Pyne Gould Corporation Limited

INTERIM REPORT AND
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2017

PYNE GOULD CORPORATION LIMITED
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For the period ended 31 December 2017

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT

Directors' Report

Operating Performance

Pyne Gould Corporation ("PGC") delivered an unaudited Net Profit attributable to security holders of GBP 7.93 million for the half year to 31 December 2017 (compared with a Net Profit after Tax of GBP 2.26 million in the half year to 31 December 2016).

After unfavourable non-cash movements in foreign currency reserves, the impact of the Wilaci settlement and ongoing costs associated with the Cayman litigation within Torchlight Fund LP ("TFLP"), on a consolidated basis PGC recorded a Total Comprehensive Loss for the half year to 31 December 2017 of GBP 8.88 million (down from Total Comprehensive Income of GBP 8.84 million in the half year to 31 December 2016).

Statement of Financial Position

Balance sheet movements were predominantly driven by outcomes flowing from the Wilaci settlement – assets and liabilities decreased as a result with a positive overall Net Tangible Assets ("NTA") outcome, after allowing for the negative impact of unfavourable foreign exchange movements.

Foreign exchange movements had a negative impact of £2.52 million (31 December 2016: positive £5.98 million) on the consolidated Statement of Financial Position. As at 31 December 2017, PGC held £42.45 million of net assets (30 June 2017: £36.08 million).

On a per share basis, the NTA per share at 31 December 2017 increased to 20.46 pence per share (30 June 2017: 17.39 pence per share).

Current Assets

PGC Group held consolidated net current assets of £50.35 million (30 June 2017: £51.67 million) as at 31 December 2017.

Group cash balances reduced by £20.21 million over the six month period, from £35.79 million at 30 June 2017 to £15.58 million at 31 December 2017, principally as a result of the settlement of the Wilaci litigation claim during the period.

RCL recorded £8.84 million of residential site sales over the period (31 December 2016: £19.90 million). After the receipt of £0.78 million in deposits and the payment of £8.07 million of development costs (31 December 2016: £7.50 million), this generated a cash contribution of £1.55 million (31 December 2016: £12.404 million) prior to interest, sales and administration expenses.

As at 31 December 2017, PGC Group held £35.39 million (30 June 2017: £32.81 million) in real estate inventories classed as current assets. These inventories represent blocks of land being developed into residential sites for sale over the coming 12 month period. The cash generated is budgeted to amortise working capital finance and support additional investment at RCL.

Current and Non-Current Liabilities

Current assets of £57.35 million (30 June 2017: £79.23 million) comfortably exceeded current liabilities of £7.00 million (30 June 2017: £27.55 million).

As at 31 December 2017, PGC Group had £58.89 million (30 June 2017: £78.98 million) of consolidated liabilities. The decrease in liabilities predominantly relates to the settlement of the Wilaci litigation claim during the period.

Non-Current Assets

PGC Group holds consolidated non-current assets of £78.15 million (30 June 2017: £85.23 million) with £62.99 million (30 June 2017: £72.757 million) in core assets and £15.16 million (30 June 2017: £12.47 million) of legacy non-core assets in process of divestment.

Core non-current inventories of £48.75 million (30 June 2017: £54.11 million) comprise large blocks of land that will not be developed in the coming 12 month period. As time progresses these inventories move incrementally into current assets for development and sale. The long run cashflow from these inventories is expected to be substantially in excess of book value.

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT

Directors' Report (continued)

Non-Current Assets (continued)
Loans and receivables of £10.44 million (30 June 2017: £11.16 million) reduced as a result of movements in exchange rates. The balance is predominantly expected to convert to ownership of underlying real estate assets and increase inventories for long-term profitable development.

Investments of £3.79 million (30 June 2017: £4.08 million) consists of an option over residential development land situated in East Wanaka.

Non-core assets have a book value of £17.42 million.

The largest non-core asset is a receivable independently valued at NZD 17.71 million (£9.31 million) (30 June 2017: (£10.01 million). This receivable represents the consideration PGC is due for agreeing to exit its carried interest in the owner of Perpetual Trust.

The balance is made up of other real estate assets, including a residential real estate project in Tauranga acquired as a distressed asset from Marac at the time of the restructuring and 2009 rights issue. This is valued at NZD 6.31 million (£3.31 million) (30 June 2017: £3.41 million) and will gradually be worked through to cash over the next 5 to 7 years. The first stage of this project is expected to commence settling around the middle of this year.

Non-Controlling Interests
PGC controls and is required to consolidate TFLP. In order to fairly calculate NTA, the accounts must make adjustments and allow for non-controlling interests. As at 31 December 2017, PGC held 44.23% of TFLP. Non-controlling interests represent the balance, which is £34.16 million (30 June 2017: £49.41 million).

Commentary
PGC remains focused on the long run success of Torchlight Fund LP.

After the completion by ASX-listed Lantern Hotel Group ("Lantern") of the sale program of its freehold pub portfolio in Australia, and the distribution of the majority of the resulting proceeds, TFLP's primary asset is a 100% stake in residential land developer RCL.

RCL is continuing to unlock value in the underlying real estate portfolio across Australia (located predominantly in Victoria and New South Wales) and New Zealand, including Hanley Downs near Queenstown. Hanley Downs successfully rezoned in the third quarter of 2016 and has begun the process of unlocking cash value over time. The first stages of this project were released to the market in the latter part of 2016. As at 31 December 2017, 256 sites had been sold through a series of progressive releases. Focus is now on delivering the stock which has been sold, with settlements expected to commence towards the end of March this year.

RCL has a number of pre-qualified opportunities to restock the Australian portfolio which are currently being pursued.

Consistent with our previous advice, PGC remains focused on patiently executing its long-term strategy of exiting non-core assets and building a long term business from distressed assets.

While it might seem a long journey since PGC's restructuring and the establishment of the Torchlight business, we are grateful to shareholders for the patience and understanding you are demonstrating.

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

George Kerr
Managing Director

23 March 2018

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2017

	NOTE	UNAUDITED 6 months to 31 December 2017 £000	UNAUDITED 6 months to 31 December 2016 £000
Other revenue		913	978
Total fees and other revenue	5	**913**	**978**
Interest revenue		300	178
Interest expense		(2,620)	(3,467)
Net interest expense		**(2,320)**	**(3,289)**
Revenue from land development and resale		8,843	19,902
Cost of land development sales		(7,318)	(12,370)
Net revenue from land development and resale		**1,525**	**7,532**
Dividend revenue		28	**26**
Other investment revenue		(195)	**4,585**
Net other investment (loss)/revenue	5	**(167)**	**4,611**
Net operating (loss)/revenue		**(49)**	**9,832**
Selling and administration expenses	6	(8,777)	(7,422)
Wilaci litigation claim write-back	18	2,910	-
Foreign exchange (losses)/gains		(408)	230
Impaired asset expense		(39)	-
(Loss)/profit before tax		**(6,363)**	**2,640**
Tax credit		-	218
(Loss)/profit for the period after tax		**(6,363)**	**2,858**
Other comprehensive (loss)/income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Foreign currency adjustment on translation to presentation currency		(2,517)	5,982
Total other comprehensive (loss)/income		**(2,517)**	**5,982**
Total comprehensive (loss)/income for the period		**(8,880)**	**8,840**
(Loss)/profit attributable to:			
Owners of the Parent Company		7,934	2,260
Non-controlling interests		(14,297)	598
(Loss)/profit for the period		**(6,363)**	**2,858**
Total comprehensive (loss)/income attributable to:			
Owners of the Parent Company		6,368	5,616
Non-controlling interests		(15,248)	3,224
Total comprehensive (loss)/income for the period		**(8,880)**	**8,840**
Earnings per share		**Pence**	**Pence**
Basic and diluted earnings per share attributable to owners of the Parent Company	8	3.82	1.09
Basic and diluted earnings per share attributable to owners of the Parent Company – continuing operations	8	3.82	1.09

The notes on pages 10 to 30 are an integral part of these interim condensed consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2017

31 December 2017 - UNAUDITED	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Available for Sale reserve	Non-controlling interests acquisition reserve	Non-controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 July 2017	**151,940**	**23,885**	**(136,589)**	**(2,322)**	**(837)**	**49,407**	**85,484**
Total comprehensive income for the period							
Profit/(loss) for the period	-	-	7,934	-	-	(14,297)	(6,363)
Other comprehensive loss							
Foreign currency adjustment on translation to presentation currency	-	(1,566)	-	-	-	(951)	(2,517)
Total other comprehensive loss	**-**	**(1,566)**	**-**	**-**	**-**	**(951)**	**(2,517)**
Total comprehensive income for the period	**-**	**(1,566)**	**7,934**	**-**	**-**	**(15,248)**	**(8,880)**
Balance at 31 December 2017	**151,940**	**22,319**	**(128,655)**	**(2,322)**	**(837)**	**34,159**	**76,604**

The notes on pages 10 to 30 are an integral part of these interim condensed consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the period ended 31 December 2017

31 December 2016 - UNAUDITED	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Available for Sale reserve	Non-controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000
Balance at 1 July 2016	**151,940**	**20,455**	**(116,850)**	**(537)**	**46,396**	**101,404**
Profit for the period	-	-	2,260	-	598	2,858
Other comprehensive income						
Foreign currency adjustment on translation to presentation currency	-	3,356	-	-	2,626	5,982
Total other comprehensive income	-	3,356	-	-	2,626	5,982
Total comprehensive income for the period	-	**3,356**	**2,260**	**-**	**3,224**	**8,840**
Balance at 31 December 2016	**151,940**	**23,811**	**(114,590)**	**(537)**	**49,620**	**110,244**

The notes on pages 10 to 30 are an integral part of these interim condensed consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	NOTE	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
ASSETS			
Current assets			
Cash and cash equivalents		15,578	35,789
Trade and other receivables		2,022	3,134
Investments – Loans and receivables	16	1,656	3,099
Finance receivables – Other	10	1,041	1,161
Non-current assets held for sale	11	-	848
Inventories	12	35,386	32,810
Investments – Fair value through profit or loss	14	1,510	2,013
Prepayments		157	374
Total current assets		**57,350**	**79,228**
Non-current assets			
Property, plant and equipment		196	166
Advances to related parties	19	2,345	2,301
Inventories	12	52,066	57,518
Investment – Available for sale financial asset	13	9,307	10,007
Investments – Loans and receivables	16	10,443	11,163
Investments – Derivative financial instruments	15	3,791	4,076
Total non-current assets		**78,148**	**85,231**
Total assets		**135,498**	**164,459**
LIABILITIES			
Current liabilities			
Borrowings	17	-	455
Wilaci litigation claim	18	-	20,542
Trade and other payables		6,999	6,556
Total current liabilities		**6,999**	**27,553**
Non-current liabilities			
Borrowings	17	49,951	49,430
Deferred tax liability		1,944	1,992
Total non-current liabilities		**51,895**	**51,422**
Total liabilities		**58,894**	**78,975**
EQUITY			
Share capital	9	151,940	151,940
Foreign currency translation reserve	9	22,319	23,885
Accumulated losses	9	(128,655)	(136,589)
Available for sale reserve	9	(2,322)	(2,322)
Non-controlling interests acquisition reserve	9	(837)	(837)
Total equity – attributable to the entities owners		**42,445**	**36,077**
Non-controlling interests	9	**34,159**	**49,407**
Total equity		**76,604**	**85,484**
Total equity and liabilities		**135,498**	**164,459**

The notes on pages 10 to 30 are an integral part of these interim condensed consolidated financial statements.

PYNE GOULD CORPORATION LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 31 December 2017

	NOTE	UNAUDITED 6 months to 31 December 2017 £000	UNAUDITED 6 months to 31 December 2016 £000
Cash flows from operating activities			
Interest received		199	86
Rental revenue		5	8
Dividend revenue		28	26
Capital distributions received from FVTPL investments		1,707	4,802
Proceeds from sale of inventories		9,616	19,902
Fees and other revenue received		890	969
Total cash provided from operating activities		**12,445**	**25,793**
Payments to suppliers and employees and litigation claim settlement		(27,015)	(7,763)
Development costs of inventories		(8,066)	(7,498)
Interest paid		-	(429)
Total cash applied to operating activities		**(35,081)**	**(15,690)**
Net cash flows (applied to)/provided from operating activities	7	**(22,636)**	**10,103**
Cash flows from investing activities			
Proceeds from settlement of finance receivables		1,319	-
Proceeds from disposal of investments		267	410
Proceeds from sale of asset held for sale		848	-
Proceeds from repayment of loan advances		-	709
Total cash provided from investing activities		**2,434**	**1,119**
Acquisition of property, plant and equipment		(67)	(4)
Increase in advances to other related parties		(85)	(42)
Total cash applied to investing activities		**(152)**	**(46)**
Net cash flows from investing activities		**2,282**	**1,073**
Cash flows from financing activities			
Increase in borrowings		6,836	44,603
Total cash provided from financing activities		**6,836**	**44,603**
Decrease in borrowings		(6,876)	(48,075)
Total cash applied to financing activities		**(6,876)**	**(48,075)**
Net cash flows applied to financing activities		**(40)**	**(3,472)**
Net (decrease)/increase in cash and cash equivalents		**(20,394)**	**7,704**
Foreign currency adjustment on translation of cash balances to presentation currency		183	122
Opening cash and cash equivalents		35,789	8,593
Closing cash and cash equivalents		**15,578**	**16,419**
Represented by:			
Cash and cash equivalents		15,578	16,419
		15,578	**16,419**

The notes on pages 10 to 30 are an integral part of these interim condensed consolidated financial statements.

1. Reporting Entity

Pyne Gould Corporation Limited is a listed Company in New Zealand. The financial statements presented are the consolidated interim financial statements comprising Pyne Gould Corporation Limited ("the Company") and its subsidiaries (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. In New Zealand the Company is now registered as an Overseas Non-ASIC Company. The registered office address of the Company is Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 1GR.

These consolidated interim financial statements were authorised by the Directors for issue on 23 March 2018.

2. Basis of Preparation

The financial statements presented here relate to the following periods:

At 31 December 2017: 6 month period – unaudited
At 31 December 2016: 6 month period – unaudited

(a) Statement of compliance

These consolidated condensed interim financial statements (the “interim financial statements”) have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and The Companies (Guernsey) Law, 2008. They comply with NZ IAS 34 and IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the Group as at and for the year ended 30 June 2017 (the “annual financial statements”).

The Company and all entities within the Group are profit-oriented entities. The Company is an overseas FMC reporting entity under the Financial Markets Conduct Act 2013 (“FMCA 2013”). The Group reports in accordance with Part 7 of the FMCA 2013.

In addition, as a Guernsey domiciled company, the interim financial statements also comply with the legal and regulatory requirements of The Companies (Guernsey) Law, 2008.

(b) Accounting judgements and major sours of estimation uncertainty

There have been no significant changes in the key sources of estimation uncertainty from those outlined in the annual financial statements for the year ended 30 June 2017 to the interim financial statements.

3. Significant accounting policies

The accounting policies applied in the preparation of the interim financial statements are the same as those applied in the Group’s annual financial statements for the year ended 30 June 2017.

There were no new standards or amendments to standards applied during the period.

4. Segmental analysis

The Group has three 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 period:

Torchlight Group	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 period, 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.

4. Segmental analysis (continued)

Group's reportable segments

Revenue and expenditure

6 months to 31 December 2017 - UNAUDITED	Torchlight Segment £000	Property Group £000	Parent Company £000	Total £000
External revenue				
Interest revenue	197	-	103	**300**
Other revenue	908	5	-	**913**
Investment revenue	1,358	-	-	**1,358**
	2,463	5	103	**2,571**
Internal revenue				
Foreign exchange (losses)/gains	(484)	-	76	**(408)**
Total segment revenue	**1,979**	**5**	**179**	**2,163**
Expenses				
Interest expense	(2,604)	(16)	-	**(2,620)**
Impaired asset expense	(39)	-	-	**(39)**
Wilaci litigation claim write-back	2,910	-	-	**2,910**
Selling and administration expenses	(7,863)	(84)	(830)	**(8,777)**
Total operating expenses	**(7,596)**	**(100)**	**(830)**	**(8,526)**
Loss before tax	**(5,617)**	**(95)**	**(651)**	**(6,363)**
Income tax credit	-	-	**-**	**-**
Loss after tax	**(5,617)**	**(95)**	**(651)**	**(6,363)**
Non-controlling interests	(14,297)	-	-	(14,297)
Profit/(loss) for the period attributable to owners of the Company	**8,680**	**(95)**	**(651)**	**7,934**

4. Segmental analysis (continued)

Group's reportable segments (continued)

Revenue and expenditure

6 months to 31 December 2016 - UNAUDITED	**Torchlight Group**	**Property Group**	**Parent Company**	**Total**
	£000	**£000**	**£000**	**£000**
External revenue				
Interest revenue	90	-	88	**178**
Other revenue	968	10	-	**978**
Investment revenue	12,146	-	(3)	**12,143**
Internal revenue				
Internal interest revenue/(expense)	4	-	(4)	**-**
Foreign exchange gains/(losses)	261	-	(31)	**230**
Total segment revenue	**13,469**	**10**	**50**	**13,529**
Expenses				
Interest expense	(3,470)	(7)	10	**(3,467)**
Other operating expenses	(6,653)	(71)	(698)	**(7,422)**
Total operating expenses	**(10,123)**	**(78)**	**(688)**	**(10,889)**
Profit/(loss) before tax	**3,346**	**(68)**	**(638)**	**2,640**
Income tax credit	218	-	-	**218**
Profit/(loss) after tax	**3,564**	**(68)**	**(638)**	**2,858**
Non-controlling interests	(598)	-	-	**(598)**
Profit/(loss) for the period attributable to owners of the Company	**2,966**	**(68)**	**(638)**	**2,260**

4. Segmental analysis (continued)

Group's reportable segments (continued)

Assets and liabilities

As at 31 December 2017 - UNAUDITED	Torchlight Segment £000	Property Group £000	Parent Company £000	Inter-segment eliminations £000	Total £000
Total assets	167,535	3,668	73,586	(109,291)	135,498
Total liabilities	84,631	12,980	474	(39,191)	58,894
As at 30 June 2017 - AUDITED					
Total assets	263,465	3,847	79,815	(182,668)	164,459
Total liabilities	107,778	13,717	498	(43,018)	78,975

5. Investment and other revenue

	UNAUDITED 6 months to 31 December 2017 £000	UNAUDITED 6 months to 31 December 2016 £000
Investment (loss)/revenue		
Dividend revenue	28	26
Capital distributions received from listed equity securities	-	4,802
Movement in fair value of listed equity securities	(195)	(217)
Net investment (loss)/revenue	**(167)**	**4,611**
Other revenue		
Golf revenue	903	892
Miscellaneous revenue	5	78
Rental revenue	5	8
Total other revenue	**913**	**978**

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.

6. Selling and administration expenses

	UNAUDITED 6 months to 31 December 2017 £000	UNAUDITED 6 months to 31 December 2016 £000
Directors' fees	60	56
Personnel expenses *	1,176	1,115
Legal and consultancy fees	5,425	3,616
Other operating expenses **	2,116	2,635
Selling and administration expenses	**8,777**	**7,422**

** Personnel expenses have been generated from within the RCL Group.*
*** 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.*

7. Reconciliation of profit after tax to net cash flows from operating activities

	UNAUDITED 6 months to 31 December 2017 £000	UNAUDITED 6 months to 31 December 2016 £000
(Loss)/profit for the period	**(6,363)**	**2,858**
Adjustments for non-cash items:		
Loss on disposal of assets	618	-
Foreign exchange loss/(gain)	142	(181)
Impairment of finance receivables	39	-
Depreciation and amortisation of non-current assets	37	16
Unrealised loss/(gain) on investments	(156)	628
Interest paid	2,518	2,945
Wilaci litigation claim	(20,542)	-
Other non-cash items	40	(206)
Total non-cash items	**(17,304)**	**3,202**
Adjustments for movements in working capital:		
Trade and other receivables	588	(2,286)
Trade and other payables	443	6,329
Total movements in working capital	**1,031**	**4,043**
Net cash flows (applied to)/from operating activities	**(22,636)**	**10,103**

8. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net earnings after tax by the weighted average number of ordinary shares in issue during the period.

	UNAUDITED 6 months to 31 December 2017 £000	UNAUDITED 6 months to 31 December 2016 £000
Earnings after tax attributable to owners of the Company	7,934	2,260
Earnings after tax attributable to owners of the Company – continuing operations	7,934	2,260
Weighted average number of ordinary shares in issue (000)	207,463	207,463
Basic and diluted earnings (pence per share)	**3.82**	**1.09**
Basic and diluted earnings (pence per share – continuing operations)	**3.82**	**1.09**

	UNAUDITED 31 December 2017	AUDITED 30 June 2017
Net tangible assets per share (pence per share)*	**20.46**	**17.39**

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

9. 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 NZ Dollar non-redeemable Ordinary Shares in issue at the date of this report.

	UNAUDITED 31 December 2017 Shares 000s	AUDITED 30 June 2017 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.

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

The Available for Sale reserve comprises the accumulated unrealised gains and losses for each financial period on the Available for Sale financial asset.

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 excess of consideration transferred and recognised in transactions between the Group and NCIs.

10. Finance receivables - other

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Current		
Gross finance receivables	1,041	1,161
Less: allowance for impairment	-	-
Total finance receivables	**1,041**	**1,161**

Finance receivables are loans with various terms and interest rates.

11. Non-current asset held for sale

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Opening balance	848	-
Transfer from investment property	-	388
Change in fair value	-	431
Disposal	(848)	-
Foreign exchange gain	-	29
Closing balance	**-**	**848**

The non-current asset held for sale disposed of during the period comprised a residential property held within the Torchlight segment of the Group.

12. Inventories

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Current assets		
Land held for resale		
Cost of acquisition	22,550	22,179
Development costs	12,836	10,631
	35,386	**32,810**
Non-current assets		
Cost of acquisition	47,459	56,892
Development costs	4,607	626
	52,066	**57,518**
Total inventories	**87,452**	**90,328**

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 the Group's accounting policy, inventories are held at the lower of cost and net realisable value. All inventories are held at cost. At 31 December 2017, these Inventories are pledged as security to a third party corporate debt facility as detailed further in note 17.

The remaining inventories comprise an investment property held for development in the Property Group segment of the business. These inventories were classified as investment property in the period ended 31 December 2016 and were reclassified to inventories during the year ended 30 June 2017. At 31 December 2017, partial security is held over this property for a bank borrowing facility of NZD 1.2 million (£0.6 million) (30 June 2017: NZD 0.8 million (£1.5 million)).

During the period, AUD 12.5 million (£7.3 million) (31 December 2016: AUD 12.5 million (£7.4 million)) of inventories 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 period (31 December 2016: £Nil).

The following amounts were recognised in profit or loss within the consolidated Statement of Comprehensive Income in respect of the inventories held within the Property Group during the period ended 31 December 2017:

	UNAUDITED 31 December 2017 £000	UNAUDITED 31 December 2016 £000
Rental revenue	**5**	**8**
Direct operating expenses arising from inventories/ investment property that generated investment revenue	**6**	**5**

13. Investment – Available for sale financial asset

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Receivables – Sale of Perpetual Trust Limited ("PTL")	9,307	10,007
Total available for sale financial assets	**9,307**	**10,007**

The fair value of the Group's investment in the Available for sale financial asset 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 2017, which assessed the fair value of the PTL receivable to be NZD 17.7 million (£9.3 million) (30 June 2017 NZD 17.7 million (£10.0 million)). The key assumptions underlying the valuation are the same as those applied in the Group's 30 June 2017 annual financial statements. The Directors have taken into consideration all events that have transpired during the interim reporting period and consider that these assumptions remain appropriate.

For further details of the methods and assumptions used to estimate the fair value of Available for sale financial asset, and the sensitivity of this balance to variation of key inputs to the valuation, see note 20.

14. Investments – Fair value through profit or loss

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Current assets		
Listed UK equity securities	756	1,241
Listed Australian equity securities	754	772
Total Investments – Fair value through profit or loss	**1,510**	**2,013**

For details of methods and assumptions used to estimate the fair value of each of the above listed assets see note 20.

15. Investments – Derivative financial instruments

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Non-current assets		
Derivative financial instruments	3,791	4,076
Total Investments – Derivative financial instruments	**3,791**	**4,076**

The fair value of the Group's Derivative financial instruments at 31 December 2017 has been arrived at on the basis of a valuation carried out by an external valuer as at 30 June 2017. The external valuer assessed the Derivative financial instruments to have a fair value in the range of NZD 6.0 million to NZD 8.5 million. In the opinion of the Directors, a valuation of NZD 7.2 million (£3.8 million), in the middle of this range, best represents the fair value of the Derivative financial instruments at 31 December 2017 (30 June 2017: NZD 7.2 million or £4.1 million). The key assumptions underlying the valuation are the same as those applied in the Group's 30 June 2017 annual financial statements. The Directors have taken into consideration all events that have transpired during the interim reporting period and consider that these assumptions remain appropriate. For details of methods and assumptions used to estimate the fair value of each of the above listed assets see note 20.

16. Investments – Loans and receivables

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Current assets		
Loans receivable - gross	2,365	2,543
Impairment of loans receivable	(709)	(763)
Loans receivable – net of impairment	1,656	1,780
Other receivables	-	1,319
Total current loans and receivables	**1,656**	**3,099**
Non-current assets		
Loans receivable - gross	23,384	62,414
Impairment of loans receivable	(14,537)	(52,967)
Loans receivable – net of impairment	8,847	9,447
Other receivables	1,596	1,716
Total non-current loans and receivables	**10,443**	**11,163**
Total Investments – Loans and receivables	**12,099**	**14,262**

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

Other receivables
Other receivables comprises the following amounts:

- £Nil (30 June 2017: £1.3 million) held in cash escrow following the Local World sale in October 2015. The escrow funds were released in November 2017; and
- NZD 3.0 million (£1.6 million) (30 June 2017: NZD 3.0 million (£1.7 million)) paid as a deposit towards 50% of development costs on an initial exercise of a call option in respect of 50 residential lots.

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

	31 December 2017			
	£000	£000	£000	£000
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	1,596	-	-	1,596
Up to 12 months	-	-	-	-
1 to 3 years	-	1,656	-	1,656
More than 3 years	4,011	4,836	-	8,847
Total	**5,607**	**6,492**	**-**	**12,099**

	30 June 2017			
	£000	£000	£000	£000
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	3,035	-	-	3,035
Up to 12 months	-	-	-	-
1 to 3 years	-	1,780	-	1,780
More than 3 years	4,312	5,135	-	9,447
Total	**7,347**	**6,915**	**-**	**14,262**

17. Borrowings

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Current		
Third party corporate debt facility – secured (Other)	-	455
Non-current		
Third party corporate debt facility – secured (RCL)	49,354	49,430
Third party corporate debt facility – secured (Other)	597	-
Total borrowings	**49,951**	**49,885**

The RCL 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.

The borrowing facilities within the RCL Group expired in September 2016. The lender subsequently provided the Group with an offer to extend these facilities for a period of 3 years and the offer was accepted. Documentation to extend the facility was entered into, and all conditions precedent met, on 23 December 2016.

The other non-current third party corporate debt facility is secured against an investment property held for development in the property group segment and included within Inventories (see note 12). This debt facility expired on 10 February 2018 and was renewed for a further year to 10 February 2019.

18. Wilaci litigation claim

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Current		
Provision for Wilaci litigation claim	**-**	**20,542**

In conjunction with a capital contribution from Torchlight Fund No. 1 LP ("TLF1") in December 2012, TFLP agreed to assume liability for a AUD 37.0 million loan provided by Wilaci Pty Limited ("Wilaci"), a third party lender. The loan was secured by a general security deed ("GSD") granted by TLF1 in favour of Wilaci and has since been repaid in full.

In a separate proceeding, TLF1 sought an order that a late payment fee of approximately AUD 31.5 million claimed by Wilaci was an unlawful penalty and could not be recovered ("Penalty Proceeding"). The Penalty Proceeding was tried in August 2015 in the High Court of New Zealand at Auckland and subsequently on 19 October 2015, a favourable judgement was delivered by the High Court confirming that the late payment fee claimed by Wilaci was unenforceable and not payable. Wilaci had the right to appeal and subsequently on 13 November 2015 lodged an appeal against the High Court decision. The appeal was heard in October 2016 and on 29 May 2017 the New Zealand Court of Appeal allowed the appeal and overturned the original judgement.

TLF1's General Partner, a subsidiary of the Company, is jointly and severally liable for the debts of TLF1 in the event TLF1 is unable to meet its obligations. Given that TLF1 has no assets and is in liquidation, the liability was recognised in the books of the General Partner in the Group's consolidated financial statements as at 30 June 2017.

On 14 July 2017, the New Zealand Supreme Court denied TLF1 leave to appeal further. On 31 July 2017, Wilaci served a statutory demand on the General Partner for payment of the judgement sum on or before 21 August 2017. This demand expired unmet, and on 28 August 2017, Wilaci filed an application in the New Zealand High Court for liquidation of the General Partner, to be called on 6 October 2017. On 1 September 2017, the Receivers applied for freezing orders over the various assets referred to above which they allege were transferred by TLF1's General Partner, a subsidiary of the Company, to TFLP in breach of the GSD.

In December 2017, the Group reached a settlement in the dispute with Wilaci. As a result the amount provisioned in the General Partner as at 30 June 2017 has been reversed in the current reporting period, and the settlement amount has been expensed via TFLP.

19. 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 Limited Partnership ("AEP LP"), is the parent of PGC, holding 80.16% of PGC's shares at 31 December 2017. George Kerr is the ultimate controlling party of AEP LP.

AEP GP charged PGC administration fees of £106,000 during the period ended 31 December 2017 (31 December 2016: £162,000). At 31 December 2017, there was no outstanding balance payable to AEP GP (30 June 2017: £Nil). The above expenses have been included in selling and administration expenses in the Consolidated Statement of Comprehensive Income.

The above expenses have been included in selling and administration expenses in the Consolidated Statement of Comprehensive Income.

During the period ended 31 December 2017, unsecured loan advances were provided to AEP GP. These amounts are repayable by AEP GP on demand or by the loan expiry date of 30 November 2020. At 31 December 2017, the amount receivable from AEP GP was £2.3 million (30 June 2017: £2.3 million). General advances accrue interest at 9%. Total interest recognised during the period was £103,000 (31 December 2016: £93,000).

(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 period as follows:

	UNAUDITED 31 December 2017 £000	UNAUDITED 31 December 2016 £000
Key management personnel compensation from the Parent Company is as follows:		
Directors' fees payable to non-executive Directors	60	56
Consultancy fees payable to executive Directors	313	242
Total	**373**	**298**

There were no Directors' fees outstanding at 31 December 2017 or 30 June 2017. Consultancy fees of £8,000 were outstanding at 31 December 2017 (30 June 2017: £8,000).

	UNAUDITED 31 December 2017 £000	UNAUDITED 31 December 2016 £000
Personnel compensation within the RCL Group companies is as follows:		
Short-term employee benefits	1,065	1,115
Total	**1,065**	**1,115**

There were no employee benefits outstanding at 31 December 2017 or 30 June 2017.

20. 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 value of the Group's finance receivables are considered equivalent to their carrying value due to their short term nature.

Other loans and receivables
The fair values of other loans and receivables 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
Investments at fair value through profit or loss comprises UK and Australian listed equity securities, which are measured at fair value, based on unadjusted quoted prices in active markets for identical assets.

Investment – Available for sale financial asset
Available for sale financial assets are measured at fair value. The fair value of the available for sale financial asset is determined by an external valuer and has been based on the probability weighted Net Present Values (NPVs) of a receivable under three separate scenarios (see 'Valuation process' section of this note). The Directors consider the assessment of the fair value of the Available for sale financial asset to be best represented by the valuation assessment provided by the external valuer.

Derivative financial instruments
Derivative financial instruments are measured at fair value. The fair value of the derivative financial instruments is determined by an external valuer using a stochastic discounted cash flow ("DCF") analysis over an assumed development period. The Directors consider the assessment of the fair value of the derivative financial instruments to be best represented by the valuation assessment provided by the external valuer.

Other financial assets and liabilities
The fair value of other financial assets and liabilities is considered equivalent to their carrying value due to their short term nature.

	UNAUDITED 31 December 2017		AUDITED 30 June 2017	
	Carrying value	Fair value	Carrying value	Fair value
	£000	£000	£000	£000
Assets				
Cash and cash equivalents	15,578	15,578	35,789	35,789
Finance receivables – other	1,041	1,041	1,161	1,161
Advances to related parties	2,345	2,345	2,301	2,301
Investments – Loans and receivables	12,099	11,974	14,262	14,115
Investments – Fair value through profit or loss	1,510	1,510	2,013	2,013
Investments – Derivative financial instruments	3,791	3,791	4,076	4,076
Investments – Available for sale financial assets	9,307	9,307	10,007	10,007
Trade and other receivables	2,022	2,022	3,134	3,134
Total assets	**47,693**	**47,568**	**72,743**	**72,596**
Liabilities				
Borrowings	49,951	49,951	49,885	49,885
Other financial liabilities	6,999	6,999	27,098	27,098
Total liabilities	**56,950**	**56,950**	**76,983**	**76,983**

20. Fair value (continued)

Fair Value Hierarchy

The following tables provide 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		UNAUDITED 31 December 2017		
		Level 1	Level 2	Level 3	Total
		£000	£000	£000	£000
Assets					
Investments – Available for sale financial asset	13	-	-	9,307	9,307
Listed UK equity securities	14	756	-	-	756
Listed Australian equity securities	14	754	-	-	754
Investments – Derivative financial instruments	15	-	-	3,791	3,791
Total Assets		**1,510**	**-**	**13,098**	**14,608**

There were no transfers between Levels 1, 2 and 3 in the period (31 December 2016: no transfers).

	NOTE		AUDITED 30 June 2017		
		Level 1	Level 2	Level 3	Total
		£000	£000	£000	£000
Assets					
Investments – Available for sale financial asset	13	-	-	10,007	10,007
Listed UK equity securities	14	1,241	-	-	1,241
Listed Australian equity securities	14	772	-	-	772
Investments – Derivative financial instruments	15	-	-	4,076	4,076
Total Assets		**2,013**	**-**	**14,083**	**16,096**

There were no transfers between Levels 1, 2 and 3 in the year.

Reconciliation of Level 3 fair value measurements of assets

	UNAUDITED 31 December 2017		
	Available for sale financial assets	Derivative financial instruments	Total
	£000	£000	£000
Investments held at fair value			
Balance at the beginning of the period	10,007	4,076	14,083
Foreign exchange on translation	(700)	(285)	(985)
Balance at the end of the period	**9,307**	**3,791**	**13,098**

Foreign exchange translation movements are recognised in other comprehensive income.

20. Fair value (continued)

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

		AUDITED 30 June 2017		
	Investment property £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	3,454	11,036	6,112	20,602
Reclassification of investment property to inventories	(3,066)	-	-	(3,066)
Reclassification of investment property to non-current assets held for sale	(388)	-	-	(388)
Change in fair value through profit or loss within investment revenue	-	-	(2,449)	(2,449)
Change in fair value through other comprehensive income	-	(1,785)	-	(1,785)
Foreign exchange on translation	-	756	413	1,169
Balance at the end of the year	-	**10,007**	**4,076**	**14,083**

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.

Valuation process

Listed UK and Australian equity securities
The Directors have assessed the trading activities of the listed UK and Australian equity securities and deemed that the markets are active markets. As a result, the Directors have valued the listed UK and Australian equity securities based on their quoted market price. The investments are classified as level 1 financial instruments in the fair value hierarchy.

Derivative financial instruments
Derivative financial instruments are measured at fair value. The derivative financial instrument is a call option for the right to receive 50 residential lots (31 December 75 residential lots, 30 June 2017: 50 residential lots) in a subdivision situated in East Wanaka, New Zealand following the development of 400 sections in a number of tranches.

The external valuer applied a stochastic discounted cash flow ("DCF") analysis over an assumed development period for the 50 lots. The primary assumptions used in the valuation were average sale price estimated to be NZD 300,000 per lot, average lot size of 600 square metres, the section development cost being NZD 121,439, each section will be pre-sold off plan subject to title and the overall develop and sell period of 6 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 each of the remaining two tranches, meaning the Group will have the option to purchase at least 50 properties at the conclusion of the options' life. The valuer has applied a broad spectrum of possibilities in case these tranches are 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 other possible outcomes in respect of future sale movement, with 2.5%, 5% and 10% per annum increases being modelled within the valuation, as well as a downward shock to the sale price in the near future.

The escalation in the exercise price
The valuer has allowed for the possibility that the exercise price will increase by 2% and 5% per annum and also at 2% but with an upward shock to the acquisition costs.

20. Fair value (continued)

Valuation process (continued)

Derivative financial instruments (continued)

Valuation results

The valuer has modelled a range of possible outcomes using a stochastic DCF analysis with varying assumptions as detailed above. The maximum assessed value of the option was NZD 9.9 million and the minimum result was zero. The valuer estimated that the residual option is likely to return a value between the 25^{th} and 75^{th} percentiles, being NZD 6.2 million and NZD 8.5 million respectively. The Directors have determined that as at 31 December 2017 a valuation of NZD 7.2 million (£3.8 million), in the middle of this range, best represents the fair value of the residual option for 50 lots (30 June 2017: NZD 7.2 million (£4.1 million)).

Available for sale financial asset

In order to ascertain the fair value of the Perpetual Trust Limited (“PTL”) receivable, the Directors engaged an external valuer (see note 20) who assessed the receivable to have a fair value of NZD 17.7 million (£9.3 million) (30 June 2017: NZD 17.7 million (£10.0 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 a 75% likelihood that the receivable will be subject to litigation and a 25% likelihood that the receivable will be recovered through an IPO between 30 June 2018 and 30 June 2020. In the event litigation occurs, the valuer has assigned an 80% probability that the litigation will be successful, and so effectively a 60% 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 15% 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 2018), in two years’ time (on or around 30 June 2019), or in three years’ time (on or around 30 June 2020). In addition, the valuer has assessed the likelihood of the Newco not achieving a prospective EBITDA multiple of 8.5x to be negligible. All cash flows under the IPO scenario have been discounted using a discount rate of 8%.

20. Fair value (continued)

Valuation process (continued)

Available for sale financial asset (continued)

Valuation assumptions (continued)

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 2018	30 June 2018	30 June 2019	30 June 2020	
Discount rate – pre-tax	0.00%	8.00%	8.00%	8.00%	
Present value – 30 June 2017	22,000	20,370	18,861	17,464	
Probability	60.0%	0.0%	10.0%	15.0%	15.0%
Fair Value – 31 December 2017 and 30 June 2017	**17,706**				
	£000				
Fair Value in £ – 31 December 2017	**9,307**				
Fair Value in £ – 30 June 2017	**10,007**				

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 £1,157,000;
- 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 £28,000;
- 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 £90,000;
- 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 £176,000;
- a 1% decrease in the discount rate used would result in an increase in the fair value of the PTL receivable of £59,000.

20. Fair value (continued)

Valuation process (continued)

Available for sale financial asset (continued)

Litigation, IPO scenarios and timings (continued)
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-17	30-Jun-18	31-Dec-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	
0%	2,461	2,369	2,279	2,193	2,030	1,881	1,741	**0.0%**
10%	3,329	3,236	3,146	3,060	2,898	2,747	2,608	**7.5%**
20%	4,196	4,103	4,013	3,928	3,765	3,615	3,476	**15.0%**
30%	5,063	4,970	4,880	4,795	4,633	4,482	4,343	**22.5%**
40%	5,930	5,838	5,748	5,662	5,500	5,350	5,210	**30.0%**
50%	6,798	6,705	6,616	6,530	6,367	6,217	6,077	**37.5%**
60%	7,665	7,573	7,482	7,397	7,234	7,084	6,945	**45.0%**
70%	8,533	8,439	8,350	8,265	8,102	7,951	7,812	**52.5%**
80%	9,399	9,307	9,217	9,131	8,969	8,819	8,679	**60.0%**
90%	10,267	10,175	10,085	9,999	9,836	9,686	9,546	**67.5%**
100%	11,134	11,042	10,952	10,866	10,704	10,554	10,414	**75.0%**

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-17	30-Jun-18	31-Dec-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	
60%	9,489	9,341	9,197	9,060	8,799	8,559	8,336	**48.0%**
65%	9,459	9,330	9,203	9,084	8,856	8,646	8,451	**52.0%**
70%	9,429	9,318	9,211	9,107	8,913	8,732	8,565	**56.0%**
75%	9,399	9,307	9,217	9,131	8,969	8,819	8,679	**60.0%**
80%	9,370	9,296	9,224	9,156	9,025	8,905	8,794	**64.0%**
85%	9,341	9,285	9,231	9,180	9,082	8,992	8,908	**68.0%**

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.

20. Fair value (continued)

Valuation process (continued)

Available for sale financial asset (continued)

Discount rate (continued)

Success %	**Discount rate**							**Successful litigation probability**
	4%	**6%**	**8%**	**10%**	**12%**	**14%**	**16%**	
0%	2,612	2,486	2,369	2,259	2,157	2,061	1,971	**0.0%**
10%	3,478	3,353	3,236	3,127	3,025	2,928	2,839	**7.5%**
20%	4,346	4,221	4,103	3,994	3,891	3,796	3,705	**15.0%**
30%	5,213	5,088	4,970	4,861	4,759	4,663	4,573	**22.5%**
40%	6,081	5,955	5,838	5,728	5,626	5,530	5,440	**30.0%**
50%	6,948	6,822	6,705	6,596	6,494	6,398	6,308	**37.5%**
60%	7,815	7,690	7,573	7,463	7,361	7,265	7,175	**45.0%**
70%	8,682	8,557	8,439	8,331	8,228	8,133	8,042	**52.5%**
80%	9,550	9,424	9,307	9,198	9,095	8,999	8,910	**60.0%**
90%	10,417	10,291	10,175	10,065	9,963	9,867	9,777	**67.5%**
100%	11,285	11,159	11,042	10,932	10,830	10,734	10,645	**75.0%**

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.

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

Description	**UNAUDITED Fair value at 31 December 2017**	**UNAUDITED Fair value at 30 June 2017**	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value**
	£000	**£000**				
Derivative financial instruments	3,791	4,076	Stochastic discounted cash flow analysis	See page 25	See page 25	See page 25
Available for sale financial asset	9,307	10,007	External valuation using probability weighted scenarios	Percentage probability weightings Discount rate	See pages 25 to 28	See pages 25 to 28
	13,098	**14,083**				

21. Contingent liabilities and commitments

Torchlight Fund LP and its subsidiaries
The Group had the following commitments within the RCL group:

	UNAUDITED 31 December 2017 £000	AUDITED 30 June 2017 £000
Contracted work to complete		
Expenditure contracted for at the reporting date but not recognised as liabilities		
Within one year	7,616	5,776

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 31 December 2017 was £1.5 million (30 June 2017: £0.8 million).

22. Going concern

On 18 June 2015, a Winding Up Petition (the "Petition") was issued by certain Limited Partners of TFLP in the Grand Court of The Cayman Islands. The Petition, which seeks an order to wind up TFLP, was served at the registered office of TFLP on 26 June 2015. On 22 January 2016 an injunction was also granted by the Grand Court to prevent payment to parties related to the General Partner without the consent of the petitioners or the Grand Court. On 8 September 2016, the General Partner sought validation for the payment of its management fees and other past and prospective expenses, which was granted by the Court in December 2016 and appealed by the petitioners in February 2017. In September 2017 the petitioners' appeal was heard and dismissed.

The hearing of the petition concluded on 1 December 2017 with Judgement expected to issue during the course of this calendar year. As has been reported in previous years, the General Partner has been robustly defending the Petition since June 2015, and provided a detailed defence on 24 June 2016 and extensive responsive evidence which rebutted each allegation raised in the Petition.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about TFLP's and RCL's ability to continue as a going concern. As such, these entities may be unable to realise their assets and discharge their liabilities in the normal course of business.

Whilst this matter does not impact the Group's assessed ability to continue as a going concern, it could have a significant impact on the realisation value of the assets recorded within the Group's consolidated financial statements.

On 21 July 2016, the General Partner issued a Writ of Summons alleging that the Petition was being brought as part of an unlawful means conspiracy (such matters also forming part of its defence to the Petition) and seeking damages and full cost recovery. This was followed by the filing of a Statement of Claim on 26 July 2016. A date for hearing of this matter is yet to be set. On 26 June 2017 the General Partner sought leave to add two additional Defendants and amend the Writ and Statement of Claim to increase the amount being claimed. Leave to add the additional Defendants and amend the claim was granted on 23 October 2017. The Defendants to the unlawful means conspiracy claim sought to challenge the jurisdiction of the Cayman Courts. The challenge to jurisdiction was subsequently abandoned by four of the defendants who have now submitted to the jurisdiction of the Cayman Courts. The challenge by the remaining defendants was heard on 21 and 22 November 2017.

23. Subsequent events

The following material events have occurred subsequent to 31 December 2017 to the date when these interim condensed consolidated financial statements were authorised for issue:

On 17 January 2018, the judgment was handed down in respect of the remaining Defendants' jurisdictional challenges to the General Partner's unlawful means conspiracy claim. The judgment dismissed the challenges for all bar one Defendant allowing the conspiracy claim to continue against 8 of the 9 Defendants. The General Partner and the remaining Defendants subsequently sought and were granted leave to appeal the judgment on 22 February 2018. No date for the appeal has been set at this time.

On 10 February 2018, the third party corporate debt facility secured against an investment property held for development in the property group segment and included within Inventories (see note 17) was renewed for a year to 10 February 2019.

On 23 March 2018, the loan agreement with AEP GP, a related party (see note 19), was extended to 30 November 2020.

There were no other material events subsequent to 31 December 2017 that require disclosure in these interim financial statements.