUED)

Managing Director's Report (continued)

Final Comment

We are well advanced with our strategy of building a long-term, sustainable business from distressed assets and expect to reward our shareholders for their patience as the investment strategy reaches maturity.

George Kerr
Managing Director
Date: 30 October 2019

PYNE GOULD CORPORATION LIMITED
BOARD OF DIRECTORS

GEORGE KERR B Com

Non-Independent Director
George is a sophisticated private equity investor with a successful 24-year record in Australasia and the United Kingdom.

He is chairman of Australasian Equity Partners, the cornerstone shareholder in PGC.

George was appointed to the Board of PGC in August 2008 and has been the Group's Managing Director since April 2012. He is also chairman of PGC's Torchlight Group.

RUSSELL NAYLOR

Non-Independent Director
Russell Naylor has an extensive background in banking and finance and is the principal of Naylor Partners, a boutique Sydney-based Corporate Advisory business. Russell is an Executive Director and Investment Committee Member of Torchlight and is a resident of Australia.

Russell was appointed to the PGC Board on 14 February 2012 and is a member of the Audit and Risk Committee and the Remuneration and Appointments Committee.

NOEL KIRKWOOD BAgri. Com

Non-Independent Director
In 2010 Noel joined Real Estate Credit Limited, a PGC subsidiary, where his skills were employed to unlock value from the assets held in the former MARAC bad bank. Noel holds a B. Agr. Com (Economics) from Lincoln University. A New Zealand resident with 30 years' experience in banking and finance, he has held senior credit and lending roles covering rural, business and property transactions and has extensive experience in the work out of distressed property assets.

Noel Kirkwood was appointed to the PGC Board on 27 August 2014.

MICHELLE SMITH M. Com (Hons), ICAEW

Independent Director
Michelle Smith is a Chartered Accountant with over 30 years' experience in Investment Banking and Asset Management in Europe.

Michelle is the COO of Affirmative Investment Management Partners Limited, a fixed income impact investment management start up company, based in London.

She trained as a chartered accountant with Ernst & Young, London and worked with Goldman Sachs in London for over 12 years. She has expertise in operational risk, compliance and regulatory risk, processes and controls across complex product lines in a highly control conscious and regulated environment.

Michelle has served as a non-executive director on several boards since 2007, ranging from Fund Management and Insurance to Retail Banking, Mining and Biofuels.

Michelle was appointed to the PGC Board on 4 November 2014 and is Chair of the Audit and Risk Committee and a member of the Remuneration and Appointments Committee.

PAUL DUDLEY BSc (Hons), FCA

Independent Director
Paul Dudley is a Fellow of the Chartered Institute of Accountants of England and Wales and is a Member of the UK's Chartered Institute of Securities and Investment. He co-founded HD Capital Partners in 2010, a corporate advisory business that is authorised and regulated by the UK's Financial Conduct Authority. Paul has acted as a corporate finance adviser on numerous flotations, fundraisings and provided advice on takeovers and other transactions in the private and public arena.

Earlier in his career, Paul was seconded to the listing department of the London Stock Exchange and he also worked at a venture capital investment firm, where he advised on investment into emerging growth companies. He began his career at PricewaterhouseCoopers.

Paul is an Independent Director of PGC, based in the United Kingdom.

Paul was appointed to the PGC Board on 23 May 2016 and is Chairman of the Remuneration and Appointments Committee and a member of the Audit and Risk Committee.

PYNE GOULD CORPORATION LIMITED
CORPORATE GOVERNANCE STATEMENT

The Board and management of Pyne Gould Corporation ("PGC" or the "Company") are committed to ensuring that the Company maintains corporate governance practices in line with current best practice.

For the period to 20 November 2018, during which the Company was listed on the New Zealand Stock Exchange ("NZX"), the Board established policies and protocols to comply with the corporate governance requirements of the NZX Listing Rules and the NZX Corporate Governance Code.

Following the delisting from the NZX on 20 November 2018 and subsequent listing on The International Stock Exchange ("TISE") on 21 November 2018 the Board has established policies and protocols to comply with the corporate governance requirements of the TISE Listing Rules and adheres to the Finance Sector Code of Corporate Governance ("the Code") issued by the Guernsey Financial Services Commission ("GFSC"). The Directors are satisfied with their degree of compliance with the principles set out in the Code in the context of the nature, scale and complexity of the Company's business.

This governance statement outlines the main corporate governance practices as at 30 June 2019 and for the year then ended.

PRINCIPLE 1 - ETHICAL STANDARDS

PGC expects its Directors and staff to at all times act honestly and in good faith, and in the best interests of the Company. They must act with the care, diligence and skill expected of a Director or staff member of a Company that has shares that are publicly traded on a recognised stock exchange. Directors and staff are required to act honestly and fairly in all dealings with the Company's shareholders, investors, clients and service providers.

Each Director and staff member has an obligation, at all times, to comply with the spirit as well as the letter of the law, to comply with the principles of the Company's Corporate Governance Code and the Constitution of the Company and to exhibit a high standard of ethical behaviour. The Company has takeover protocols that meet the requirements of the 2017 NZX Code.

The Company's Code of Conduct covers, amongst other things:

- receipt and use of Company assets and property
- receipt and use of Company information
- conflicts of interest
- buying and selling Company shares

All Directors and officers of the Company are required to obtain prior consent before buying or selling shares in the Company and to certify that their decision to buy or sell shares has not been made on the basis of inside information.

The Company's Code of Conduct and Share Trading Policy are available to view on the Company's website www.pgc.co.nz.

PRINCIPLE 2 - BOARD COMPOSITION AND PERFORMANCE

Role of the Board
The Board of Directors is responsible for corporate governance and the Company's overall direction. The Board establishes objectives, strategies and an overall policy framework within which the business is conducted. Day-to-day management is delegated to the Managing Director. The Board regularly monitors and reviews performance at scheduled meetings.

Board Membership, Size and Composition
The constitution provides that the number of Directors must not be more than ten nor fewer than three, but subject to these limitations the size of the Board is determined from time to time by the Board.

During the financial year, the Board comprised five Directors, being the Managing Director, two executive Directors and two non-executive Directors.

A Director is appointed by ordinary resolution of the shareholders, although the Board may fill a casual vacancy in which case the appointed Director retires at the next annual meeting but is eligible for election. Nominations for election as a Director may be made by shareholders no more than two months before the date of the annual meeting.

At each annual general meeting ("AGM"), one-third of the Directors retire from office by rotation. If they wish to continue they may stand for re-election. Any Director appointed by the Board since the last AGM must also stand for re-election.

Michelle Smith and Paul Dudley are standing for re-election at this year's AGM.

The specialist expertise provided by the executive board members is essential to the governance structure and while there are only two non-executive Directors, the Board has determined that its composition and the skill sets of the directors are satisfactory for the size and nature of the Company and that the cost of increasing the number of non-executive Directors is not warranted at this time.

Independence of Directors
A Director is considered to be independent if that Director is not an executive of the Company and if the Director has no direct or indirect interest or relationship that could reasonably influence, in a material way, the Directors' decisions in relation to the Company.

The Board has determined that Michelle Smith and Paul Dudley were independent Directors during the financial year, Russell Naylor and Noel Kirkwood are executive Directors and therefore non-independent and George Kerr, as an executive Director and substantial security holder (through an associated entity) in the Company, is non-independent.

Board Performance Assessment
The Board undertakes a regular review of the Board committees' and individual Director's performance. This is to ensure it has the right composition and appropriate skills, qualifications, experience and background to effectively govern the Company and monitor the Company's performance in the interests of shareholders.

The Board's policies on Diversity and Appointments are available to view on the Company's website www.pgc.co.nz.

PRINCIPLE 3 - BOARD COMMITTEES

Board Committees
The Board has two permanently constituted committees to assist the Board by working with management in specific areas of responsibility and then reporting their findings and recommendations back to the Board. Each of these committees has terms of reference which set out the committees' objectives, membership, procedures and responsibilities.

Other ad hoc Board committees may be established for specific purposes from time to time.

Audit and Risk Committee
The role of the Audit and Risk Committee is to assist the Board in:

- discharging its financial reporting and regulatory responsibilities
- ensuring that the ability and independence of the external auditor to carry out its statutory audit role is not impaired
- maintaining effective internal control systems overseeing the Company's Risk Profile
- approving the risk management framework within the context of the risk-reward strategy determined by the Board.

PRINCIPLE 3 - BOARD COMMITTEES (CONTINUED)

Audit and Risk Committee (continued)
With effect from 1 October 2016 the Committee has comprised Michelle Smith (Committee Chairman), Paul Dudley and Russell Naylor. The Board has determined that Michelle Smith meets the requirement of being a "financial expert" in accordance with the Committee's terms of reference and that she is the right person to direct the Committee.

Remuneration and Appointments Committee
The role of the Remuneration and Appointments Committee is to:

- oversee a formal and transparent method of recommending Director remuneration to shareholders
- assist the Board in establishing remuneration policies and practices for the Company and in discharging its responsibilities for reviewing and setting the remuneration of the Managing Director and his direct reports
- assist the Board in reviewing the Board's composition and the competencies required of prospective Directors, identifying prospective Directors, developing succession plans for the Board and making recommendations to the Board accordingly.

With effect from 1 October 2016 the Committee has comprised Paul Dudley (Committee Chairman), Michelle Smith and Russell Naylor.

The Board and Committee Charters are available to view on the Company's website www.pgc.co.nz.

PRINCIPLE 4 - REPORTING AND DISCLOSURES

The Board is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information.

The Audit and Risk Committee oversees the quality and timeliness of all financial reports, including all prospectuses issued by group companies.

The Board's policy on Continuous Disclosure is available to view on the Company's website www.pgc.co.nz.

PRINCIPLE 5 – REMUNERATION

Total remuneration available to non-executive Directors is determined by shareholders. The current aggregate approved amount is NZD700,000.

The Company's policy is to pay Directors' fees in cash. There is no requirement for Directors to take a portion of their remuneration in shares and there is no requirement for Directors to hold shares in the Company.

For senior executives the objective is to provide competitive remuneration that aligns the executive's remuneration with shareholder value and rewards the achievement of the Company's strategies and business plans.

The Board's policy on Directors' Remuneration is available to view on the Company's website www.pgc.co.nz.

PRINCIPLE 6 - RISK MANAGEMENT

The Board ensures that the Company has processes in place to identify and manage risk in the business. The three main types of risk identified are operational risk, business and market risks. Specific risk management strategies have been developed for each of these.

The Company also has in place insurance cover for insurable liability and general business risk.

PRINCIPLE 7 – AUDITOR

The Audit and Risk Committee is responsible for overseeing the external and independent audit of the Company's financial statements. The Committee ensures that the level of non-audit work undertaken by the auditor does not result in their independence being jeopardised.

PRINCIPLE 8 - SHAREHOLDER RELATIONS

The Board is committed to maintaining a full and open dialogue with all shareholders.

The Company is well aware of and appreciative of the number of shareholders who have supported the Company over many years.

PRINCIPLE 9 - STAKEHOLDER INTERESTS

The Board is committed to ensuring positive outcomes for all stakeholders, be they shareholders, clients, service providers, staff and the general public.

PYNE GOULD CORPORATION LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2019 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the consolidated financial statements of the Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates, that all the relevant financial reporting standards have been followed and that the consolidated financial statements are prepared on a going concern basis unless it is inappropriate to assume that the Group will continue in business.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the consolidated financial position of the Group and facilitate compliance of the consolidated financial statements with Part 7 of the Financial Markets Conduct Act 2013 and the Companies (Guernsey) Law, 2008.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Board of Directors of Pyne Gould Corporation Limited authorised the consolidated financial statements set out on pages 14 to 63 for issue on 30 October 2019.

For and on behalf of the Board

Russell Naylor
Director

George Kerr
Managing Director

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Note	2019 £000	2018 £000
Revenue from land development and resale	4	67,604	21,779
Cost of land development sales		(53,533)	(19,729)
Net revenue from land development and resale		**14,071**	**2,050**
Interest revenue	4, 5	442	396
Interest expense	5	(9,578)	(5,299)
Net finance costs		**(9,136)**	**(4,903)**
Dividend revenue	4, 6	88	50
Other investment losses	6	(1,837)	(121)
Other revenue	4, 6	1,698	1,538
Total investment (losses)/gains and other revenue		**(51)**	**1,467**
Gross operating profit/(loss)		**4,884**	**(1,386)**
Selling and administration expenses	7	(8,332)	(11,038)
Wilaci litigation claim reversal		-	2,910
Foreign exchange losses		(49)	(1,667)
Impaired asset (expense)/reversal	8	(778)	5,290
Net operating loss before income tax		**(4,275)**	**(5,891)**
Income tax (charge)/credit	10	(347)	228
Loss for the year after tax		**(4,622)**	**(5,663)**
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Change in fair value of available for sale financial asset		-	(559)
Foreign currency adjustment on translation to presentation currency	2(d)	1,001	(5,042)
Total other comprehensive income/(loss)		**1,001**	**(5,601)**
Total comprehensive loss for the year		**(3,621)**	**(11,264)**
Loss attributable to:			
Owners of the Company		(3,390)	8,939
Non-controlling interests	23	(1,232)	(14,602)
Loss for the year		**(4,622)**	**(5,663)**
Total comprehensive loss attributable to:			
Owners of the Company		(2,514)	5,679
Non-controlling interests	23	(1,107)	(16,943)
Total comprehensive loss for the year		**(3,621)**	**(11,264)**
(Loss)/earning per share		**Pence**	**Pence**
Basic and diluted (loss)/earning per share	14	(1.63)	4.31
Basic and diluted (loss)/earning per share – continuing operations	14	(1.63)	4.31

The notes on pages 19 to 63 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

		Attributable to owners of the Company						
2018	**Note**	**Share Capital £000**	**Foreign Currency Translation Reserve £000**	**Accumulated Losses £000**	**Available for Sale reserve £000**	**Non-controlling interests acquisition reserve £000**	**Non-controlling interests £000**	**Total Equity £000**
Balance at 1 July 2017		**151,940**	**23,885**	**(136,589)**	**(2,322)**	**(837)**	**49,407**	**85,484**
Total comprehensive (loss)/income for the year								
Profit/(loss) for the year		-	-	8,939	-	-	(14,602)	(5,663)
Other comprehensive loss								
Change in fair value of available for sale financial asset		-	-	-	(559)	-	-	(559)
Foreign currency adjustment on translation to presentation currency		-	(2,701)	-	-	-	(2,341)	(5,042)
Total other comprehensive loss		-	(2,701)	-	(559)	-	(2,341)	(5,601)
Total comprehensive (loss)/income for the year		-	(2,701)	8,939	(559)	-	(16,943)	(11,264)
Balance at 30 June 2018		**151,940**	**21,184**	**(127,650)**	**(2,881)**	**(837)**	**32,464**	**74,220**

The notes on pages 19 to 63 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

		Attributable to owners of the Company						
2019	**Note**	**Share Capital £000**	**Foreign Currency Translation Reserve £000**	**Accumulated Losses £000**	**Available for Sale reserve £000**	**Non-controlling interests acquisition reserve £000**	**Non-controlling interests £000**	**Total Equity £000**
Balance at 1 July 2018, as reported		**151,940**	**21,184**	**(127,650)**	**(2,881)**	**(837)**	**32,464**	**74,220**
Adjustment from the adoption of IFRS 9 - Reclassification of brought forward losses on available for sale asset	3(b)	-	-	(2,881)	2,881	-	-	-
Balance at 1 July 2018, as restated		**151,940**	**21,184**	**(130,531)**	**-**	**(837)**	**32,464**	**74,220**
Total comprehensive loss for the year								
Loss for the year		-	-	(3,390)	-	-	(1,232)	(4,622)
Other comprehensive income								
Foreign currency adjustment on translation to presentation currency		-	876	-	-	-	125	1,001
Total comprehensive loss for the year		**-**	**876**	**(3,390)**	**-**	**-**	**(1,107)**	**(3,621)**
Transactions with owners								
NCI acquisitions during the year	9, 23	-	-	-	-	5,122	(19,449)	(14,327)
Total transactions with owners		**-**	**-**	**-**	**-**	**5,122**	**(19,449)**	**(14,327)**
Balance at 30 June 2019		**151,940**	**22,060**	**(133,921)**	**-**	**4,285**	**11,908**	**56,272**

The notes on pages 19 to 63 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	2019 £000	2018 £000
ASSETS			
Current assets			
Cash and cash equivalents		15,096	13,554
Finance receivables	16	672	1,015
Trade and other receivables	18	5,378	4,236
Investments – Fair value through profit or loss	20	144	274
Investments – Loans and receivables at amortised cost	22	937	10,395
Inventories	17	37,588	45,931
Prepayments		147	172
Total current assets		**59,962**	**75,577**
Non-current assets			
Inventories	17	51,051	42,076
Investment – Available for sale financial asset	19	-	8,531
Investments – Fair value through profit or loss	20	14,020	-
Investments – Derivative financial instruments	21	2,119	3,815
Investments – Loans and receivables at amortised cost	22	1,606	6,583
Advances to related parties	26	2,795	2,404
Property, plant and equipment		145	161
Total non-current assets		**71,736**	**63,570**
Total assets		**131,698**	**139,147**
EQUITY AND LIABILITIES			
LIABILITIES			
Current liabilities			
Borrowings	24	617	930
Trade and other payables	25	5,962	8,778
Total current liabilities		**6,579**	**9,708**
Non-current liabilities			
Borrowings	24	52,758	53,558
Settlement payable re acquisition of non-controlling interests	9	14,103	-
Deferred tax liability	11	1,986	1,661
Total non-current liabilities		**68,847**	**55,219**
Total liabilities		**75,426**	**64,927**
EQUITY			
Share capital	15	151,940	151,940
Foreign currency translation reserve		22,060	21,184
Accumulated losses		(133,921)	(127,650)
Available for sale reserve		-	(2,881)
Non-controlling interests acquisition reserve		4,285	(837)
Total equity – attributable to the owners of the Company		**44,364**	**41,756**
Non-controlling interests	23	**11,908**	**32,464**
Total equity		**56,272**	**74,220**
Total equity and liabilities		**131,698**	**139,147**

The notes on pages 19 to 63 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Interest received		215	188
Rental revenue		10	10
Dividend revenue		88	50
Proceeds from sale of inventories		67,585	22,419
Fees and other revenue received		1,688	1,384
Total cash provided from operating activities		**69,586**	**24,051**
Payments to suppliers and employees		(11,697)	(14,395)
Development costs of inventories		(43,628)	(17,361)
Wilaci claim		-	(17,632)
Interest paid		-	(5)
Total cash applied to operating activities		**(55,325)**	**(49,393)**
Net cash flows from/(applied to) operating activities	12	**14,261**	**(25,342)**
Cash flows from investing activities			
Proceeds from settlement of finance receivables		376	1,319
Proceeds from disposal of investments		-	1,413
Proceeds of disposal of non-current assets held for sale		-	848
Proceeds of repayment of loans from related parties		20	-
Total cash provided from investing activities		**396**	**3,580**
Acquisition of property, plant and equipment		(44)	(66)
Increase in loan advances		(1,578)	-
Increase in advances to other related parties		(100)	(84)
Total cash applied to investing activities		**(1,722)**	**(150)**
Net cash flows (applied to)/from investing activities		**(1,326)**	**3,430**
Cash flows from financing activities			
Increase in borrowings	13	5,292	8,393
Total cash provided from financing activities		**5,292**	**8,393**
Decrease in borrowings	13	(18,791)	(6,715)
Total cash applied to financing activities		**(18,791)**	**(6,715)**
Net cash flows (applied to)/from financing activities		**(13,499)**	**1,678**
Net decrease in cash and cash equivalents		**(564)**	**(20,234)**
Foreign currency adjustment on translation of cash balances to presentation currency		2,106	(2,001)
Opening cash and cash equivalents		13,554	35,789
Closing cash and cash equivalents		**15,096**	**13,554**
Represented by:			
Cash and cash equivalents		15,096	13,554
		15,096	13,554

The notes on pages 19 to 63 are an integral part of these consolidated financial statements.

1. Reporting Entity

Pyne Gould Corporation Limited is a Guernsey-domiciled company. The financial statements presented are the consolidated annual financial statements comprising Pyne Gould Corporation Limited ("the Company") and its subsidiaries (see note 9) (together "the Group").

Entities within the Group offer financial and asset management services and invest in a portfolio of financial and real estate assets.

On 12 February 2014, the Company was deregistered as a New Zealand company (its original location of incorporation) and re-registered as a Guernsey-domiciled company. On 20 November 2018, the Company delisted from the New Zealand Stock Exchange ("NZX") and listed on the Official List of The International Stock Exchange ("TISE") on 21 November 2018. Following its delisting from the NZX, the Company was removed from the New Zealand Companies Register on 10 June 2019. The registered office address of the Company is Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 1GR.

These consolidated financial statements were authorised by the Directors for issue on 30 October 2019.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements, including comparative figures, are in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") issued by the New Zealand Accounting Standards Board and other applicable New Zealand Financial Reporting Standards as appropriate to profit-oriented entities.

As a Guernsey domiciled company, the consolidated financial statements also comply with the legal and regulatory requirements of The Companies (Guernsey) Law, 2008, and have been prepared under the assumption that the Group operates as a going concern.

(b) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for assets held for sale recorded at the lower of cost or fair value less costs to sell, impaired loans and advances carried at amortised cost and financial assets at fair value through profit or loss.

(c) Functional currency

The Board of Directors ("Board" or "Directors") considers New Zealand dollars ("NZD") to be the functional currency of the Company, as it is the currency in which capital is raised and returned. In addition, all equity related transactions (including dividends) are settled in NZD. Whilst the Group's operations are conducted in multiple currencies, historically the functional currency has been NZD and for this financial year the Directors' have determined the underlying transactions, events and conditions have not changed from the historic functional currency position of NZD. For further details on the functional currency, see note 2(e)(i).

(d) Presentation currency

Due to the migration of the Company from New Zealand to Guernsey, the listing on TISE and the intention, in due course, to list on the London Stock Exchange, the Board agreed the presentation currency of these consolidated financial statements should be British Pound Sterling. The figures in the consolidated financial statements and related notes have been translated from New Zealand dollars and from Australian Dollars ("AUD") to British Pound Sterling ("GBP" or "£") using the procedures outlined below:

- Assets and liabilities have been translated into GBP using the closing rates of exchange applicable at the relevant reporting date, As at 30 June 2019 the rates applied were NZD1.00 to GBP0.52904 and AUD1.00 to GBP0.55305 (30 June 2018: NZD1.00 to GBP0.51247, AUD1.00 to GBP0.56058);
- Revenue and expenses, including any other comprehensive income, have been translated into GBP at average rates of exchange for the relevant accounting year. For the year ended 30 June 2019 the average rates applied were NZD1.00 to GBP0.51962 and AUD1.00 to GBP0.55299 (30 June 2018: NZD1.00 to GBP0.52716 and AUD1.00 to GBP0.57392);

2. Basis of Preparation (continued)

(d) Presentation currency (continued)

- Movements in share capital and share premium are translated into GBP at the rates applicable at the dates of the transactions; and
- All differences arising on the above translations have been taken to the foreign currency translation reserve.

All resulting exchange differences are recognised under other comprehensive income and presented as a separate component of equity ("Foreign Currency Translation Reserve").

Unless otherwise indicated, amounts are rounded to the nearest thousand.

(e) Accounting judgements and major sources of estimation uncertainty
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements and estimation uncertainty
The following are the key accounting judgements and sources of estimation uncertainty at 30 June 2019 that have significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Critical judgements in applying accounting policies:

(i) Functional currency
The Board of Directors considers NZD as the functional currency of the Company, as NZD is the currency in which capital is raised, dividends are declared and paid, capital returned and ultimately the currency that would be returned if the Company was wound up. In addition, the Group has no bank facility debt and is wholly funded through equity. All equity related transactions (including dividends) are settled in NZD.

The Directors have also considered the currencies in which the underlying assets are denominated. The Group has exposures to a number of currencies through its underlying assets, principally NZD and AUD. However, the majority of the Group's expenditure during the current financial year has remained in NZD.

Whilst the Group's operations are conducted in multiple currencies, historically the functional currency has been NZD and for this financial year the Directors' have determined the underlying transactions, events and conditions have not changed from the historic functional currency position of NZD.

(ii) Impairment/fair value of financial instruments
The Directors must evaluate the fair value of the Group's financial assets in order to determine whether or not the carrying value is impaired, or requires adjustment. The Group's financial assets which are subject to impairment are financial assets at amortised cost (finance receivables, trade receivables, advances, loans and other receivables) and those subject to fair value adjustment are financial investments held at fair value through profit or loss and derivatives. Where there is no active market price for a financial instrument, the Directors must use their judgement in selecting an appropriate valuation technique. Details of the assumptions used are described in note 27.

2. Basis of Preparation (continued)

(e) Accounting judgements and major sources of estimation uncertainty (continued)

Critical accounting judgements and estimation uncertainty (continued)

Key sources of estimation uncertainty

(i) Inventories
Inventories are stated at the lower of cost or net realisable value, which have been determined using forecast feasibility estimates. These forecast feasibility estimates require the application of estimations around sales volume rates, development costs, selling prices and financing costs over the life of each project. The basis for which inventories are carried in the consolidated financial statements is disclosed above, whilst the carrying values of inventories are disclosed in note 17.

(ii) Investments – Receivable from sale of Perpetual Trust Limited ("PTL")
The fair value of the Group's receivable from sale of Perpetual Trust Limited ("PTL"), which was reclassified from an Available for Sale investment to an investment at fair value through profit or loss on the adoption of IFRS 9 on 1 July 2018, has been arrived at on the basis of a valuation carried out as at the reporting date by Simmons Corporate Finance, an external party to the Group. The key assumptions are detailed further in note 27, however there are three primary scenarios: the Company pursues payment of the PTL receivable through the New Zealand Courts (the "litigation scenario"); or, in accordance with the original agreed terms, an IPO of a Newco listing on the NZX Main Board would occur with the Company subsequently receiving the settlement of the asset (the "IPO scenario"); or, the balance is not recoverable. In assessing the fair value of the receivable at 30 June 2019, the valuer applied probability weightings to each scenario, assigned a gross value at various dates that the payment could be expected and calculated the net present value (NPV) of the gross value at 30 June 2019 under each scenario.

(iii) Investments – Derivative financial instruments
The fair value of the Group's investment in the Derivative financial instruments has been arrived at on the basis of a valuation carried out by an external valuer.

The external valuer used a stochastic discounted cash flow ("DCF") analysis to determine a range of supportable fair values for the Derivative financial instruments. The Directors have determined their estimate of the fair value of the Derivative financial instruments based on the range of values determined by the external valuer. The key assumptions are detailed further in note 27. The valuer modelled various outcomes by simulating changes to key underlying assumptions and determining a weighted outcome.

(iv) Borrowings – Third party corporate debt facilities
Borrowings are measured at amortised cost using the effective interest method. Determination of the effective interest rate relating to the RCL NZD-denominated borrowings involved assessing cash flows from two tranches of funding. The cash flows on the first tranche are based on principal and interest payable at 8%. The cash flows from the second tranche are based on 50% of the surplus proceeds from sale of certain development properties carried as inventories. Given the nature of the lending arrangements, the amortised cost accounted balance will change over time where cash flow assumptions change (as the carrying value is based on future cash flow projections discounted at the original effective interest rate). Future cash flows, and their timing, are dependent on forecast estimates around sales volume rates, development costs and selling prices over the life of each development.

3. Significant Accounting Policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements comprise the operating results, cash flows and assets and liabilities of the Company and its subsidiaries (the "Group") for the year ended 30 June 2019. Subsidiaries are all entities over which the Company exercises control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Intra-Group balances, transactions and revenue and expenses arising from intra-Group transactions, are eliminated in full on consolidation.

3. Significant Accounting Policies

(a) Basis of consolidation (continued)

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The Group attributes profit or loss and total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interests based on their respective ownership interests.

Investment in subsidiary

The Group has an investment in Torchlight Fund LP ("TFLP") which is accounted for as a subsidiary. The investment is held through the Company's subsidiary Torchlight Group Limited.

In July 2018, subsequent to a settlement agreement reached with certain Limited Partners of TFLP who had previously served a winding up petition on TFLP (see note 33), the partnership interests of those Limited Partners were cancelled, and accordingly the Group's limited partnership interest in TFLP increased to 70.3% at 30 June 2019 (30 June 2018: 44.2%). In accordance with the TFLP limited partnership agreement, substantive control over TFLP is deemed to be established when a single investor holds greater than 34% of the limited partnership interests in TFLP (see note 23).

The non-controlling interests in TFLP are measured at their proportionate share of TFLP's net assets.

(b) New accounting standards effective and adopted

The following new standards have been adopted for the first time in these financial statements:

- IAS 40 (amended), "Investment Property" (amendments to clarify transfers of property to or from investment property, effective for periods commencing on or after 1 January 2018);
- IFRS 9, "Financial Instruments" (effective for periods commencing on or after 1 January 2018);
- IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2018).

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement', and addresses the classification and measurement of financial assets and liabilities. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

As a result of the adoption of IFRS 9, certain of the Group's financial assets have been reclassified.

The Group's investment in an available for sale financial asset has been reclassified as an investment at fair value through profit or loss, however this has had no impact on the consolidated financial statements, other than a reclassification of the brought forward losses on the investment from the available for sale reserve to accumulated losses, as this investment was already valued at fair value.

Two of the Group's other financial assets, previously classified as loans and receivables and measured at amortised cost, have also been reclassified as investments at fair value through profit or loss. The Group has applied the IFRS 9 transition exemption for restating comparative figures. Had the Group's comparative figures been restated to reflect the reclassification, there would have been no impact on the prior year results of the Group, therefore the Group's opening accumulated losses are unchanged.

The Company is also now required to adopt a revised model for recognising impairment resulting from credit losses associated with its financial assets measured at amortised cost. Under this model, the Company must account for expected credit losses over the lifetime of the asset, and any changes in those expected credit losses, rather than recognising credit losses on the occurrence of a credit event.

As a result, during the year the Group has made a provision of 13.125% of the balances of three related loans to reflect expected credit losses on these assets.

The Group's holding of equity instruments is already measured at fair value through profit or loss and under the new standard continues to be so.

The Group's remaining financial assets will continue to be measured at amortised cost, as the associated contractual cash flows comprise solely payments of principal and interest on specified dates and they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

3. Significant Accounting Policies (continued)

(b) New accounting standards effective and adopted (continued)

IFRS 15 establishes a comprehensive framework for the recognition of revenue relating from contracts with customers. The Group's principal source of revenue within the scope of IFRS 15 relates to sales of real estate properties classified as inventories. As any such sales are recognised at a point in time, upon the transfer of ownership of the property from the Group to the customer, there is no material difference in the treatment of such revenue under IFRS 15 from that previously determined by IAS 18.

Other than as noted above, there have been no new standards or amendments to standards applied during the period which have had a material impact upon these financial statements.

(c) New, revised and amended standards applicable to future reporting periods

At the date of approval of these consolidated financial statements, the following relevant new or amended standards and interpretations, which may be applicable to the Group's operations but have not been applied in these consolidated financial statements, were in issue but not yet effective:

- IAS 12 (amended), "Income Taxes" (amendments resulting from the IASB's Annual Improvements 2015-2017 Cycle project regarding the income tax consequences of dividends, effective for periods commencing on or after 1 January 2019);
- IAS 19 (amended), "Employee Benefits" (amendments regarding plan amendments, curtailments or settlements, effective for periods commencing on or after 1 January 2019);
- IAS 23 (amended), "Borrowing Costs" (amendments resulting from the IASB's Annual Improvements 2015-2017 Cycle project regarding borrowing costs eligible for capitalisation, effective for periods commencing on or after 1 January 2019);
- IAS 28 (amended), "Investments in Associates and Joint Ventures" (amendments regarding long-term interest in associates and joint ventures, effective for periods commencing on or after 1 January 2019);
- IFRS 3 (amended), "Business Combinations" (amendments regarding the remeasurement of a previously held interest resulting from the IASB's Annual Improvements 2015-2017 Cycle project, effective for periods commencing on or after 1 January 2019; and to clarify the definition of a business, effective for periods commencing on or after 1 January 2020);
- IFRS 9 (amended), "Financial Instruments" (amendments regarding prepayment features with negative compensation and modifications of financial liabilities, effective for periods commencing on or after 1 January 2019);

In addition, the IASB published 'Definition of Material (Amendments to IAS 1 and IAS 8)' in October 2018. This project has amended IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards, effective for accounting periods commencing on or after 1 January 2020.

The Directors do not anticipate that the adoption of these standards in future periods will have a material impact on the consolidated financial statements of the Group.

(d) Current versus non-current classification

The Group presents assets and liabilities in the consolidated Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. Significant Accounting Policies (continued)

(e) Interest
Interest revenue and interest expense are recognised in profit or loss within the consolidated Statement of Comprehensive Income using the effective interest method. The effective interest rate is established on initial recognition of the financial assets and liabilities and is not revised subsequently. The calculation of the effective interest rate includes all yield related fees and commissions paid or received that are an integral part of the effective interest rate.

(f) Employee benefit
Salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits.

(g) Revenue
Revenue arises mainly from land development and resale. The Group also generates revenue from golf and other operations and from dividends on investments.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligations are satisfied.

(i) Revenue from land development and resale
Revenue from land development and resale is recognised at a point in time when the Group satisfies performance obligations by transferring the developed property to the buyer.

In the prior year, revenue from land development and resale was recognised when the risks and rewards associated with ownership were transferred to the buyer, and the Group did not retain either continuing management involvement to the degree usually associated with ownership, or effective control over the property sold.

(ii) Golf and other revenue
Revenue from golf and other operations is recognised at a point in time when the Group satisfies performance obligations by transferring the promised services to its customers.

(iii) Dividend income
Dividend income from investments is recognised when the shareholders' rights to receive payment has been established, normally the ex-dividend date.

(h) Foreign currencies
Foreign currency assets and liabilities are translated into New Zealand dollars, the Company's functional currency, at the rate of exchange ruling at the end of the reporting date. Transactions in foreign currency are translated at the rate of exchange ruling at the date of the transaction. Currency gains and losses are included in the profit or loss within the consolidated Statement of Comprehensive Income.

The results of operation and financial position of subsidiaries that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss in the Statement of Comprehensive Income.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income ("OCI") or profit or loss are also recognised in OCI or profit or loss, respectively); and
- Income and expenses are translated at average exchange rates.

3. Significant Accounting Policies (continued)

(h) Foreign currencies (continued)

All resulting exchange differences are recognised under other comprehensive income and presented as a separate component of equity ("Foreign Currency Translation Reserve").

(i) Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment. Subsequent costs are capitalised if it is probable that future economic benefits will flow to the Group and the costs can be measured reliably.

Plant and equipment are depreciated on a straight line basis, at rates which will write off cost less estimated residual values over their estimated economic lives as follows:

Plant and equipment	1 - 13 years

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash and liquid assets used in the day to day cash management of the Group, including call deposits with original maturities of three months or less where there is an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the consolidated Statement of Financial Position.

(k) Tax

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200. In respect of income tax arising in other jurisdictions, the income tax credit or expense for the year comprises current and deferred tax. Income tax credit or expense is recognised in profit or loss within the consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity.

Current tax is the expected tax payable in countries where the Company's subsidiaries operate and generate taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. Significant Accounting Policies (continued)

(l) Inventories

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Land held for resale includes the cost of acquisition and development costs incurred during development.

(m) Finance receivables

Finance receivables are initially recognised at fair value plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

(n) Financial assets and liabilities

Classification

The Group classifies its financial assets and financial liabilities into categories in accordance with IFRS 9.

Financial assets

On initial recognition, the Group classifies financial assets as measured at amortised cost or at fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal or interest ("SPPI").

All other financial assets of the Group are measured at FVTPL.

In the prior year, the Group classified its financial assets into categories in accordance with IAS 39, as follows:

- Loans and receivables (financial assets with fixed or determinable payments that are not quoted in an active market, measured at amortised cost);
- Financial assets at fair value through profit or loss (financial assets classified as held for trading or that meet certain conditions and are designated as FVTPL upon initial recognition, including derivative financial instruments, measured at FVTPL); and
- Available for sale financial assets (non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at FVTPL, measured at FVTPL).

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

In the prior year, all non-derivative financial liabilities were classified as other financial liabilities, and were measured at amortised cost.

3. Significant Accounting Policies (continued)

(n) Financial assets and liabilities

Financial assets and liabilities are classified in the following accounting categories:

Financial assets/liabilities	Accounting Category – Current year	Accounting Category – Prior year
Investments – Loans and receivables at amortised cost	Financial assets at amortised cost	Loans and receivables
Cash and cash equivalents	Financial assets at amortised cost	Loans and receivables
Finance receivables	Financial assets at amortised cost	Loans and receivables
Trade and other receivables	Financial assets at amortised cost	Loans and receivables
Advances to related parties	Financial assets at amortised cost	Loans and receivables
Investments – PTL receivable	Financial assets at fair value through profit or loss	Available for sale financial asset
Investments – Derivative financial instruments	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss
Investments – Fair value through profit and loss	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss
Advances from other entities	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Bank overdrafts	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost

Investments - Loans and receivables at amortised cost

Investments in loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Upon the adoption of IFRS 9, two assets previously included in this category were reclassified during the year as investments at fair value through profit or loss. There was no financial impact as a result of the reclassification.

Investments – PTL receivable

The investment in PTL receivable is a financial asset arising from the sale in 2013 by the Company to Bath Street Capital limited ("BSC"), then called Coulthard Barnes Capital Limited, of the Company's shareholding in Perpetual Trust Limited (see note 20). This investment was previously classified as being available for sale, but has been reclassified as an investment at fair value through profit or loss upon the adoption of IFRS 9.

Gains and losses arising from changes in fair value of the asset are recognised directly in profit or loss in the Consolidated Statement of Comprehensive Income (previously through other comprehensive income and the Available for Sale reserve). Upon the adoption of IFRS 9, accumulated losses previously recognised in the Available for Sale reserve have been reclassified to profit or loss in the consolidated Statement of Comprehensive Income for the year. There was no financial impact as a result of the reclassification.

3. Significant Accounting Policies (continued)

(n) Financial assets and liabilities (continued)

Investments - Fair value through profit or loss (FVTPL)
Investments at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value, with gains or losses recognised in profit or loss in the consolidated Statement of Comprehensive Income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. Upon the adoption of IFRS 9, two assets previously classified as investments in loans and receivables at amortised cost were reclassified to this category. There was no financial impact as a result of the reclassification.

Investments - Derivative financial instruments
The Group has a call option for the right to receive residential lots of land. This option is classified as a derivative financial instrument (see note 21). Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains or losses arising on revaluation are recognised in profit or loss in the Statement of Comprehensive Income.

Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, are cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities as financial liabilities at amortised cost. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities at amortised cost comprises borrowings, trade and other payables and advances from other entities.

Recognition
The Group initially recognises finance receivables, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises a financial liability when its contractual obligations are discharged, are cancelled or expire.

(o) Impaired financial assets and past due assets
The Group's financial assets at amortised cost are subject to impairment based on the Group's assessment of credit losses incurred and expected future credit losses over the life of the assets.

The Group has provided fully for its estimated incurred credit losses and for expected future credit losses over the life of the asset.

3. Significant Accounting Policies (continued)

(o) Impaired financial assets and past due assets (continued)

Past due but not impaired assets are any assets which have not been operated by the counterparty within their key terms but are not considered to be impaired by the Group.

Bad debts provided for are written off against individual or collective valuation allowances. Amounts required to bring the provisions to their assessed levels are recognised in profit or loss within the consolidated Statement of Comprehensive Income. Any future recoveries of amounts provided for are taken to profit or loss within the consolidated Statement of Comprehensive Income.

For further information about credit impairment provisioning refer to note 29 - Credit risk exposure.

(p) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be permanently impaired. If any indication exists, the Group estimates the asset's recoverable amount, which is the higher of an asset's fair value less costs of disposal and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered permanently impaired and is written down to its recoverable amount. Any such impairment is recognised in profit or loss in the consolidated Statement of Comprehensive Income.

(q) Distribution of non-cash assets to owners

Non-reciprocal distributions of non-cash assets by the Group to its shareholders acting in their capacity as owners are recognised when authorised and approved by the Board of Directors and shareholders. Such distributions are measured at the fair value of assets to be distributed with any corresponding gain or loss recognised through profit or loss within the consolidated Statement of Comprehensive Income.

(r) Borrowings

Bank borrowings are initially recognised at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is recognised profit or loss in the Statement of Comprehensive Income.

(t) Goods and services tax (GST)

GST for New Zealand subsidiaries

Upon the Company's re-domicile to Guernsey, its operating activities were no longer subject to GST. As at 30 June 2019, only two wholly-owned subsidiaries remained registered for GST in New Zealand.

All items in the consolidated financial statements are stated exclusive of recoverable GST, except for receivables and payables, which are stated on a GST-inclusive basis. The net amount of GST recoverable from, or payable to, New Zealand Inland Revenue, is included as part of receivables or payables in the consolidated Statement of Financial Position. Commitments and contingencies are disclosed exclusive of GST.

GST for Australian subsidiaries

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the consolidated Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the consolidated Statement of Financial Position.

(u) Statement of cash flows

The consolidated Statement of Cash Flows has been prepared using the direct method modified by the netting of certain permitted cash flows, in order to provide more meaningful disclosure. Cash and cash equivalents consists of cash and liquid assets convertible to cash within 90 days and used in the day to day cash management of the Group.

3. Significant Accounting Policies (continued)

(v) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the Managing Director, who is the CODM, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Revenue

The Group's revenue, all of which is recognised at a point in time, is as follows, disaggregated by primary geographical markets:

	For the year ended 30 June 2019			
	Revenue from land development and resale	Golf operations and other revenue	Dividend revenue	Total
	£000	£000	£000	£000
Australia	63,417	1,902	-	65,319
New Zealand	4,187	238	-	4,425
Cayman Islands	-	-	88	88
Total	**67,604**	**2,140**	**88**	**69,832**

	For the year ended 30 June 2018			
	Revenue from land development and resale	Golf operations and other revenue	Dividend revenue	Total
	£000	£000	£000	£000
Australia	21,779	1,719	-	23,498
New Zealand	-	200	-	200
Cayman Islands	-	15	50	65
Total	**21,779**	**1,934**	**50**	**23,763**

5. Net interest expense

	2019	2018
	£000	£000
Interest revenue		
Finance receivables	214	187
Advances to related parties	228	209
Total interest revenue	**442**	**396**
Interest expense		
Bank borrowings	(9,578)	(5,299)
Total interest expense	**(9,578)**	**(5,299)**
Net interest expense	**(9,136)**	**(4,903)**

6. Investment gains/(losses) and other revenue

	2019 £000	2018 £000
Investment gains/(losses) and revenue		
Dividend revenue	88	50
Movement in fair value of investments at fair value through profit or loss	76	-
Movement in fair value of derivative financial instruments	(1,787)	124
Movement in fair value of listed equity securities	(126)	(245)
	(1,749)	**(71)**
Other revenue		
Golf revenue	1,461	1,441
Miscellaneous revenue	227	87
Rental revenue	10	10
Total other revenue	**1,698**	**1,538**

Golf revenue and expenses have been generated from the operations of a golf course within the Group's subsidiary RCL Pacific Dunes Golf Operations Pty Ltd.

7. Selling and administration expenses

	2019 £000	2018 £000
Directors' fees	120	120
Personnel expenses*	1,852	2,035
Legal and consultancy fees	2,342	6,967
Other operating expenses**	4,018	1,916
Selling and administration expenses	**8,332**	**11,038**

** Personnel expenses have been incurred within the RCL Group (see note 9).*
*** Other operating expenses include property expenses, golf expenses, listing and regulatory costs, audit fees and other overhead expenditure. There are no other individual (or aggregated) significant expenses for further disaggregation.*

Details of fees paid/payable to the Auditor are as follows:

	2019 £000	2018 £000
Audit fees		
Grant Thornton – Guernsey statutory audit	357	239
– NZ regulatory audit	81	76
	438	**315**

8. Impaired asset (expense)/reversal

	2019 £000	2018 £000
Loans receivable individually assessed	(313)	5,290
Impairment of inventories	(465)	-
Total impaired asset (expense)/reversal	**(778)**	**5,290**

During the year the Group recognised a provision for impairment in respect of expected credit losses of NZD0.6 million (£0.3 million) (30 June 2018: NZD0.8 million (£0.5 million)) in relation to a group of three related loans, being 13.125% (25% of the carrying value) (30 June 2018: 17.5% (25% of the carrying value)) of the gross loan balances. During the prior year the Group recognised an impairment of AUD 0.2 million (£0.1 million) relating to a loan to an Australian borrower group that is in default. During the year, on the adoption of IFRS 9, this loan was reclassified as a financial asset at fair value through profit or loss.

Impairment of inventories
The impairment of inventories during the year related to inventories held within the RCL Jack's Village Point Ltd entity in the amount of NZD0.8 million (£0.5 million).

Impairment reversal
In the prior year there was a reversal of impairment relating to a previously impaired loan receivable held within the RCL Jack's Point Ltd entity in the amount of NZD11.1 million (£5.9 million). This loan was recovered in full during the current year.

9. Significant controlled entities

Significant subsidiaries	Principal place of business	Nature of business	2019 % held	2018 % held
MARAC Financial Services Limited (MFSL)	New Zealand	Investment holding	100%	100%
MARAC Investments Limited	New Zealand	Property and commercial financing	100%	100%
Equity Partners Asset Management Limited	New Zealand	Asset management	100%	100%
Torchlight Securities Limited	New Zealand	Asset management	100%	100%
Ferrero Investments Limited	New Zealand	Holding company	100%	100%
Torchlight Fund No. 2 Limited Partnership	New Zealand	Investment holding	100%	100%
Equity Partners Infrastructure Management Ltd	New Zealand	Asset management	100%	100%
NZ Credit Fund (GP) 1 Limited (in liquidation)	New Zealand	Asset management	100%	100%
Torchlight (GP) 2 Limited	New Zealand	Non-trading company	100%	100%
Torchlight Management Limited	New Zealand	Asset management	100%	100%
Real Estate Credit Limited	New Zealand	Property asset management	100%	100%
Property Assets Limited	New Zealand	Property asset management	100%	100%
Land House Limited	New Zealand	Property asset management	100%	100%
Torchlight Group	Cayman Islands	Holding company	100%	100%
Torchlight GP Limited	Cayman Islands	Asset management	100%	100%
Torchlight Fund LP*	Cayman Islands	Investment holding entity	70.3%	44.2%
Australasian Credit Fund Limited*	New Zealand	Finance	70.3%	44.2%
Real Estate Southern Holdings Limited*	New Zealand	Property Investment	70.3%	44.2%
Henley Downs Village Investments Limited*	New Zealand	Property Investment	70.3%	44.2%
Torchlight Real Estate Group*	Cayman Islands	Bare Trustee	70.3%	44.2%
RCL Real Estate Holdings*	Cayman Islands	Bare Trustee	70.3%	44.2%
RCL Real Estate Pty Ltd*	Australia	Holding Company	70.3%	44.2%
RCL Queenstown Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL PRM Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Sanctuary Lakes Pty Ltd*	Australia	Property Investment	70.3%	44.2%
Sanctuary Land Development Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Links Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Grandvue Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Haywards Bay Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Port Stephens Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Pacific Dunes Golf Operations Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Forster Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL St Albans Pty Ltd (formerly Taree Pty Ltd)*	Australia	Property Investment	70.3%	44.2%
RCL Merimbula Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Renaissance Rise Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Real Estate Australia Pty Ltd*	Australia	Property Investment	70.3%	44.2%
RCL Sunbury PTY Ltd (formerly Rock Pty Ltd)*	Australia	Property Investment	70.3%	44.2%
RCL Henley Downs Limited*	New Zealand	Property Investment	70.3%	44.2%
RCL Jack's Point Limited*	New Zealand	Property Investment	70.3%	44.2%
NZ Real Estate Credit Limited*	New Zealand	Finance	70.3%	44.2%
RCL Jack's Point Village Limited (formerly GLC Land Holdings Limited)	New Zealand	Property Investment	70.3%	44.2%

**collectively Torchlight Fund LP and its subsidiaries*

All Group subsidiaries have 30 June as their year end, with the exception of Torchlight Fund LP and Real Estate Southern Holdings Limited which, for historical reasons, have a year end of 31 March. These consolidated financial statements incorporate the adjusted results of these two entities for the year ended 30 June 2019.

9. Significant controlled entities (continued)

Groups of companies referred to throughout these consolidated financial statements as Torchlight Group, RCL Group and Property Group are as follows:

Torchlight Group*
MARAC Financial Services Limited
Equity Partners Asset Management Limited
Torchlight Securities Limited
Ferrero Investments Limited
Torchlight Fund No. 2 Limited Partnership
NZ Credit Fund (GP) 1 Limited
Torchlight (GP) 2 Limited
Torchlight Management Limited
Torchlight Group and its subsidiaries:
Torchlight GP Limited
Torchlight Fund LP
Australasian Credit Fund Limited
Real Estate Southern Holdings Limited
Henley Downs Village Investments Limited
Torchlight Real Estate Group
RCL Jack's Point Village Limited (formerly GLC Land Holdings Limited)
Equity Partners Infrastructure Management Ltd

RCL Group*
RCL Real Estate Holdings
RCL Real Estate Pty Ltd
RCL Queenstown Pty Ltd
RCL PRM Pty Ltd
RCL Sanctuary Lakes Pty Ltd
Sanctuary Land Development Pty Ltd
RCL Links Pty Ltd
RCL Grandvue Pty Ltd
RCL Haywards Bay Pty Ltd
RCL Port Stephens Pty Ltd
RCL Pacific Dunes Golf Operations Pty Ltd
RCL Forster Pty Ltd
RCL Merimbula Pty Ltd
RCL Renaissance Rise Pty Ltd
RCL Real Estate Australia Pty Ltd
RCL Henley Downs Limited
RCL Sunbury Pty Ltd (formerly Rock Pty Ltd)
RCL Jack's Point Limited
RCL St Albans Pty Ltd (formerly Taree Pty Ltd)
NZ Real Estate Credit Limited

Property Group
Real Estate Credit Limited
Property Assets Limited
Land House Limited
MARAC Investments Ltd

*Torchlight segment within note 34 includes both the Torchlight Group and RCL Group of companies.

Torchlight Fund LP (TFLP) and its subsidiaries

At 30 June 2019, the Company, through a subsidiary, had an ownership through direct limited partnership interests in TFLP of 70.3% (30 June 2018: 44.2%). In accordance with the TFLP limited partnership agreement, substantive control over TFLP is deemed to be established when a single investor holds greater than 34% of the limited partnership interests in TFLP. As a result, the Company is deemed to have control over TFLP. The Company, through a separate subsidiary, receives remuneration from TFLP in the form of management fees, but the Company has no ability to access or use the assets of TFLP to settle liabilities of the Company or its other subsidiaries.

A winding up petition was filed by certain Limited Partners of TFLP with the Grand Court of The Cayman Islands and served at the registered office of TFLP on 26 June 2015. The petition sought an order to wind up TFLP. Hearings for this petition commenced on 20 February 2017 and concluded on 1 December 2017. In July 2018, a confidential settlement was reached in respect of the Petition and the Conspiracy Proceedings, and the petition has been withdrawn with no order as to costs. As part of this settlement, the Petitioners agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 million (£14.1 million), as a result of which PGC's direct limited partnership interests increased from 44.2% to 70.3%, without investing additional capital; and all other Limited Partners, with the exception of those involved in the petition, have also seen a pro rata increase in their interests. For further details relating to the winding up petition, please see note 33.

At 30 June 2019, the Company's investment in TFLP includes material non-controlling interests ("NCI"):

Significant subsidiaries	Proportion of ownership interests and voting rights held by the NCI	Total comprehensive income/(loss) allocated to NCI	Redemption of NCI	Accumulated NCI
		£000	£000	£000
30 June 2019				
Torchlight Fund LP and its subsidiaries	29.7%	(1,107)	(19,449)	11,908
30 June 2018				
Torchlight Fund LP and its subsidiaries	55.8%	(16,943)	-	32,464

9. Significant controlled entities (continued)

Torchlight Fund LP (TFLP) and its subsidiaries (continued)

Summarised financial information for TFLP, before intra-Group eliminations, is set out below:

Summarised Statement of Financial Position

	2019 £000	2018 £000
Current		
Cash and cash equivalents	15,002	13,335
Other current assets (excluding cash)	43,997	57,419
Total current assets	**58,999**	**70,754**
Other current liabilities (including trade payables)	(7,083)	(9,960)
Total current liabilities	**(7,083)**	**(9,960)**
Non-current		
Assets	57,050	52,634
Financial liabilities	(68,846)	(55,219)
Total non-current net liabilities	**(11,796)**	**(2,585)**
Net assets	**40,120**	**58,209**
Equity attributable to owners	**28,212**	**25,745**
Non-controlling interests	**11,908**	**32,464**

Summarised Statement of Comprehensive Income

	2019 £000	2018 £000
Revenue	**14,462**	**3,714**
Loss for the year attributable to owners	(2,822)	(11,580)
Loss for the year attributable to NCI	(1,232)	(14,602)
Loss for the year	**(4,054)**	**(26,182)**
Total comprehensive loss for the year attributable to owners	(2,655)	(13,435)
Total comprehensive loss for the year attributable to NCI	(1,107)	(16,943)
Total comprehensive loss for the year	**(3,762)**	**(30,378)**

No dividends were paid to the NCI during the financial year ended 30 June 2019 (30 June 2018: £nil).

9. Significant controlled entities (continued)

Torchlight Fund LP (TFLP) and its subsidiaries (continued)

Summarised statement of changes in equity

	Group interests £000	Non-controlling interests £000	Total £000
Balance at 1 July 2018	**25,745**	**32,464**	**58,209**
Loss for the year	(2,822)	(1,232)	(4,054)
NCI acquisitions during the year	5,122	(19,449)	(14,327)
Foreign currency adjustment on translation to presentation currency	167	125	292
Balance at 30 June 2019	**28,212**	**11,908**	**40,120**

Summarised cash flows

	2019 £000	2018 £000
Net cash applied to operating activities	(6,785)	(18,188)
Net cash from investing activities	21,372	668
Net cash applied to financing activities	(14,933)	(1,475)
Foreign currency adjustment on translation to presentation currency	1,249	(3,031)
Net cash inflow/(outflow)	**903**	**(22,026)**

10. Tax

	2019 £000	2018 £000
Current tax expense		
Current year	-	-
Deferred tax (charge)/credit	(347)	228
Total tax (charge)/credit	(347)	228
Attributable to:		
Continuing operations	(347)	228
Reconciliation of effective tax rate		
Taxable losses before tax	(4,622)	(5,891)
Total taxable losses	**(4,622)**	**(5,891)**
Prima facie tax credit/(charge) at 30%, 28% and 0%*	59	(4,764)
(Less)/plus tax effect of items not taxable/deductible	(1,599)	7,384
Unused tax losses and tax offsets not recognised as deferred tax assets	1,887	(2,392)
Total tax (charge)/credit	**(347)**	**228**

*30% applicable Australian tax rate, 28% applicable New Zealand tax rate, 0% Guernsey tax rate and 0% Cayman Islands tax rate for the financial year ends 30 June 2019 and 30 June 2018.

The above tax computations relate to the subsidiaries which are subject to tax reporting in Australia and New Zealand. As a Guernsey Company, the Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200. There is no tax chargeable relating to any items included in other comprehensive income.

11. Deferred tax

	1 July 2018 £000	Recognised in profit or loss £000	Foreign exchange gain/(loss) on translation £000	30 June 2019 £000
Deferred tax liabilities	1,765	355	(23)	2,097
Deferred tax assets	(104)	(8)	1	(111)
Net deferred tax liability	**1,661**	**347**	**(22)**	**1,986**

	1 July 2017 £000	Recognised in profit or loss £000	Foreign exchange gain/(loss) on translation £000	30 June 2018 £000
Deferred tax liabilities	2,086	(213)	(108)	1,765
Deferred tax assets	(94)	(15)	5	(104)
Net deferred tax liability	**1,992**	**(228)**	**(103)**	**1,661**

The following deferred tax assets are only available against future taxable profits in New Zealand.

	2019 £000	2018 £000
The following deferred tax assets have not been recognised as at 30 June:		
Tax losses (subject to meeting shareholder continuity requirements)	10,239	6,167
Deductible temporary differences	513	64
Total unrecognised deferred tax assets	**10,752**	**6,231**

The following deferred tax assets are only available against future taxable profits in Australia.

	2019 £000	2018 £000
The following deferred tax assets have not been recognised as at 30 June:		
Tax losses (subject to meeting shareholder continuity requirements)	7,220	2,539
Total unrecognised deferred tax assets	**7,220**	**2,539**

The Company is exempt from Guernsey income tax.

The Group has not recognised any deferred tax assets arising from unrealised tax losses due to uncertainty of future trading results, and therefore the ability to be able to utilise the losses.

New Zealand imputation credit account

	2019 £000	2018 £000
Balance at end of the reporting period available for use in subsequent reporting periods	-	-

12. Reconciliation of loss after tax to net cash flows from operating activities

	2019 £000	2018 £000
Loss for the year	**(4,622)**	**(5,663)**
Add/(less) non-cash items:		
Gain on disposal of assets	-	1,191
Impairment on finance receivables	313	579
Reversal of impairment on loan receivable	-	(5,869)
Depreciation and amortisation of non-current assets	58	71
Movement in unrealised loss/(gain) on investments	1,837	344
Interest expense	9,578	5,295
Interest revenue	(228)	(208)
Wilaci litigation claim	-	(20,542)
Foreign exchange gain	42	254
Other non-cash items	347	(228)
Total non-cash items	**11,947**	**(19,113)**
(Less)/add movements in working capital items:		
Trade and other receivables	(1,116)	(891)
Trade and other payables	(2,806)	2,220
Development costs	10,858	(1,895)
Total movements in working capital items	**6,936**	**(566)**
Net cash flows from/(applied to) operating activities	**14,261**	**(25,342)**

In the prior year, the Wilaci litigation claim was settled. An amount of £17.6 million was paid and £2.9 million of the accrued liability was reversed leading to a total movement of £20.5 million.

13. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	2019			2018		
	Long-term borrowings £000	Short-term borrowings £000	Total £000	Long-term borrowings £000	Short-term borrowings £000	Total £000
Opening balance	**53,558**	**930**	**54,488**	**49,430**	**455**	**49,885**
Cash flows:						
Repayment	(16,634)	(2,157)	(18,791)	(6,715)	-	(6,715)
Proceeds	3,594	1,698	5,292	7,904	489	8,393
Non-cash:						
Capitalised interest	11,300	122	11,422	6,904	43	6,947
Translation difference	940	24	964	(3,965)	(57)	(4,022)
Closing balance	**52,758**	**617**	**53,375**	**53,558**	**930**	**54,488**

14. (Loss)/earnings per share attributable to owners of the Company

Basic and diluted (loss)/earnings per share is calculated by dividing the net (loss)/profit after tax by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit after tax attributable to owners of the Company (£000)	(3,390)	8,939
(Loss)/profit after tax attributable to owners of the Company – continuing operations (£000)	(3,390)	8,939
Weighted average number of ordinary shares in issue (000)	207,463	207,463
Basic and diluted (loss)/earnings attributable to owners of the Company (pence per share)	**(1.63)p**	**4.31p**
Basic and diluted (loss)/earnings attributable to owners of the Company - continuing operations (pence per share)	**(1.63)p**	**4.31p**
Net tangible assets per share attributable to owners of the Company (pence per share)*	**21.38p**	**20.13p**

** Net tangible assets per share are calculated by dividing the net tangible assets by the shares in issue at year end.*

15. Share capital and reserves

Authorised Capital
The Company has the power to issue an unlimited number of shares of no par value which may be issued as redeemable shares or otherwise. The Company only has New Zealand Dollar non-redeemable ordinary shares, authorised, in issue and fully paid at the date of this report.

	2019 shares 000s	2018 shares 000s
Number of issued shares		
Opening and closing balance	**207,463**	**207,463**

The shares have equal voting rights and rights to dividends and distributions and do not have a par value.

	2019 £000	2018 £000
Share premium		
Opening and closing balance	**151,940**	**151,940**

Foreign currency translation reserve
The foreign currency translation reserve comprises accumulated exchange differences arising on the conversion of the Group's operations denominated in New Zealand Dollars and Australian Dollars to British Pound Sterling.

Available for Sale reserve
At the prior year end, the Available for Sale reserve comprised the accumulated unrealised gains and losses for each financial year on the Available for Sale financial asset. On the adoption of IFRS 9 in the current year, the Available for Sale asset was reclassified as an investment at fair value through profit or loss, and accordingly the balance of the Available for Sale reserve was transferred to accumulated losses.

Non-controlling interests ("NCI") reserve
NCI reserve represents the accumulated profits attributable to the NCIs.

Non-controlling interests acquisition reserve
NCI acquisition reserve represents the gains recognised in transactions between the Group and NCIs.

16. Finance receivables

	2019 £000	2018 £000
Gross finance receivables	672	1,015
Less allowance for impairment	-	-
Total finance receivables	**672**	**1,015**

Finance receivables are loans with various terms and interest rates.

17. Inventories

	2019 £000	2018 £000
Land held for resale		
Current assets		
Cost of acquisition	14,296	28,773
Development costs	23,292	17,158
	37,588	**45,931**
Non-current assets		
Cost of acquisition	44,393	35,576
Development costs	7,123	6,500
Less: impairment (see note 8)	(465)	-
	51,051	**42,076**
Total inventories	**88,639**	**88,007**

The majority of the Group's inventories are held in the Torchlight Group segment of the business through the RCL Australian and New Zealand registered subsidiaries. These inventories consist of residential land subdivisions and property development in the geographical areas of Australia and New Zealand. In accordance with note 3(l), inventories are held at the lower of cost and net realisable value. All inventories are held at cost. At 30 June 2019, these inventories are pledged as security to a third party corporate debt facility as detailed further in note 24. The remaining inventories were held in the Torchlight Group segment of the business through Real Estate Southern Holdings Limited ("RESHL") and in the Property Group segment of the business through Land House Limited ("LHL"). At 30 June 2019, partial security is held over these properties for bank borrowing facilities of NZD0.8 million (£0.4 million) (30 June 2018: facility of NZD1.8 million (£0.9 million)) and NZD0.4 million (£0.2 million) (30 June 2018: Nil) respectively. These assets are classified as current (30 June 2018: LHL inventories - current) as they are expected to be sold within twelve months of the reporting date.

During the year, AUD90.2 million (£49.9 million) (30 June 2018: AUD31.4 million (£18.0 million)) of inventories in respect of the RCL subsidiaries and NZD 3.4 million (£1.8 million) (30 June 2018: Nil) of inventories in respect of the RESHL and LHL subsidiaries were recognised as an expense in the consolidated Statement of Comprehensive Income. No write-down of inventories to fair value less costs to sell nor any reversal of any such write-downs were recognised as an expense during the year (30 June 2018: £Nil).

18. Trade and other receivables

	2019 £000	2018 £000
Trade and other receivables	5,378	4,236
Total trade and other receivables	**5,378**	**4,236**

Trade and other receivables are short-term in nature. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value at the end of each reporting period.

19. Investment – Available for sale financial asset

	2019 £000	2018 £000
Receivables – Sale of Perpetual Trust Limited ("PTL")	-	8,531
Total other assets	**-**	**8,531**

During the year, on adoption on IFRS 9, the PTL receivable was reclassified from an available for sale asset to an investment at fair value through profit or loss (see note 20).

20. Investments – Fair value through profit or loss (FVTPL)

	2019 £000	2018 £000
Current assets		
Listed equity securities	144	274
	144	274
Non-current assets		
PTL receivable	8,765	-
Loans and receivables	5,255	-
	14,020	-
Total Investments – Fair value through profit or loss	**14,164**	**274**

Current assets - Listed equity securities
The Lantern Hotel Group ("Lantern"), the Group's listed equity investment, has sold down its property portfolio and is in the final stages of returning capital and income to shareholders. During the year, the Group has received dividend revenue from Lantern of AUD0.2 million (£0.1 million) (30 June 2018: capital distributions of AUD0.7 million (£0.4 million)), and the fair value of its holding in Lantern has decreased by a similar amount.

Non-current assets
During the year, on adoption on IFRS 9, the PTL receivable, which had previously been classified as an available for sale asset, and the loans receivable, which had previously been measured at amortised cost less impairment, were reclassified to investments at fair value through profit or loss.

(i) PTL receivable
The PTL receivable arose from the sale in 2013 by the Company to Bath Street Capital limited ("BSC"), then called Coulthard Barnes Capital Limited, of the Company's shareholding in Perpetual Trust Limited.

The fair value of the PTL receivable has been arrived at on the basis of a valuation carried out by an external party to the Group, Simmons Corporate Finance, as at 30 June 2019. The valuer has significant experience in the valuation of financial transactions and issuing opinions on the fairness and merits of the terms thereof.

The key assumptions within the valuation of the PTL receivable are that there are three primary scenarios: PGC pursues payment of the PTL receivable through the Courts (the "litigation scenario"); or an IPO resulting in the Newco listing on the NZX Main Board (and possibly the Australian Stock Exchange ("ASX")), with PGC subsequently receiving the PTL receivable as provided for under the terms of the Deed of Termination of Agreements and Carry (DTAC) (the "IPO scenario"); or the balance is not recovered. In assessing the fair value of the PTL receivable at 30 June 2019, the valuer applied probability weightings to the scenarios detailed above, assigned a gross value at various dates that the payment could be expected and calculated the net present value (NPV) of the gross value at 30 June 2019 under each scenario.

On 2 August 2016, BSC, the owners of PTL, announced that the Newco (to be called Complectus Trustee Services Limited ("Complectus")) planned to list on the NZX Main Board and the Australian Securities Exchange by the end of 2016 and raise up to NZD150.0 million. Subsequently, on 26 September 2016, PGC announced that it had come to an agreement with BSC to discontinue their respective High Court claims without costs with immediate, and unconditional, effect. On 16 November 2016, Complectus announced that it was deferring the proposed IPO, due to "volatility and uncertainty in capital markets". Subsequently, Complectus announced on 18 May 2017 that approval had been granted for it to be acquired by Trustee Partners, a division of Sargon Capital (the "trade sale"). On 22 June 2017, Complectus announced that the proposed trade sale had fallen through. The PGC Directors note that the probability of the IPO scenario occurring has reduced during the year and, correspondingly, that the probability of the Litigation scenario has increased. The valuation allows for these factors and has reduced as a result. Nevertheless, the Directors remain confident of recovering the outstanding debt, however time will be required.

20. Investments – Fair value through profit or loss (FVTPL) (continued)

Non-current assets (continued)

(i) PTL receivable (continued)
At 30 June 2019, the fair value of the PTL receivable was based on a probability-weighted net present value of the PTL receivable under the three scenarios. The valuer estimated that the probability of the Litigation Scenario arising and of that litigation being successful was 59.5% (30 June 2018: 56%); the probability of the Litigation Scenario arising and of that litigation being unsuccessful (resulting in no return) or no IPO occurring was 20% (30 June 2018: 20%); and the probability of a successful IPO scenario was 20.5% (30 June 2018: 24%), with 0%, 40% and 60% probabilities that the IPO would take place in the years ended 30 June 2020, 30 June 2021 and 30 June 2022 respectively. It is important to note that the Directors consider the outcome in respect of this asset to be binary, in that they expect to either recover NZD22.0 million, at a point of uncertain timing, or nil. The carrying value above therefore represents a probability-weighted outcome, representing the asset's fair value. The actual recovered amount may differ materially to this number. See note 27 for analysis of the receivable's sensitivity to the various inputs used in the valuation determination.

At 30 June 2019, based on the assumptions detailed above, the Directors have relied on this valuation and have assessed the fair value of the PTL receivable to be NZD16.6 million or £8.8 million (30 June 2018: NZD16.6 million or £8.5 million). A fair value loss of NZD0.1 million (£0.04 million) has been recognised in other comprehensive income during the year (30 June 2018: NZD1.1 million (£0.6 million)). Under both scenarios it is unlikely that settlement of the PTL receivable will occur within 12 months of the reporting date, as a result of which the PTL receivable has been classified as a non-current asset.

The above valuation is sensitive to a number of key inputs. Sensitivity analysis in respect to this balance is set out within note 27.

On 18 September 2018 the Company announced that it had filed a statement of claim in the Auckland High Court against Bath Street Capital Limited and Andrew Howard Barnes seeking:

- Damages in the sum of NZD22 million or such alternative sum as the Court considers appropriate;
- An inquiry into any further loss suffered by PGC in agreeing to forgo its Carry Rights (including the right to 40% of the sale proceeds from Complectus, net of the syndicated debt facility) and not receiving timely payment of the Consideration Amount;
- Interest; and
- Costs.

(ii) Loans and receivables
This category comprises the following amounts:

(a) a loan to an Australian borrower group that is in default, which is measured at a fair value of AUD2.2 million (£1.2 million) (30 June 2018: AUD2.0 million (£1.1 million)) based on the future discounted cash flows expected to be received. During the year, the Group recognised a fair value increase on this loan of AUD0.2 million (£0.1 million) (30 June 2018: impairment of AUD0.2 million (£0.1 million));

(b) a receivable of NZD7.6 million (£4.0 million) (30 June 2018: AUD7.6 million (£3.9 million)) due from an Australian investment company in relation to the acquisition by that company of a partnership interest in Torchlight Fund LP.

For details of methods and assumptions used to estimate the fair value of each of the above listed assets see note 27.

21. Investments – Derivative financial instruments

	2019 £000	2018 £000
Non-current assets		
Derivative financial instrument	2,119	3,815
Total Investments – Derivative financial instruments	**2,119**	**3,815**

The derivative financial instrument is a call option for the right to receive 25 residential lots (30 June 2018: 50 residential lots) in a subdivision situated in East Wanaka, New Zealand following the development of 400 sections in a number of tranches. An option over 25 residential lots was exercised during the year.

In order to ascertain the fair value of the derivative financial instrument, the Directors engaged an external party to the Group, Northington Partners, who assessed the Derivative financial instrument to have a fair value in the range of NZD3.8 million to NZD4.2 million (30 June 2018: NZD7.0 million to NZD7.9 million) as at 30 June 2019. In the opinion of the Directors, a valuation of NZD4.0 million (£2.1 million), in the middle of this range, best represents the fair value of the Derivative financial instruments at 30 June 2019 (30 June 2018: NZD7.4 million (£3.8 million)). For details of methods and assumptions used to estimate the fair value of the derivative financial instrument, see note 27.

22. Investments – Loans and receivables at amortised cost

	2019 £000	2018 £000
Current assets		
Loans receivable - gross	2,381	18,696
Impairment of loans receivable	(1,444)	(8,301)
Total current loans and receivables at amortised cost	937	10,395
Non-current assets		
Loans receivable - gross	34,898	41,765
Impairment of loans receivable	(34,898)	(36,738)
Loans receivable – net of impairment	-	5,027
Other receivables	1,606	1,556
Total non-current loans and receivables at amortised cost	1,606	6,583
Total loans and receivables at amortised cost	**2,543**	**16,978**

The following table shows a reconciliation of the balances of impairment on loans during the year:

	2019 £000	2018 £000
Balance brought forward	45,039	53,730
Impaired asset charge/(reversal)	313	(5,290)
Accumulated Impairment on loan repaid during the year	(7,205)	-
Reclassification of loans and receivables to FVTPL	(1,365)	-
Foreign exchange on translation	(440)	(3,401)
Balance carried forward	**36,342**	**45,039**

Loans receivable
The non-current loans receivable have been impaired based on expected recoveries from underlying projects. These loans have been valued and assessed for impairment based on discounted cash flow (DCF) analysis of the underlying projects. The discount rates applied within these DCF analysis range from 9% to 20%.

During the year, impairment of NZD0.6 million (£0.3 million) (30 June 2018: NZD0.8 million (£0.5 million)) on the Group's current loans receivable has been recognised to reflect expected future credit losses, representing 13.125% (30 June 2018: 17.5%) of the gross loan balances.

During the year, a loan receivable valued at NZD17.9 million (£9.2 million) net of impairment as at 30 June 2018 was repaid in full.

22. Investments – Loans and receivables at amortised cost (continued)

During the year, on adoption of IFRS 9, two loans receivable were reclassified to investments at fair value through profit or loss (see note 20).

Other receivables

Other receivables comprises NZD3.0 million (£1.6 million) (30 June 2018: NZD 3.0 million (£1.6 million)) paid as a deposit towards 50% of development costs on the initial exercise of call options in respect of 50 (30 June 2018: 50) residential lots in a subdivision situated in East Wanaka, New Zealand.

The ageing analysis of the loans and receivables is as follows:

	2019			
	£000	**£000**	**£000**	**£000**
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	1,606	-	-	1,606
Up to 12 months	-	937	-	937
Total	**1,606**	**937**	**-**	**2,543**

	2018			
	£000	**£000**	**£000**	**£000**
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	1,556	-	-	1,556
Up to 12 months	-	10,395	-	10,395
1 to 3 years	-	-	-	-
More than 3 years	3,910	1,117	-	5,027
Total	**5,466**	**11,512**	**-**	**16,978**

23. Non-controlling interest

The Group's allocations/transactions with non-controlling interests ("NCI") can be summarised as follows:

	2019
	£000
NCI brought forward at 30 June 2018	**32,464**
NCI's share of losses for the year	**(1,232)**
Foreign currency adjustment on translation to presentation currency	**125**
Redemption of NCI during the year	**(19,449)**
NCI carried forward at 30 June 2019	**11,908**

	2018
	£000
NCI brought forward at 30 June 2017	**49,407**
NCI's share of losses for the year	(14,602)
Foreign currency adjustment on translation to presentation currency	(2,341)
NCI carried forward at 30 June 2018	**32,464**

Following the settlement of the Cayman litigation, the movement in the share of net assets arising from the settlement, and directly attributable to owners of the Company, was £5.1 million.

24. Borrowings

	2019 £000	2018 £000
Current		
Third party corporate debt facilities – secured	617	930
	617	**930**
Non-current		
Third party corporate debt facility – secured	52,758	53,558
Total borrowings	**53,375**	**54,488**

The current third party corporate debt facilities are each secured against an investment property held for development included within Inventories (see note 17).

The non-current third party corporate debt facility is held within the RCL Group and is secured by cross-guarantees between Group subsidiaries within the RCL Group together with the freehold mortgages and registered charges.

Subsequent to the year end, the borrowing facilities within the RCL Group, which were due to expire in September 2019, were renewed, and are now due to expire in February 2021.

25. Trade and other payables

	2019 £000	2018 £000
Current		
Trade and other payables	5,962	8,778
	5,962	**8,778**

Trade and other payables are short-term in nature. The net carrying value of trade and other payables is considered a reasonable approximation of fair value at the end of each reporting period.

26. Related party transactions

(a) Transactions with related parties

Parent and its associated entity

Australasian Equity Partners (GP) No. 1 Limited (AEP GP)
AEP GP, as general partner of Australasian Equity Partners Fund No.1 LP ("AEP LP"), is the parent of PGC, holding 80.16% of the Company's shares at 30 June 2019 and 30 June 2018. George Kerr is the ultimate controlling party of AEP LP. AEP GP charged a subsidiary of the Company administration fees of £55,000 during the year ended 30 June 2019 (30 June 2018: £129,000). At 30 June 2019, there was no outstanding balance payable to AEP (GP) (30 June 2018: £nil). The above expenses have been included in selling and administration expenses in the Consolidated Statement of Comprehensive Income.

During the year ended 30 June 2019, unsecured loan advances were provided to AEP GP. These amounts are repayable by AEP GP on demand, or by the loan expiry date of 13 November 2020, whichever is the earlier. At 30 June 2019, the amount receivable from AEP GP was £2.8 million (30 June 2018: £2.4 million). General advances accrue interest at 9%. Total interest recognised during the year was £228,000 (30 June 2018: £208,000).

26. Related party transactions (continued)

(b) Transactions with key management personnel

Key management personnel, being Directors of the Group and staff reporting directly to the Managing Director transacted with the Group during the year as follows:

	2019 £000	2018 £000
Key management personnel compensation from Parent Company is as follows:		
Directors' fees payable to non-executive Directors	120	120
Consultancy fees payable to executive Directors	735	629
Total	**855**	**749**

Directors' fees of £10,000 were outstanding at 30 June 2019 (30 June 2018: £Nil). Consultancy fees of £98,000 were outstanding at 30 June 2019 (30 June 2018: £14,000).

	2019 £000	2018 £000
Personnel compensation within RCL Group companies is as follows:		
Short-term employee benefits	1,852	2,035
Total	**1,852**	**2,035**

There were no employee benefits outstanding at 30 June 2019 or 30 June 2018.

27. Fair value

The following methods and assumptions were used to estimate the fair value of each class of asset and financial liability.

Fair value measurement of financial instruments

Finance receivables
The fair values of the Group's finance receivable are considered equivalent to their carrying value due to their short term nature.

Loans and receivables
The fair values of loans and receivables measured at amortised cost are considered equivalent to their carrying value.

Borrowings
The fair value of debenture stock, deposits, bank borrowings and other borrowings is based on the current market interest rates payable by the Group for debt of similar maturities.

Investments - Fair value through profit or loss
Listed equity securities
The listing of the equity securities has been suspended, and so they are no longer actively traded. The equity securities are measured based on the last published net asset value less the value of subsequent capital and income distributions, which the Directors consider to be the best estimate of fair value for the securities at the reporting date.

PTL Receivable
The PTL receivable is measured at fair value, in accordance with a valuation prepared by an external valuer, which is based on the probability weighted Net Present Values (NPVs) of the receivable under three separate scenarios (see note 20). The Directors consider the fair value of the PTL receivable at the reporting date to be best represented by the valuation assessment provided by the external valuer.

Loans and receivables
Loans and receivables measured at fair value are valued on the basis of the future discounted cash flows expected to be received from the assets, which the Directors consider to be the best estimate of fair value for the assets at the reporting date.

27. Fair value (continued)

Derivative financial instruments

Derivative financial instruments are measured at fair value. The derivative financial instrument is a call option for the right to receive 25 residential lots (30 June 2018: 50 residential lots) in a subdivision situated in East Wanaka, New Zealand following the development of 400 sections in a number of tranches. The derivative financial instrument has been valued by an external valuer, using a stochastic discounted cash flow ("DCF") analysis over an assumed development period for the 25 lots. The Directors consider the fair value of the derivative financial instrument to be best represented by the valuation assessment provided by the external valuer.

Other financial assets and liabilities

The fair value of all other financial assets and liabilities is considered equivalent to their carrying value.

	2019		2018	
	Carrying value £000	**Fair value £000**	**Carrying value £000**	**Fair value £000**
Assets				
Cash and cash equivalents	15,096	15,096	13,554	13,554
Finance receivables	672	672	1,015	1,015
Advances to related parties	2,795	2,795	2,404	2,404
Investments – Loans and receivables at amortised cost	2,543	2,543	16,978	16,834
Investments – Fair value through profit or loss	14,164	14,164	274	274
Investments – Derivative financial instruments	2,119	2,119	3,815	3,815
Investments – Available for sale financial assets	-	-	8,531	8,531
Trade and other receivables	5,378	5,378	4,236	4,236
Total assets	**42,767**	**42,767**	**50,807**	**50,663**
Liabilities				
Borrowings	53,375	53,375	54,488	54,488
Other financial liabilities	20,065	20,065	8,778	8,778
Total liabilities	**73,440**	**73,440**	**63,266**	**63,266**

27. Fair value (continued)

Fair Value Hierarchy

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value grouped as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Note	2019 Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Investments – PTL receivable	20	-	-	8,765	8,765
Listed equity securities	20	-	-	144	144
Loans and receivables	20	-	-	5,255	5,255
Investments – Derivative financial instruments	21	-	-	2,119	2,119
Total Assets		-	-	**16,283**	**16,283**

	Note	2018 Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Investments – Available for sale financial asset	19	-	-	8,531	8,531
Listed equity securities	20	-	-	274	274
Investments – Derivative financial instruments	21	-	-	3,815	3,815
Total Assets		-	-	**12,620**	**12,620**

27. Fair value (continued)

Reconciliation of Level 3 fair value measurements of assets

2019	**PTL receivable £000**	**Loans and receivables at fair value through profit or loss £000**	**Listed equity securities £000**	**Available for sale financial assets £000**	**Derivative financial instruments £000**	**Total £000**
Investments held at fair value						
Balance at the beginning of the year	-	-	274	8,531	3,815	12,620
Reclassification to investments at fair value through profit or loss	8,531	5,026	-	(8,531)	-	5,026
Change in fair value through profit or loss within investment revenue	(41)	116	(126)	-	(1,787)	(1,838)
Foreign exchange on translation	275	113	(4)	-	91	475
Balance at the end of the year	**8,765**	**5,255**	**144**	**-**	**2,119**	**16,283**

2018	**Listed equity securities £000**	**Available for sale financial assets £000**	**Derivative financial instruments £000**	**Total £000**
Investments held at fair value				
Balance at the beginning of the year	-	10,007	4,076	14,083
Reclassification of listed equity securities	754	-	-	754
Capital distribution received from listed equities	(374)	-	-	(374)
Change in fair value through profit or loss within investment revenue	(93)	-	124	31
Change in fair value through other comprehensive income	-	(559)	-	(559)
Foreign exchange on translation	(13)	(917)	(385)	(1,315)
Balance at the end of the year	**274**	**8,531**	**3,815**	**12,620**

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

27. Fair value (continued)

Reconciliation of Level 3 fair value measurements of assets (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 30 June 2019 £000	Fair value at 30 June 2018 £000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Listed equity securities	144	274	Last published net asset value less value of subsequent capital distribution	See page 56	See page 56	See page 56
Derivative financial instruments	2,119	3,815	Stochastic discounted cash flow analysis	See page 56	See page 56	See page 56
PTL receivable	8,765	8,531	External valuation using probability weighted scenarios	Percentage probability weightings Discount rate	See pages 52 to 55	See pages 52 to 55
Loan at fair value through profit or loss	1,218	-	Based on NPV of future cash flows and cash balance	Discount rate	10%	If the discount rate used was higher/lower, the fair value would decrease/increase
Receivable at fair value through profit or loss	4,037	-	Cost adjusted for any estimated shortfall in future distribution payable to Limited Partner in Torchlight	Torchlight NAV	Current NAV at year end date	If the value of the Limited Partner's interest in Torchlight fell below the subscription value, the fair value would decrease
	16,283	**12,620**				

27. Fair value (continued)

Valuation process

PTL receivable

In order to ascertain the fair value of the PTL receivable, the Directors engaged an external valuer (see note 20) who assessed the receivable to have a fair value of NZD16.6 million (£8.8 million) (30 June 2018: NZD16.6 million (£8.5 million)). Set out below are details of the inputs used in determining the fair value of the PTL receivable, and analysis as to how the fair value of the receivable would change under varying scenarios.

Valuation assumptions

In determining the fair value of the PTL receivable at year end, the valuer considered three primary scenarios that could occur in the future:

1. The litigation scenario in which PGC would successfully pursue payment of the PTL receivable through litigation;
2. The IPO scenario in which PGC receives payment under the terms of the Deed of Termination of Agreements and Carry (DTAC) after a Newco containing PTL is successfully listed on the NZX Main Board; and
3. The balance is not recovered, i.e. litigation is unsuccessful and no IPO occurs.

The valuer has assigned an 85% likelihood that the receivable will be subject to litigation and a 15% likelihood that the receivable will be recovered through an IPO between 30 June 2020 and 30 June 2022. In the event litigation occurs, the valuer has assigned a 70% probability that the litigation will be successful, so effectively a 59.5% likelihood that the receivable will be recovered via a litigation scenario. The valuer has also recognised that an IPO may not occur and that PGC's litigation may not be successful, resulting in PGC receiving no return from the PTL receivable. The valuer has applied a 20% likelihood of no recovery under that scenario.

Under the IPO scenario, the valuer has assumed three sub-scenarios in which the IPO could take place in one year's time (i.e. on or around 30 June 2020), in two years' time (on or around 30 June 2021), or in three years' time (on or around 30 June 2022), with probabilities of 0%, 40% and 60% respectively. In addition, the valuer has assessed the likelihood of the Newco not achieving a prospective EBITDA multiple of 8.5x to be negligible, and has attributed a probability of 0% to this outcome. All cash flows under the IPO scenario have been discounted using a discount rate of 10.56%.

Using the above valuation assumptions the fair value of the PTL receivable has been calculated as follows:

	Litigation scenario	IPO – thee sub-scenarios			No return scenario
	NZD000	NZD000	NZD000	NZD000	NZD000
Gross Value	22,000	22,000	22,000	22,000	0
Date received	31 Dec 2020	30 June 2020	30 June 2021	30 June 2022	
Discount rate – pre-tax	0.00%	10.56%	10.56%	10.56%	
Present value – 30 June 2019	22,000	19,899	17,998	16,279	
Probability	59.5%	0.0%	8.2%	12.3%	20.0%
Fair Value – 30 June 2019	**16,568**				
	£000				
Fair Value in £ – 30 June 2019	**8,765**				

27. Fair value (continued)

Valuation process (continued)

PTL receivable (continued)
At 30 June 2018, the valuer assigned an 80% likelihood that the receivable would be subject to litigation and a 20% likelihood that the receivable would be recovered through an IPO between 30 June 2019 and 30 June 2021. In the event litigation were to occur, the valuer assigned a 70% probability that the litigation would be successful, so effectively a 56% likelihood that the receivable would be recovered via a litigation scenario. The valuer also recognised that an IPO might not occur and that PGC's litigation might not be successful, resulting in PGC receiving no return from the PTL receivable. The valuer applied a 20% likelihood of no recovery under that scenario.

Under the IPO scenario, the valuer assumed three sub-scenarios in which the IPO could take place in one year's time (i.e. on or around 30 June 2019), in two years' time (on or around 30 June 2020), or in three years' time (on or around 30 June 2021), with probabilities of 0%, 40% and 60% respectively. In addition, the valuer assessed the likelihood of the Newco not achieving a prospective EBITDA multiple of 8.5x to be negligible, and attributed a probability of 0% to this outcome. All cash flows under the IPO scenario were discounted using a discount rate of 8%.

Using the above valuation assumptions the fair value of the PTL receivable as at 30 June 2018 was calculated as follows:

	Litigation scenario		**IPO – thee sub-scenarios**		**No return scenario**
	NZD000	**NZD000**	**NZD000**	**NZD000**	**NZD000**
Gross Value	22,000	22,000	22,000	22,000	0
Date received	31 Dec 2019	30 June 2019	30 June 2020	30 June 2021	
Discount rate – pre-tax	0.00%	8.00%	8.00%	8.00%	
Present value – 30 June 2018	22,000	20,370	18,861	17,464	
Probability	56.0%	0.0%	9.6%	14.4%	20.0%
Fair Value – 30 June 2018	**16,646**				
	£000				
Fair Value in £ – 30 June 2018	**8,531**				

27. Fair value (continued)

Valuation process (continued)

PTL receivable (continued)

Litigation, IPO scenarios and timings

- a 10% decrease in the probability weighting of the successful litigation scenario would result in a reduction in the fair value of the PTL receivable of £970,000;
- a 10% decrease in the probability weighting of the general litigation scenario would result in an increase in the fair value of the PTL receivable of £36,000;
- a 6 month delay in each of the IPO sub-scenarios would result in a reduction in the fair value of the PTL receivable of £83,000;
- a 12 month delay in each of the IPO sub-scenarios would result in a reduction in the fair value of the PTL receivable of £160,000; and
- a 1% decrease in the discount rate used would result in an increase in the fair value of the PTL receivable of £43,000.

The following sensitivity table illustrates the potential impact to the fair value of the PTL receivable arising from potential changes to the litigation success rate and potential delays in the timing of IPO scenarios, with all other variables consistent with initial assumptions.

Success %	IPO delay							Successful litigation probability
	31-Dec-19	30-Jun-20	31-Dec-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	
0%	3,145	2,992	2,844	2,706	2,447	2,214	2,002	**0.0%**
10%	3,961	3,816	3,677	3,547	3,302	3,081	2,881	**8.5%**
20%	4,777	4,641	4,510	4,387	4,157	3,949	3,760	**17.0%**
30%	5,594	5,466	5,343	5,227	5,012	4,816	4,640	**25.5%**
40%	6,410	6,291	6,176	6,068	5,866	5,683	5,519	**34.0%**
50%	7,227	7,116	7,009	6,909	6,721	6,551	6,398	**42.5%**
60%	8,043	7,940	7,841	7,749	7,575	7,419	7,277	**51.0%**
70%	**8,859**	**8,765**	**8,675**	**8,589**	**8,430**	**8,286**	**8,156**	**59.5%**
80%	9,676	9,590	9,507	9,430	9,285	9,154	9,035	**68.0%**
90%	10,492	10,415	10,340	10,270	10,140	10,022	9,915	**76.5%**
100%	11,308	11,239	11,173	11,111	10,995	10,889	10,794	**85.0%**

The following sensitivity table illustrates the potential impact to the fair value of the PTL receivable arising from potential changes to the litigation scenario weighting and potential delays in the timing of IPO scenarios, with all other variables consistent with initial assumptions.

Litigation %	IPO delay							Successful litigation probability
	31-Dec-19	30-Jun-20	31-Dec-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	
70%	8,961	8,802	8,649	8,506	8,238	7,996	7,777	**49.0%**
75%	8,927	8,790	8,658	8,534	8,302	8,093	7,903	**42.5%**
80%	8,893	8,778	8,666	8,562	8,366	8,190	8,030	**56.0%**
85%	8,859	8,765	8,675	8,589	8,430	8,286	8,156	**59.5%**
90%	8,825	8,753	8,683	8,617	8,494	8,383	8,283	**63.0%**
95%	8,792	8,740	8,691	8,645	8,558	8,480	8,409	**66.5%**

27. Fair value (continued)

Valuation process (continued)

PTL receivable (continued)

Litigation, IPO scenarios and timings (continued)

Discount rate

Assessment of fair value requires consideration of a willing buyer and a willing seller on an open market. It is probable that a hypothetical willing buyer of this asset may apply an additional risk premium to the discount rate to reflect the uncertainties associated with the recovery of the PTL receivable. In the sensitivity table below, we show the potential impact to the fair value of the PTL receivable arising from potential changes to the pre-tax discount rate with all other variables consistent with initial assumptions.

Success %				Discount rate				Successful litigation probability
	4.56%	6.56%	8.56%	10.56%	12.56%	14.56%	16.56%	
0%	3,456	3,291	3,136	2,992	2,857	2,731	2,612	0.0%
10%	4,255	4,099	3,953	3,816	3,690	3,570	3,458	8.5%
20%	5,054	4,907	4,770	4,641	4,521	4,409	4,303	17.0%
30%	5,853	5,715	5,587	5,466	3,353	5,248	5,149	25.5%
40%	6,653	6,524	6,404	6,291	6,186	6,087	5,995	34.0%
50%	7,452	7,332	7,220	7,116	7,018	6,926	6,840	42.5%
60%	8,251	8,140	8,037	7,940	7,850	7,765	7,686	51.0%
70%	9,050	8,949	8,854	8,765	8,682	8,604	8,532	59.5%
80%	9,850	9,757	9,671	9,590	9,514	9,444	9,377	68.0%
90%	10,649	10,565	10,488	10,415	10,346	10,283	10,223	76.5%
100%	11,448	11,374	11,305	11,239	11,179	11,122	11,069	85.0%

The following sensitivity table illustrates the potential impact to the fair value of the PTL receivable arising from potential changes to the litigation scenario weighting and the discount rate, with all other variables consistent with initial assumptions.

Litigation %				Discount rate				Successful litigation probability
	4.56%	6.56%	8.56%	10.56%	12.56%	14.56%	16.56%	
70%	9,283	9,112	8,952	8,802	8,663	8,532	8,409	49.0%
75%	9,205	9,057	8,919	8,790	8,669	8,556	8,450	42.5%
80%	9,128	9,003	8,886	8,778	8,676	8,580	8,491	56.0%
85%	9,050	8,949	8,854	8,765	8,682	8,604	8,532	59.5%
90%	8,973	8,895	8,821	8,753	8,689	8,629	8,573	63.0%
95%	8,895	8,840	8,788	8,740	8,695	8,653	8,613	66.5%

Litigation, IPO scenarios and timings

Prospective EBITDA multiple

As set out above, the PTL receivable is determined on the basis of the prospective EBITDA multiple of the Newco on listing.

Having considered the past trading multiples of comparable companies and the headline indices of NZ and Australia, the valuer concluded that the likelihood of this being less than 8.5x (as per the DTAC) is negligible.

In summary, various factors could impact the fair value of the PTL receivable and while the above analysis provides information in respect to the potential impact of changes to the underlying assumptions of the independent expert, the actual fair value may vary significantly from the amount recorded within the consolidated financial statements.

27. Fair value (continued)

Valuation process (continued)

Listed equity securities
The Directors have assessed the trading activities of the equity securities and deemed that the market in these securities is inactive, as the securities' listing is suspended. As a result, the Directors have valued the listed equity securities based on their last published net asset value, less the amount of a capital distribution received subsequently. The investments are classified as level 3 financial instruments in the fair value hierarchy.

Derivative financial instruments
The derivative financial instrument is a call option for the right to receive a fourth tranche of 25 residential lots (30 June 2018: 50 residential lots) in a subdivision situated in East Wanaka, New Zealand. The Group has hitherto exercised options over 75 residential lots in three tranches. The derivative financial instrument has been valued by an external valuer, using a stochastic discounted cash flow ("DCF") analysis over an assumed development period for the 25 lots.

The primary assumptions used in the valuation were: estimated average sale price of NZD355,500 per lot; average lot size of 600 square metres; development costs of NZD121,500 per lot; and each section to be pre-sold subject to title and an overall development and sale period of 4.67 years.

Within the methodology the valuer has allowed for certain parameters to vary as follows:

Number of sections released in future tranches
The developer is to develop and market at least 25 sections in the remaining tranche, meaning the Group will have the option to purchase at least 25 properties at the conclusion of the options' life. The valuer has applied a broad spectrum of possibilities in case this tranche is not completed in line with the agreed timeline for whatever reason.

The escalation or reduction in sale price of the sections
The sale price will be determined by the market at the time of sale. The valuer has applied an assumption of 3.5% per annum increases in sales prices, in line with recent land appreciation rates.

The escalation in the exercise price
The valuer has applied an assumption that there will be no increase in the exercise price, as this has remained constant for the first three tranches of residential lots.

Valuation results
The valuer has modelled a range of possible outcomes using a stochastic DCF analysis with varying assumptions as detailed above. The valuer estimated a low to high range of values of the remaining tranche being between NZD3.8 million and NZD4.2 million respectively. The Directors have determined that as at 30 June 2019 a valuation of NZD4.0 million (£2.1 million), in the middle of this range, best represents the fair value of the residual option for 25 lots (30 June 2018: NZD7.4 million (£3.8 million) for 50 lots).

28. Risk management policies

The Group is committed to the management of operational and financial risk. The primary financial risks are credit, liquidity and market risk (comprising interest rate, foreign exchange and equity price risk). The Group's financial risk management strategy is set by the Directors. The Group has put in place management structures and information systems to manage the risks arising from financial instruments and has separated monitoring tasks where feasible.

28. Risk management policies (continued)

For the purposes of this note the financial instruments can be broken down as follows:

Categories of financial instruments

	2019 £000	2018 £000
Assets		
Financial assets at fair value through profit or loss		
Investments – PTL receivable	8,765	-
Investments – Derivative financial instruments	2,119	3,815
Investments – Fair Value through profit or loss	14,164	274
Financial assets at amortised cost		
Investments – Loans and receivables at amortised cost	2,543	16,978
Cash and cash equivalents	15,096	13,554
Finance receivables	672	1,015
Trade and other receivables	5,378	4,236
Advances to related parties	2,795	2,404
Available-for-sale financial assets		
Investment - PTL receivable	-	8,531
Liabilities		
Financial liabilities at amortised cost		
Borrowings	59,337	63,266
Trade and other payables	20,065	8,778

The credit risk associated with the Group's financial assets is best represented by the carrying value of the assets as disclosed above.

Management of capital
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders, through the optimisation of the debt and equity balance.

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to equity holders of the Company. To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares and may seek to increase or decrease its level of net debt. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its borrowing facilities within the RCL Group. There have been no breaches of such financial covenants during the year. The Group has no significant borrowing facilities nor externally imposed capital requirements.

29. Credit Risk Exposure

Credit risk management framework
Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. To manage this risk, the Directors approve all transactions that would subject the Group to significant credit risk.

Reviewing and assessing credit risk
The credit risk management strategies ensure that:

- Credit origination meets agreed levels of credit quality at point of approval.
- Maximum total exposure to any one debtor is actively managed.
- Changes to credit risk are actively monitored with regular credit reviews.

29. Credit Risk Exposure (continued)

Collateral requirements - finance receivables

The Group has partial or full collateral in place over some finance receivables. The collateral is usually by way of first charge over the asset financed and generally includes personal guarantees from borrowers and business owners.

(a) Credit impairment

Credit impairment assessments are made where events have occurred leading to an expectation of reduced future cash flows from certain receivables measured at amortised cost. Specific impairment allowances are made where events have occurred leading to an expectation of reduced future cash flows from certain receivables. Provisions have also been made for expected future credit losses on loans where appropriate.

Credit impairments are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). All relevant considerations that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the likely realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process. Furthermore, judgement can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are taken. Estimating the timing and amount of future cash repayments and proceeds from the realisation of collateral are difficult and subjective judgements.

During the year, a provision for impairment of NZD0.6 million (£0.3 million) (30 June 2018: NZD0.8 million (£0.5 million)) was made against three related loans receivable with a gross value of NZD4.5 million (£2.4 million) (30 June 2018: NZD4.5 million (£2.3 million)). These loans were impaired by a further 13.125% (30 June 2018: 17.5%) to reflect likely future credit losses.

These loans are recorded at amortised cost less provision for impairment.

The Group also has loans to an Australian borrower group with a gross value of AUD4.4 million (£2.4 million) (30 June 2018: AUD4.4 million (£2.5 million)) and to an Australian investment company with a gross value of NZD7.6 million (£4.0 million) (30 June 2018: NZD7.6 million (£3.9 million)), however during the year, on adoption of IFRS 9, these loans were reclassified as investments at fair value through profit or loss, and are no longer subject to impairment.

With the exception of the above receivables, the Group has no other amounts which are past due at the end of each reporting period.

Concentrations of credit risk

The Group has a concentration of credit risk at 30 June 2019 in relation to its investments in loans and receivables and investment in the PTL receivable (see note 20).

The amount of the PTL receivable is NZD22.0 million (£11.6 million) (30 June 2018: NZD22.0 million (£11.3 million) is due to be paid as soon as a newly incorporated company (Newco) related to the purchaser is listed on the Main Board of the NZX Limited. The Directors are of the view that the listing, should it proceed, will generate sufficient funds to settle this receivable, or alternatively that a significant proportion of the amount could be recovered through litigation. See note 20 for further details.

Maximum exposure to credit risk

The carrying amount of the Group's financial assets recorded in the consolidated financial statements, net of impairment losses relating to financial assets at amortised cost, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

30. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments.

The Group manages liquidity and funding risk by actively monitoring cash on a daily basis to ensure sufficient liquid resources are available to meet requirements. Cash flow forecasts are prepared regularly and corrective action taken where a shortfall in cash is expected.

30. Liquidity risk (continued)

Contractual liquidity profile of financial liabilities

2019	0-12 Months £000	1-2 Years £000	2-5 Years £000	5+ Years £000	Total £000
Financial liabilities					
Borrowings	656	16,459	-	61,902	79,017
Other financial liabilities	5,987	-	14,103	-	20,090
Total financial liabilities	**6,643**	**16,459**	**14,103**	**61,902**	**99,107**

2018	0-12 Months £000	1-2 Years £000	2-5 Years £000	5+ Years £000	Total £000
Financial liabilities					
Borrowings	980	60,683	-	-	61,663
Other financial liabilities	8,778	-	-	-	8,778
Total financial liabilities	**9,758**	**60,683**	**-**	**-**	**70,441**

The tables above show the undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity.

The AUD borrowing facility within the RCL Group expired in September 2019. The projected cashflows relating to repayment of principal of these borrowing facilities reflect the refinancing entered into in August 2019, which extends the repayment to February 2021. Interest payments arising on the NZD facilities included in the 5+ years time band are based on contractual dates of repayment of principal.

The Group's undrawn committed bank facilities at 30 June 2019 amounted to AUDnil million (£nil) (30 June 2018: AUD9.7 million (£5.4 million)).

There were no unrecognised loan commitments for the Group for the year ended 30 June 2019 (30 June 2018: £nil).

31. Market risk

Interest rate risk

Interest rate risk is the risk that market interest rates will change and impact on the Group's financial results.

	WAIR* %	Floating rate financial instruments £000	Fixed rate financial instruments £000	Non-interest bearing financial instruments £000	Total £000
2019					
Assets					
Cash and cash equivalents	1.61%	15,096	-	-	15,096
Finance receivables		-	-	672	672
Advances to related parties	9.00%	-	2,795	-	2,795
Investments – Loans and receivables at amortised cost		-	-	2,543	2,543
Investments – Fair value through profit or loss		-	-	14,164	14,164
Trade and other receivables		-	-	5,378	5,378
Total Assets		**15,096**	**2,795**	**22,757**	**40,648**
Financial liabilities					
Borrowings	9.86%	-	53,375	-	53,375
Other financial liabilities		-	-	20,090	20,090
Total financial liabilities		**-**	**53,375**	**20,090**	**73,465**
Total interest sensitivity gap		**15,096**	**(50,580)**	**2,667**	**(32,817)**

31. Market risk (continued)

Interest rate risk (continued)

	WAIR* %	Floating rate financial instruments £000	Fixed rate financial instruments £000	Non-interest bearing financial instruments £000	Total £000
2018					
Assets					
Cash and cash equivalents	1.79%	13,554	-	-	13,554
Finance receivables		-	-	1,015	1,015
Advances to related parties	9.00%	-	2,404	-	2,404
Investments – Loans and receivables			-	16,978	16,978
Investments – Fair value through profit or loss		-	-	274	274
Investments – Available for sale financial assets		-	-	8,531	8,531
Trade and other receivables		-	-	4,236	4,236
Total Assets		**13,554**	**2,404**	**31,034**	**46,992**
Financial liabilities					
Borrowings	10.56%	-	54,488	-	54,488
Other financial liabilities		-	-	8,778	8,778
Total financial liabilities		**-**	**54,488**	**8,778**	**63,266**
Total interest sensitivity gap		**13,554**	**(52,084)**	**22,256**	**(16,274)**

*Weighted average interest rate

The sensitivity analysis below has been determined based on the Group's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure table above) at the year end date and the stipulated change taking place at the beginning of the financial year and held constant through the reporting period in the case of instruments that have floating rates.

As 30 June 2019, a reasonably probable increase/decrease in interest rates on floating rate financial instruments of 0.5%, with all other variables held constant, would have resulted in an increase of £75,000/decrease of £74,000 in profit or loss in the consolidated Statement of Comprehensive Income for the year (30 June 2018: increase of £68,000/decrease of £66,000). The effect on equity as a result of the above interest rate fluctuations would also be an increase of £75,000/decrease of £74,000 (30 June 2018: increase of £68,000/decrease of £66,000).

Equity Price risk
The Group is exposed to equity price risks arising from its listed equity investments. Information on the Group's equity investments is included in note 20.

Equity price sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to equity price risks at 30 June 2019.

If equity prices had been 10% higher, the Group's loss for the year ended 30 June 2019 would have decreased by £0.03 million (30 June 2018: £0.03 million)

If equity prices had been 10% lower, the Group's loss for the year ended 30 June 2019 would have increased by £0.03 million (30 June 2018: £0.03 million)

Foreign exchange risk
The Group's exposure to foreign currency risk arises from its financial instruments denominated in currencies other than its functional currency, principally Australian Dollar and British Pound Sterling. A reasonably possible increase/decrease of 10% in Australian Dollar and British Pound Sterling against the functional currency of New Zealand Dollar would have resulted in a £0.5 million decrease/increase to profit or loss in the consolidated statement of Comprehensive Income for the year (30 June 2018: £0.6 million). The effect on equity would be an £5.6 million decrease/increase as a result of the above foreign exchange rate fluctuations (30 June 2018: £7.4 million).

32. Contingent liabilities and commitments

Torchlight Fund LP and its subsidiaries

The Group had the following commitments within the RCL Group:

	2019 £000	2018 £000
Contracted work to complete		
Expenditure contracted for at the reporting date but not recognised as liabilities		
Within one year	5,239	21,580

Torchlight Fund LP and its subsidiaries – Contingent assets

The Group has financial guarantees in respect of completion of development works and maintenance bonds to relevant authorities. The value of these guarantees at 30 June 2019 was £2.0 million (30 June 2018: £1.4 million).

33. TFLP winding up petition

A winding up petition was filed by certain Limited Partners of TFLP with the Grand Court of The Cayman Islands and served at the registered office of TFLP on 26 June 2015. The petition sought an order to wind up TFLP. Hearings for this petition commenced on 20 February 2017 and concluded on 1 December 2017.

A winding up petition was filed by certain Limited Partners of TFLP with the Grand Court of The Cayman Islands and served at the registered office of TFLP on 26 June 2015. The petition sought an order to wind up TFLP. Hearings for this petition commenced on 20 February 2017 and concluded on 1 December 2017.

In July 2018, a confidential settlement was reached in respect of the Petition and the Conspiracy Proceedings. Following this settlement:

1) the Petition was withdrawn with no order as to costs;
2) the injunction dated 22 January 2016 referred to above was discharged with no order as to costs;
3) the General Partner discontinued the Conspiracy Proceedings against five of the defendants to the Conspiracy Proceedings with no order as to costs;
4) appeals regarding the challenges to jurisdiction were withdrawn; and
5) the General Partner is still pursuing the Conspiracy Proceedings against the four remaining defendants. Each of these defendants has now filed defences to the Conspiracy Proceedings.

As part of this settlement, the Petitioners agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 million (£14.1 million), as a result of which PGC's direct limited partnership interests increased from 44.2% to 70.3%, without investing additional capital.

Subsequent to settlement of the Petition, on 16 July 2018 the Court directed that it would proceed to publish its judgment in those proceedings in any event. In its direction of 16 July, the Court explained that a key factor in its decision to publish was to make clear that Mr Kerr and Mr Naylor had been fully exonerated, noting in particular that:

"*Mr George Kerr and Mr Russell Naylor have been heavily criticised in the course of these proceedings and their professional standing has been consistently impugned. Not only are Mr. Kerr and Mr. Naylor entitled to know that they have been exonerated but the public is entitled to know it as well. This is a matter of human rights as much as it is a matter of commercial law, and in this context public access to justice is paramount.*"

The Court also directed that notwithstanding the submissions of the Petitioners, there was no reason for the judgment to be anonymised.

Notwithstanding the Court's direction, the Petitioners continued to contend that publication should not ensue. As a result, the Court convened a hearing on 10 September 2018, at which the Petitioners persisted in arguing that judgment should not be published. The trial Judge rejected the Petitioners' arguments at the hearing and handed down his judgment setting out his reasons on 13 September 2018. This decision confirmed that the judgment in the Petition Proceedings should be published and noted that "*the Court considers the merits of publication to be overwhelming*". The Judge concluded that:

"*The Court affirms that it has the overarching discretion to proceed to give a full judgment notwithstanding the prior disposal of a case. The Court also rules that it has jurisdiction to do so, and in the particular circumstances of these proceedings for the specific reasons identified it is in the interests of justice to give the Judgment.*"

The judgement was subsequently published in full on 25 September 2018.

34. Segmental analysis

The Group has 3 reportable segments, as described below, which are the Group's strategic divisions.

The following summary describes the operations in each of the Group's reportable segments for the current year:

Torchlight Segment	Provider of investment management services and a proprietary investor (both directly and in funds it manages).
Property Group	Management of the Group's property assets.
Parent Company	Parent Company that holds investments in and advances to/from subsidiaries.

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit/(loss) for the year, as included in the internal management reports that are reviewed by the Board, which is the Chief Operating Decision Maker ("CODM"). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

(a) Group's reportable segments

	Continuing Operations				
2019	**Torchlight Segment**	**Property Group**	**Parent Company**	**Inter-segment eliminations**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
External revenue					
Interest revenue	214	-	228	-	**442**
Other revenue	1,688	10	-	-	**1,698**
Gross revenue from land development and resale	66,509	1,095	-	-	**67,604**
Cost of land development sales	(53,019)	(514)	-	-	**(53,533)**
Other investment losses	(1,708)	-	(41)	-	**(1,749)**
	13,684	**591**	**187**	-	**14,462**
Internal revenue					
Internal interest revenue/(expense)	20	-	(20)	-	-
Foreign exchange losses	(19)	(1)	(29)	-	**(49)**
Total segment revenue	**13,685**	**590**	**138**	-	**14,413**
Expenses					
Interest expense	(9,486)	(92)	-	-	**(9,578)**
Impairment	(778)	-	-	-	**(778)**
Selling and administration expenses	(7,397)	(138)	(797)	-	**(8,332)**
Total operating expenses	**(17,661)**	**(230)**	**(797)**	-	**(18,688)**
(Loss)/profit before tax	**(3,976)**	**360**	**(659)**	-	**(4,275)**
Income tax charge	(347)	-	-	-	**(347)**
(Loss)/profit after tax	**(4,323)**	**360**	**(659)**	-	**(4,622)**
Non-controlling interests	1,232	-	-	-	**1,232**
(Loss)/profit for the year attributable to owners of the Company	(3,091)	360	(659)	-	(3,390)
Total assets	**164,277**	**3,488**	**72,678**	**(108,745)**	**131,698**
Total liabilities	**100,425**	**12,612**	**582**	**(38,193)**	**75,426**

34. Segmental analysis (continued)

(a) Group's reportable segments (continued)

2018	Continuing Operations Torchlight Segment £000	Property Group £000	Parent Company £000	Inter-segment eliminations £000	Total £000
External revenue					
Interest revenue	187	-	209	-	**396**
Other revenue	1,528	10	-	-	**1,538**
Gross revenue from land development and resale	21,779	-	-	-	**21,779**
Cost of land development sales	(19,729)	-	-	-	**(19,729)**
Other investment loss	(71)	-	-	-	**(71)**
	3,694	**10**	**209**	-	**3,913**
Internal revenue					
Internal interest revenue/(expense)	20	-	(20)	-	-
Foreign exchange (losses)/gains	(1,749)	-	82	-	**(1,667)**
Total segment revenue	**1,965**	**10**	**271**	-	**2,246**
Expenses					
Interest expense	(5,226)	(73)	-	-	**(5,299)**
Impairment reversal	5,290	-	-	-	**5,290**
Wilaci litigation claim reversal	2,910	-	-	-	**2,910**
Selling and administration expenses	(9,691)	(148)	(1,199)	-	**(11,038)**
Total operating expenses	**(6,717)**	**(221)**	**(1,199)**	-	**(8,137)**
Loss before tax	**(4,752)**	**(211)**	**(928)**	-	**(5,891)**
Income tax benefit	228	-	-	-	**228**
Loss after tax	**(4,524)**	**(211)**	**(928)**	-	**(5,663)**
Non-controlling interests	14,602	-	-	-	**14,602**
Profit/(loss) for the year attributable to owners of the Company	**10,078**	**(211)**	**(928)**	-	**8,939**
Total assets	**170,523**	**3,865**	**70,884**	**(106,125)**	**139,147**
Total liabilities	**89,237**	**13,069**	**405**	**(37,784)**	**64,927**

34. Segmental analysis (continued)

(b) Geographical information

The Company is domiciled in Guernsey. The Group has subsidiaries incorporated in three principal geographic areas: New Zealand, Australia and the Cayman Islands.

The Group's revenue from external customers from continuing operations and information about its segment non-current assets by geographical location (of the country of incorporation of the entity earning revenue or holding the asset) are detailed below:

	Revenue from External Customers		Non-Current Assets	
	2019	2018	2019	2018
	£000	£000	£000	£000
New Zealand	819	323	15,285	16,306
Australia	13,563	3,769	51,196	42,237
Cayman Islands	80	(179)	5,255	5,027
	14,462	**3,913**	**71,736**	**63,570**

35. Events after the reporting date

In August 2019, the AUD third party corporate debt facility held within the RCL Group was refinanced for the amount of AUD 47.5 million for an 18 month term at an interest rate of 11.80%.

On 29 July 2019, KCR Residential REIT plc ("KCR"), an AIM-listed real estate trust, focused on the residential property market, announced on the London Stock Exchange that a resolution to issue and allot 9,000,000 New Ordinary Shares, each at 45 pence per share for a total amount of GBP4,050,000, to Torchlight Fund LP was passed at their General Meeting.

The Admission took place on 6 August 2019 and upon completion, the Torchlight Fund LP held approximately 32.6 per cent of the shares in KCR. A further resolution was passed to waive the obligation on the Torchlight Fund LP under Rule 9 of The Takeover Code, to extend offers of purchase to all other equity share holders.

In addition, a resolution was also passed to Grant Torchlight Fund LP an option to subscribe for a further 50,000,000 New Ordinary Shares during the Option Period which ends on the third anniversary of Admission.

KCR also entered into a Strategic Agreement with RCL, a residential land developer in Australia and New Zealand, with the intention that RCL will progress the preparatory design and planning work necessary for the development of relevant properties so as to be available for purchase by KCR.

There were no other material events subsequent to 30 June 2019 to the date when these consolidated financial statements were authorised for issue.

Independent auditor's report

To the members of Pyne Gould Corporation Limited

Opinion

We have audited the consolidated financial statements of Pyne Gould Corporation Limited (the 'Parent Company') and its subsidiaries (together, the 'Group') for the year ended 30 June 2019, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB').

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Guernsey, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Valuation of financial instruments carried at fair value and derivative financial instruments • Recognition of revenue from land development and resale • Measurement of borrowings based on effective interest method • Valuation of inventories comprising land held for resale
Audit scope	• We performed an audit of the complete consolidated financial statements of the Group for the year ended 30 June 2019
Materiality	• Overall materiality of £1.32 million which represents 1% of the Group's total assets

Independent auditor's report (continued)

To the members of Pyne Gould Corporation Limited

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Valuation of financial instruments carried at fair value (2019: £14.2 million, 2018: £8.8 million) and derivative financial instruments (2019: £2.1 million, 2018: £3.8 million) As at 30 June 2019, the Group had invested in financial instruments carried at fair value and derivative financial instruments (together, the 'financial assets'), which are not quoted or traded on a recognised exchange. The valuation of these financial assets involved valuation techniques and use of unobservable inputs as disclosed in note 27 to the financial statements. There is a risk that the fair value of these financial assets may be materially incorrect due to incorrect or inappropriate estimates, judgements and assumptions used in determining their fair value.	Our audit work included, but was not limited to: • Updating our understanding of the valuation processes and performing walkthrough to confirm our understanding of the systems and to test the design and implementation of relevant controls; • Assessing the competence, objectivity and independence of the external experts involved in the valuation; • Evaluating the appropriateness of the valuation models used, performing test of the significant inputs to the valuation, challenging cash flow forecasts and assumptions involved, and verifying the mathematical accuracy of the calculation; • Assessing the Group's disclosures [see note 2(e)] in relation to the use of estimates and judgements regarding the valuation of the financial assets, and the valuation policies adopted [see note 3(n)] and fair value disclosures for compliance with IFRS (see note 27). **Key observations** Based on our work, we found the valuation of the financial assets, including the assumptions and estimates used, reasonable and the Group's disclosures adequate. We confirmed that there were no material matters identified during our audit work on the valuation of the financial assets that we wanted to bring to the attention of the audit committee and the board.

Key Audit Matter	How the matter was addressed in the audit
Recognition of revenue from land development and resale (2019: £67.6 million, 2018: £21.8 million) The Group's revenue for the year ended 30 June 2019 was mainly revenue from land development and resale. There is a risk that the revenue may be misstated due to improper revenue recognition or fraud.	Our audit work included, but was not limited to: • Updating our understanding of the Group's revenue recognition processes and assessing the adequacy of the relevant controls in place to prevent and detect fraud and errors in revenue recognition; • Assessing whether the Group's revenue recognition policy (see note 3) is appropriate, in accordance with IFRS and applied consistently; • Performing analytical procedures on revenue recognised to identify any inconsistencies against expected level based on our knowledge of business gathered in the course of audit; • Selecting a sample of revenue transaction, reviewing the supporting documentation, such as contracts, performing independent recalculation and agreeing relevant information to accounting records; • Holding fraud discussion with management to identify any evidence of fraud or fraud related matters and reviewing journal entries to address the risk of management override. **Key observations** Based on our work, we found the Group's revenue recognition policy appropriate. We confirmed that there were no material matters identified during the course of our audit work on revenue that we want to bring to the attention of the audit committee and the board.

Key Audit Matter	How the matter was addressed in the audit
Measurement of borrowings (2019: £53.4 million, 2018: £54.5 million) based on effective interest method The Group's borrowings as at 30 June 2019 were in the form of third party debt facilities comprising of Tranches A/B and C. Tranche A/B facility consisted of a drawdown facility up to $NZD56 million at an interest rate of 8%. Tranche C facility consisted of a principal amount of $1 and interest which was based upon a 50% share of the net proceeds of each lot sold. The facilities were accounted as a single debt instrument, and management prepared an effective interest rate model which involved historical and estimated future cash flows. There is a risk that the debt facilities may not be measured using the effective interest method and the management estimates involved in the calculation model may not be appropriate.	Our audit work included, but was not limited to: • Reviewing the underlying agreements; • Obtaining the effective interest rate model prepared by management; • Reviewing the model, including checking the calculation of the effective interest rate, verifying the timing and quantum of historical and future cash flows to supporting schedules and quantifying the adjustment to the general ledger; • Recalculating the carrying amount of the borrowing; • Assessing the Group's disclosures [see note 2(e)] in relation to the use of estimates and judgements regarding the measurement of the third party debt facilities, and the accounting policies adopted [see note 3(n)]. **Key observations** Management put through an adjustment on the debt facilities balance and the interest expense based on the procedures performed. After these adjustments were put through, we were satisfied that the debt facilities as at 30 June 2019 were measured at amortised cost using the effective interest method. We confirmed that there were no other material matters identified during the course of our audit work on the debt facilities that we want to bring to the attention of the audit committee and the board.

Key Audit Matter	How the matter was addressed in the audit
Valuation of inventories (2019: £88.6 million, 2018: £88.0 million) comprising land held for resale As at 30 June 2019, the Group's inventories comprised a significant component of the Group's total assets. There is a risk that inventories may not be stated at lower of cost and net realisable value.	Our audit work included, but was not limited to: • Updating our understanding of the status of each project and property; • Assessing whether the costs satisfied the criteria under for capitalisation as part of the carrying cost of inventory and transactions agree to supporting documents by selecting a sample of capitalised construction costs during the year; • Reviewing the inventory schedule and assessing the lower of cost and net realisable value for land under development as at 30 June 2019 - Reviewed and examined the reasonableness of the discounted cash flows workings for active developments (NRV) - Engaged our Grant Thornton valuation specialists to perform testing of the models used, including the assumptions applied in the model against comparable data and actual sales and the discount rate applied to cash flows, and to review the calculations and formula; • For those that have been previously been subject to independent valuation, obtaining the most recent valuation. **Key observations** Based on the procedures performed, we are satisfied that the inventories are measured at lower of cost and net realisable value. We confirmed that there were no other material matters identified during the course of our audit work on the inventories that we want to bring to the attention of the audit committee and the board.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality;
- understanding and evaluation of the Group's internal controls environment including its IT systems and controls;
- assessment of the key transaction cycles and identifying related risks;
- substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the Group control environment and the management of specific risks;
- The following components were determined to be significant; hence, a full scope audit was taken based on their relative materiality to the Group and assessment of audit risk:
    - Torchlight Fund LP – comprising 8% of the Group's total assets; and
    - RCL Real Estate Holdings and its Subsidiaries – comprising 80% of the Group's total assets.
- A full scope audit was performed in relation to the Parent Company.

Independent auditor's report (continued)

To the members of Pyne Gould Corporation Limited

Our application of materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work. Materiality was determined as follows:

Financial statement materiality:
• £1,324,200 which represents 1% of the consolidated total assets. This benchmark is considered the most appropriate benchmark based on the entity's nature of being an investment holding and asset-based group whereby total assets is considered the main KPI.

Performance materiality used to drive the extent of our testing:
• 75% of financial statement materiality for the audit of the consolidated financial statements.

Communication of misstatements to the board of directors:
• £66,200 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 'Directors' Report and Managing Director's Report' set out on pages 4 to 13, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Group; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the consolidated financial statements

As explained more fully in the 'Directors' responsibility statement' set out on page 13, the directors are responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)

To the members of Pyne Gould Corporation Limited

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton Limited
Chartered Accountants
PO Box 313
Lefebvre House
Lefebvre Street
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Guernsey
GY1 3TF

Date: 31 October 2019

STATUTORY DISCLOSURES

The following persons respectively held office as Directors of the Company and the Company's subsidiaries during the year ended 30 June 2019:

Pyne Gould Corporation Ltd
G Kerr
R Naylor
N Kirkwood
M Smith
P Dudley

Torchlight Group
G Kerr
R Naylor

Torchlight GP Limited
G Kerr
R Naylor

Ferrero Investments Limited
R Naylor

MARAC Financial Services Limited
N Kirkwood

MARAC Investments Limited
N Kirkwood

Torchlight (GP) 2 Limited
G Kerr

Torchlight Management Limited
G Kerr

Torchlight Securities Limited
G Kerr

Henley Downs Village Investments Limited
N Kirkwood

Torchlight Real Estate Group
G Kerr
R Naylor

RCL Real Estate Holdings
R Naylor

RCL Real Estate Pty Ltd
R Naylor

RCL Queenstown Pty Ltd
R Naylor

RCL Sanctuary Lakes Pty Ltd
R Naylor

Sanctuary Land Development Pty Ltd
R Naylor

RCL Links Pty Ltd
R Naylor

RCL Grandvue Pty Ltd
R Naylor

RCL Haywards Bay Pty Ltd
R Naylor

RCL Port Stephens Pty Ltd
R Naylor

RCL Pacific Dunes Golf Operations Pty Ltd
R Naylor

RCL Forster Pty Ltd
R Naylor

RCL St Albans Pty Ltd (formerly Taree Pty Ltd)
R Naylor

RCL Merimbula Pty Ltd
R Naylor

RCL Renaissance Rise Pty Ltd
R Naylor

RCL Real Estate Australia Pty Ltd
R Naylor

RCL Sunbury Pty Ltd (formerly Rock Pty Ltd)
R Naylor

RCL Henley Downs Limited
N Kirkwood

RCL Jack's Point Limited
N Kirkwood

NZ Real Estate Credit Limited
N Kirkwood

STATUTORY DISCLOSURES (CONTINUED)

Disclosure of interests
The following are disclosures of interest given by the Directors:

G Kerr
Director and shareholder
Australasian Equity Partners (GP) No.1 Limited.

Ownership of limited partnership interests in Australasian Equity Partners Fund No.1 LP.

General disclosure
All Directors have provided a general notice that they may from time to time undertake personal business transactions with the Company, including utilising the Company's services. All such transactions are carried out in accordance with the Company's normal business criteria for those types of transactions. The Group obtains consulting services from Naylor Partners Pty Ltd, of which R Naylor is a director and shareholder, from Cassone Limited, of which Noel Kirkwood is a director and shareholder, and legal services from Burton Partners. These services are provided on normal commercial terms.

Information used by Directors
No notices were received from Directors of the Company requesting to disclose or use Company information received in their capacity as directors which would not otherwise have been available to them.

Indemnification and insurance of Directors and Officers
The Company has given indemnities to Directors and has arranged insurance for Directors and officers of the Company and its subsidiaries.

These indemnify and insure Directors and officers against liability and costs for actions undertaken by them in the course of their duties. The cost of the insurance premiums to the Company and its subsidiaries for the year was £54,337 (30 June 2018: £35,528)

Details of individual Directors shareholdings are as follows:

	Beneficial	Associated Person
G Kerr		
Balance at 30 June 2018 and 30 June 2019	-	166,309,760
R Naylor		
Balance at 30 June 2018 and 30 June 2019	-	-
N Kirkwood		
Balance at 30 June 2018 and 30 June 2019	-	-
M Smith		
Balance at 30 June 2018 and 30 June 2019	-	-
P Dudley		
Balance at 30 June 2018 and 30 June 2019	-	-

Remuneration of Directors

The total remuneration received by each Director who held office in the Company and its subsidiary companies during the year ended 30 June 2019 was as follows:

Parent Company Directors			**Remuneration**
G Kerr*	Executive	Non-Independent	-
R Naylor*	Executive	Non-Independent	-
N Kirkwood*	Executive	Non-Independent	-
M Smith	Non-Executive	Independent	£60,000
P Dudley	Non-Executive	Independent	£60,000

**Executive Directors do not receive Directors' fees.*

STATUTORY DISCLOSURES (CONTINUED)

Gender composition of Directors

Gender	30 June 2019 Number of Directors	30 June 2018 Number of Directors
Male	4	4
Female	1	1

SHAREHOLDER INFORMATION

Executive employees' remuneration

No employees of the Company and its subsidiary companies, who received remuneration, including non-cash benefits, have received in excess of NZD100,000 for the year ended 30 June 2019.

Donations

During the financial year ended 30 June 2019, the Company made no donations.

Size of shareholdings at 28 June 2019

	Number of holders	% of share capital
1 – 5,000	704	0.53
5,001 – 10,000	208	0.70
10,001 – 50,000	223	2.28
50,001 – 100,000	57	1.99
100,001 and over	60	94.50
Total	**1,252**	**100.00**

Geographic distribution

	Number of holders	% of share capital
New Zealand	1,212	19.42
Overseas	40	80.58
Total	**1,252**	**100.00**

Largest Shareholders at 28 June 2019

Rank	Name	Number of shares	% of share capital
1	Lynchwood Nominees Limited	166,309,760	80.16
2	HSBC Nominees	10,553,406	5.09
3	Tribal Nominees	2,109,858	1.02
4	ASB Nominees Limited	1,917,605	0.92
5	Bryan William Mogridge	1,498,208	0.72
6	Stephen Andrew Walker	1,435,337	0.69
7	Walker and Hall Fine Gifts Limited	1,229,935	0.59
8	Paul Chaney and Dianne Chaney	1,021,080	0.49
9	Michael Murray Benjamin	586,097	0.28
10	Bruce Stewart Miles	562,800	0.27
11	Shane Austin Wakelin	538,124	0.26
12	John Austad Family	529,815	0.26
13	EPIC Trustees Limited	442,482	0.21
14	Alistair Blair McCredie	321,600	0.16
15	Frederick Adams & Rosena Adams	302,772	0.15
16	Philip Skelton & Heather Skelton	275,247	0.13
17	Investment Custodial Services Limited	263,346	0.13
18	Hwa Yuen Ong	253,274	0.12
19	Jedi Investments Limited	250,000	0.12
20	ASB Nominees	236,034	0.11
Total Top Holders Balance		**190,636,780**	**91.89**

SHAREHOLDER INFORMATION (CONTINUED)

Substantial security holders

At 30 June 2019 Lynchwood Nominees Limited held 166,309,760 ordinary shares in the company, being 80.16% of the issued capital of the Company.

New Zealand stock exchange waivers and listing suspensions

No waivers were obtained by the Company from the NZX during the year. The Company delisted from the NZX on 20 November 2018.

PYNE GOULD CORPORATION LIMITED

DIRECTORY

DIRECTORS
George Kerr
Russell Naylor
Noel Kirkwood
Michelle Smith
George Kerr
Paul Dudley

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