Pyne Gould Corporation Limited

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

PYNE GOULD CORPORATION LIMITED
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For the year ended 30 June 2018

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT

Directors' Report

Pyne Gould Corporation Limited's ("PGC" or "the Company") recorded a Net Profit attributable to security holders of GBP 8.94 million for the year to 30 June 2018 (compared with a Net Loss of GBP 19.74 million for the year to 30 June 2017).

As a result Net Tangible Assets ("NTA") attributable to security holders increased to £41.76 million (up from £36.08 million last year) or NZD81.48 million (NZD63.83 million last year).

On a per share basis this was 15.7% higher, rising from 17.39 pence per share to 20.13 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 an increase of £0.7 million in NTA (before adjustment for non-controlling interests ("NCI")) from £73.5 million to £74.2 million at 30 June 2018. Consolidated Group losses for the financial year decreased from £6.4 million to £5.7 million for the year ended 30 June 2018.

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

The near-term focus is on finalising the successful exit of our remaining non-core assets, including the realisation of the outstanding receivable from the sale 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.

On 18 September 2018, PGC announced that it has recommenced High Court proceedings against Bath Street Capital Ltd ("BSC") and its director, Andrew Barnes, over the consideration payable to PGC from the sale of PTL in 2013.

PGC has lodged proceedings in the Auckland High Court against 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.

Consistent with our approach we will only comment on this as outcomes occur.

This follows the conclusion of the major litigation in the Cayman Islands involving PGC's partially-owned subsidiary, Torchlight Fund LP ("TFLP"), and Aurora Funds Management and two government agencies - Crown Asset Management Limited and the Accident Compensation Corporation (the "Petitioners").

The impact on PGC of the settlement is:

- PGC retains 100% ownership of Torchlight GP Limited (TFLP's General Partner);
- PGC's direct limited partner interests in TFLP have increased from 44.2% to 70.3% as at 10 July 2018 without PGC investing additional capital. All other Limited Partners, with the exception of those involved in the litigation, likewise see a pro rata increase in their interests without investing additional capital. The change in limited partnership interests occurred through the Petitioners agreeing to immediately redeem their limited partnership interests. The consideration paid by TFLP is a fixed redemption payment of AUD25.5 million, which Torchlight Fund has 30 months to pay from the net proceeds of sale from certain New Zealand residential property sales by TFLP subsidiaries over that period; and
- The net outcome of the litigation is a material increase in NTA for PGC, as the redemption payment of AUD25.5 million is expected to be substantially below the book value for the Petitioners' limited partnership interests.

Operating Performance
At an operating level PGC delivered a Net Profit attributable to security holders of £8.94 million (compared to a Loss of GBP 19.74 million for the same period last year.

On a consolidated basis (before allowing for non-controlling interests), the result for the 2018 financial year was a loss after tax of £5.66 million. This compares with a loss after tax of £20.93 million for the same period last year.

After allowing for non-cash items, the consolidated Total Comprehensive Loss for the 2018 financial year was £11.26 million. This compares with a consolidated Total Comprehensive Loss of £15.92 million for the 2017 financial year.

Following adjustment for non-controlling interests, the Total Comprehensive Income attributable to PGC shareholders was £5.68 million (compared to a Total Comprehensive Loss of £18.09 million for the same period last year).

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT (CONTINUED)

Directors' Report (continued)

Operating Performance
The result was dominated by outcomes flowing from the settlement of the Wilaci litigation and consequent reversal of the Wilaci litigation expense, ongoing costs associated with the Cayman Litigation within TFLP, and unfavourable non-cash movements in foreign currency translation.

At 30 June 2018, PGC held Net Current Assets of £65.87 million (up from £51.67 million last year). The improvement in net current assets is due to settlement of the Wilaci litigation claim. Cash cost associated with this was partially offset by a lift in inventories resulting in an overall improvement.

Total Group assets held were £139.15 million with total equity of £74.22 million (down from £85.48 million in the prior financial year).

After allowing for non-controlling interests of £32.46 million (down from £49.41 million in the prior year), net equity attributable to security holders rose to £41.76 million (up from £36.08 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 deliver long-term value to our shareholders.

NZ/Guernsey Listing
In November 2013, PGC announced its intention to migrate its jurisdiction of incorporation to Guernsey, in preparation for a listing on the London Stock Exchange in 2014. PGC was subsequently re-domiciled to Guernsey in 2014. PGC has previously stated its intention to keep its NZX listing under review.

The Board has given this matter additional focus in recent months, following the Guernsey Committee for Economic Development's decision to decline to extend the waiver allowing Grant Thornton NZ to act as the Company's statutory auditor.

After considering a wide range of options, the Board considers it to be in shareholders' best interest to pursue a listing on The International Stock Exchange (TISE) and a de-listing from the NZX. TISE is headquartered in Guernsey. PGC is domiciled in Guernsey and outsourced administration service providers are also Guernsey-based.

TISE is a recognised stock exchange by both ASX and LSE. TISE hosts more than 2,000 listed securities and has a market capitalisation of more than £300 billion. The Board considers that TISE will provide a more liquid market for PGC's shares and access to a wider pool of potential investors. This will make it easier for shareholders to sell shares. We will provide additional updates on this as we progress this initiative.

Share Buyback
Capital management remains an ongoing focus for the Board. PGC has no debt and generates surplus capital from both its core business and from divestment of non-core assets. It is therefore in a position to consider returning surplus capital to shareholders. The mechanism for returning capital will be reviewed on a case by case basis but is likely to be by on- or off-market share buybacks. On-market share buybacks make economic sense for PGC as shares trade at a discount to NAV and buying them back from time to time is consistent with unlocking value. Off-market buybacks are likely to be utilised for larger returns of capital events.

Russell Naylor
Director
Date: 28 September 2018

Managing Director's Report

Overall, it has been a very satisfactory year for PGC.

While the history of PGC dates back to 1887, long-term shareholders will be well aware the Company was fundamentally restructured as a result of the Global Financial Crisis ("GFC"). Out of the crisis, PGC created two substantial businesses, Heartland and Torchlight.

Heartland was in-specied to shareholders in 2011 and became Heartland Bank. It is pleasing to see Heartland Bank proving itself to be a solid performer - and immensely more secure than its predecessor Marac, which was on the cusp of complete meltdown in 2008.

PGC focused on Torchlight.

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 provides considerable opportunity for investors with access to capital and the focus and skill-set to deploy this capital.

In the aftermath of the GFC, we said its focus will be on situations where banking capital was restricted, and which present 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 Torchlight Fund LP ("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.

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

As we have previously reported, the Local World investment was extremely profitable, executed very swiftly and returned over 5x money and an 82% internal rate of return. The fund's liquor and gaming focus came via a significant stake in the Lantern Hotel Group, which returned the fund over 2.5x initial investment. Lantern held a portfolio of pubs across Sydney and New South Wales. For a period, TFLP was the largest shareholder in Lantern and dominated Lantern's board. Our preferred approach was, as always, a long-term one. As a result of changes at the board level, however, another strategy was implemented by the new management, which resulted in Lantern divesting all of its assets.

Notwithstanding the hijacking of the Lantern investment strategy (disappointingly enabled by a number of TFLP's own Limited Partners) this has also been a successful investment for the Fund. While we maintain the TFLP-led approach would have delivered significantly better long-run returns to shareholders, returns from the sales of assets have still resulted in a positive investment outcome.

RCL

The largest investment of TFLP is RCL, which independent valuers have assessed as being worth double TFLP's purchase price. As we have previously outlined, this investment is very long-term in nature and value is only realised as blocks of land are converted to cash sales over time.

We continue to see excellent progress from TFLP's investment in RCL, which has a series of residential land development projects located across Australia (Victoria, New South Wales and Queensland) and New Zealand (Queenstown). RCL's approach is to effectively manage its portfolio through the successful, timely and efficient re-zoning, construction, development and sale of each project.

Improving yield outcomes from existing projects and vertical integration to enable the introduction of internally-built product within the Australian portfolio are both expected to positively contribute to future growth (the first internally-produced built form project is currently being successfully marketed in Victoria).

A new 33 hectare site for residential development in Victoria was also successfully acquired (on favourable deferred consideration terms) during the course of the 2018 financial year, with a number of other opportunities currently under consideration to restock the Australian portfolio.

RCL's largest project is Hanley Farm at Jacks Point in Queenstown, where it is developing in excess of 1,700 sites. This project continues to progress well, with the first stage largely settling during the financial year.

Managing Director's Report (continued)

RCL (continued)
An additional two stages comprising another 103 lots have recently been released and sold. The first five stages within this project are now fully sold with in excess of 250 pre-sales still to be delivered. RCL's near-term focus remains on continuing to progress site works and deliver pre-sold stock within this project.

Cayman Litigation
Most shareholders will be aware that in early July 2018 a settlement was reached in the Cayman Islands proceedings involving TFLP and Aurora Funds Management, Crown Asset Management Limited and the Accident Compensation Corporation (known as the Petitioners). In the settlement announcement, the Petitioners stated they believed that all parties' interests would have been better served had the proceedings not been commenced.

This litigation was, quite rightly given the results, a major focus for TFLP's General Partner, which is wholly owned by PGC. While the terms of the settlement were confidential, other than the details released in the announcement and outlined in the Directors' report, it was a clear vindication for the strategies and management of the General Partner. The result was excellent for PGC and its shareholders.

Subsequent to that settlement, the Court directed that it would proceed to publish its judgement in those proceedings. In explaining the Court's decision, the trial Judge said:

> *"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 judgement to be anonymised.

Since then, the Petitioners continued to contend that publication should not ensue. The trial Judge rejected the Petitioners' arguments at a recent hearing and handed down his judgement setting out his reasons on 13 September 2018. This decision confirmed that the judgement should be published and noted that *"the Court considers the merits of publication to be overwhelming".*

Having failed to prevent publication of the judgement before the trial Judge, the Petitioners have indicated that they may now attempt to appeal this decision. The trial Judge has indicated, however, that he sees no merit in any appeal:

> *"Finally, in light of the clear governing legal principles the Court considers that there are no arguable grounds of appeal and no realistic prospects of an appeal against this decision succeeding. Nonetheless, the Court shall grant a stay of 14 days before publication as requested by the Petitioners."*

The General Partner notes that the judgement was subsequently published on 25 September 2018 and we will make a separate announcement on this in due course.

Final Word
Overall, it has been a very satisfactory year for PGC. We are still only part way towards our goal of realising significant value from all the distressed assets acquired over the past decade, but considerable progress has been made. With TFLP having successfully defended the Cayman litigation and agreed settlement on terms favourable for the remaining limited partners, its full focus is now on maximising returns for its investors and PGC.

George Kerr
Managing Director
Date: 28 September 2018

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 25 years' experience in Investment Banking and Asset Management in Europe.

Recently she helped set up and is the COO of Affirmative Investment Management Partners Limited, an Environmental and Socially responsible Green (ESG) fixed income Fund Management 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 on several boards since 2007, NED positions from Fund Management and Insurance to Retail Banking, Mining and Biofuels.

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

PAUL DUDLEY **BSc (Hons), ACA**

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 in 2010, a corporate advisory business that is authorised and regulated by the UK's Financial Conduct Authority and is a Member Firm of the London Stock Exchange. Whilst at stockbroking firm WH Ireland, Paul acted as the 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 Sigma Capital plc, 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.

The Board has established policies and protocols which comply with the corporate governance requirements of the New Zealand Stock Exchange (NZX) Listing Rules and the NZX Corporate Governance - Code.

This governance statement outlines the main corporate governance practices as at 30 June 2018.

Corporate Governance - Code – Statement of Material Differences

The Company believes it substantially complies with the 2017 NZX code (“the Code”). This statement describes how the corporate governance principles adopted and followed by PGC differ materially from the principles of the Code.

1. Code clause 3.1: Membership on the Audit Committee should comprise solely non-executive Directors of the Issuer. Under NZX Listing Rule 3.6.2(b) the Audit Committee should have a minimum of three members, all of which are to be directors of the Issuer.

   From 1 October 2016 the Audit Committee comprised three directors.

   The Board of Directors of the Company currently comprises two independent Directors and three executive Directors and so although the Company complies with the Listing Rule it cannot comply with the recommendation in the Code to comprise solely of non–executive Directors.

   The Board has determined that whilst Committee membership is limited by the composition of the Board to two non-executive Directors and one executive Director, the Board considers that the three Audit and Risk Committee members provide the relevant expertise in financial matters, risk mitigation and corporate governance matters required for such a committee. The chairman of the Audit and Risk Committee is a non-executive Director.
2. Code clause 4.3 The Board does not consider it appropriate to adopt a formal ESG framework and will choose to select which non-financial matters it wishes to report on.

The Company's Constitution is available to view on the Company's website www.pgc.co.nz.

The Company has also adhered to the spirit of the New Zealand Financial Markets Authority’s Corporate Governance in New Zealand – Principles and Guidelines as set out below.

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 the NZX. 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.

George Kerr and Noel Kirkwood 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 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.

PYNE GOULD CORPORATION LIMITED
CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 the financial position of the Group as at 30 June 2018 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 and accounting 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 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 62 for issue on 28 September 2018.

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 2018

	Note	2018 £000	2017 £000
Revenue from land development and resale		21,779	30,783
Cost of land development sales		(19,729)	(20,932)
Net revenue from land development and resale		**2,050**	**9,851**
Interest revenue	5	396	422
Interest expense	5	(5,299)	(6,122)
Net finance costs		**(4,903)**	**(5,700)**
Dividend revenue	6	50	10,572
Other investment losses	6	(121)	(3,529)
Other revenue	6	1,538	1,691
Total investment gains/(losses) and other revenue		**1,467**	**8,734**
Gross operating (loss)/revenue		**(1,386)**	**12,885**
Selling and administration expenses	7	(11,038)	(14,311)
Wilaci litigation claim reversal/(accrual)	26	2,910	(20,542)
Foreign exchange losses		(1,667)	(24)
Impaired asset reversal/(expense)	8	5,290	(321)
Net operating loss before income tax		**(5,891)**	**(22,313)**
Income tax credit	10	228	1,384
Loss for the year after tax		**(5,663)**	**(20,929)**
Other comprehensive income			
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	20	(559)	(1,785)
Foreign currency adjustment on translation to presentation currency		(5,042)	6,794
Total other comprehensive (loss)/income		**(5,601)**	**5,009**
Total comprehensive loss for the year		**(11,264)**	**(15,920)**
Loss attributable to:			
Owners of the Parent Company		8,939	(19,739)
Non-controlling interests	24	(14,602)	(1,190)
Loss for the year		**(5,663)**	**(20,929)**
Total comprehensive loss attributable to:			
Owners of the Parent Company		5,679	(18,094)
Non-controlling interests	24	(16,943)	2,174
Total comprehensive loss for the year		**(11,264)**	**(15,920)**
Loss per share		**Pence**	**Pence**
Basic and diluted earnings/(loss) per share	14	4.31	(9.51)
Basic and diluted earnings/(loss) per share – continuing operations	14	4.31	(9.51)

The notes on pages 19 to 62 are an integral part of these consolidated financial statements.

YNE GOULD CORPORATION LIMITED
)NSOLIDATED STATEMENT OF CHANGES IN EQUITY
r the year ended 30 June 2018

2017	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
		Attributable to owners of the parent						
Balance at 1 July 2016		**151,940**	**20,455**	**(116,850)**	**(537)**	**(837)**	**47,233**	**101,404**
Total comprehensive income/(loss) for the year								
Loss for the year		-	-	(19,739)	-	-	(1,190)	(20,929)
Other comprehensive income/(loss)								
Change in fair value of available for sale financial asset	20	-	-	-	(1,785)	-	-	(1,785)
Foreign currency adjustment on translation to presentation currency		-	3,430	-	-	-	3,364	6,794
Total other comprehensive income/(loss)		-	3,430	-	(1,785)	-	3,364	5,009
Total comprehensive income/(loss) for the year		-	3,430	(19,739)	(1,785)	-	2,174	(15,920)
Balance at 30 June 2017		**151,940**	**23,885**	**(136,589)**	**(2,322)**	**(837)**	**49,407**	**85,484**

e notes on pages 19 to 62 are an integral part of these consolidated financial statements.

YNE GOULD CORPORATION LIMITED

)NSOLIDATED STATEMENT OF CHANGES IN EQUITY
r the year ended 30 June 2018

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
		Attributable to owners of the parent						
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	20	-	-	-	(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**

e notes on pages 19 to 62 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	2018 £000	2017 £000
ASSETS			
Current assets			
Cash and cash equivalents		13,554	35,789
Finance receivables	16	1,015	1,161
Non-current assets held for sale	17	-	848
Inventories	18	45,931	32,810
Trade and other receivables	19	4,236	3,134
Investments – Fair value through profit or loss	21	274	2,013
Investments – Loans and receivables	23	10,395	3,099
Prepayments		172	374
Total current assets		**75,577**	**79,228**
Non-current assets			
Inventories	18	42,076	57,518
Investment – Available for sale financial asset	20	8,531	10,007
Investments – Derivative financial instruments	22	3,815	4,076
Investments – Loans and receivables	23	6,583	11,163
Advances to related parties	28	2,404	2,301
Property, plant and equipment		161	166
Total non-current assets		**63,570**	**85,231**
Total assets		**139,147**	**164,459**
Equity and liabilities			
LIABILITIES			
Current liabilities			
Borrowings	25	930	455
Wilaci litigation claim	26	-	20,542
Trade and other payables	27	8,778	6,556
Total current liabilities		**9,708**	**27,553**
Non-current liabilities			
Borrowings	25	53,558	49,430
Deferred tax liability	11	1,661	1,992
Total non-current liabilities		**55,219**	**51,422**
Total liabilities		**64,927**	**78,975**
EQUITY			
Share capital	15	151,940	151,940
Foreign currency translation reserve		21,184	23,885
Accumulated losses		(127,650)	(136,589)
Available for sale reserve		(2,881)	(2,322)
Non-controlling interests acquisition reserve		(837)	(837)
Total equity – attributable to the owners of the Company		**41,756**	**36,077**
Non-controlling interests	24	**32,464**	**49,407**
Total equity		**74,220**	**85,484**
Total equity and liabilities		**139,147**	**164,459**

The notes on pages 19 to 62 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Interest received		188	209
Rental revenue		10	18
Dividend revenue		50	8,846
Proceeds from sale of inventories		22,419	30,783
Fees and other revenue received		1,384	1,676
Total cash provided from operating activities		**24,051**	**41,532**
Payments to suppliers and employees		(14,395)	(13,705)
Development costs of inventories		(17,361)	(20,802)
Wilaci claim		(17,632)	-
Interest paid		(5)	(4)
Total cash applied to operating activities		**(49,393)**	**(34,511)**
Net cash flows (applied to)/from operating activities	12	**(25,342)**	**7,021**
Cash flows from investing activities			
Proceeds from settlement of finance receivables		1,319	-
Proceeds from disposal of investments		1,413	18,786
Proceeds of disposal of non-current assets held for sale	17	848	-
Proceeds of repayment of loans		-	711
Total cash provided from investing activities		**3,580**	**19,497**
Acquisition of property, plant and equipment		(66)	(119)
Increase in other investments		-	(834)
Increase in advances to other related parties		(84)	(200)
Total cash applied to investing activities		**(150)**	**(1,153)**
Net cash flows from investing activities		**3,430**	**18,344**
Cash flows from financing activities			
Increase in borrowings		8,393	45,270
Total cash provided from financing activities		**8,393**	**45,270**
Decrease in borrowings		(6,715)	(47,857)
Total cash applied to financing activities		**(6,715)**	**(47,857)**
Net cash flows from/(applied to) financing activities		**1,678**	**(2,587)**
Net (decrease)/increase in cash and cash equivalents		**(20,234)**	**22,778**
Foreign currency adjustment on translation of cash balances to presentation currency	2(d)	(2,001)	4,418
Opening cash and cash equivalents		35,789	8,593
Closing cash and cash equivalents		**13,554**	**35,789**
Represented by:			
Cash and cash equivalents		13,554	35,789
		13,554	35,789

The notes on pages 19 to 62 are an integral part of these consolidated financial statements.

1. Reporting Entity

Pyne Gould Corporation Limited is a listed Company in New Zealand. The financial statements presented are the consolidated financial statements comprising Pyne Gould Corporation Limited (the "Company" or "Parent 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 financial statements were authorised by the Directors for issue on 28 September 2018.

2. Basis of Preparation

(a) Statement of compliance

With effect from 1 July 2017, the Company has switched from reporting under Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") to International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These consolidated financial statements, including comparative figures, are in compliance with IFRS, and no adjustments have been necessary to convert comparative information previously reported under NZ GAAP to IFRS. The transition from NZ GAAP to IFRS has not materially changed the Company's reported financial position, financial performance or cash flows. 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 Company 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, available for sale financial assets recorded at fair value, impaired loans and advances carried at fair value of the underlying security and financial assets at fair value through profit or loss.

(c) Functional currency

The Board of 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, the Company's shares are currently listed on the NZX, as a result all equity related transactions (including dividends) are settled in NZD. Whilst the Company'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 and the intention to become listed on The International Stock Exchange ("TISE") and, in due course, on the London Stock Exchange, the Board of Directors 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 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 2018 the rates applied were NZD1.00 to GBP0.51247 and AUD1.00 to GBP0.56058 (30 June 2017: NZD1.00 to GBP0.56517, AUD1.00 to GBP0.59274);
- Revenue and expenses, including any comprehensive income, have been translated into GBP at average rates of exchange for the relevant accounting year. For the year ended 30 June 2018 the average rates applied were NZD1.00 to GBP0.52716 and AUD1.00 to GBP0.57392 (30 June 2017: NZD1.00 to GBP0.56260 and AUD1.00 to GBP0.58999);

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;
- 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 2018 that have significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Critical judgements in applying accounting policies:</u>

(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 Company has no bank facility debt and is wholly funded through equity. The shares are listed on the NZX and 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 Company has exposures to a number of currencies through its underlying assets, principally NZD and Australian Dollar (AUD). However, the majority of the Company's expenditure during the current financial year has remained in NZD.

Due to the Company's NZX listing, regulations which have the most significant influence on the Company's financial position and performance originate in New Zealand. Whilst the Company'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/fair value adjustment are trade and other receivables, loans and receivables, available for sale financial assets and investments held at fair value through profit or loss. 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 29.

2. Basis of Preparation (continued)

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

Critical accounting judgements and estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued):

(iii) 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.

The Group has an ownership through direct limited partnership interests in TFLP of 44.2% at 30 June 2018 (30 June 2017: 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.

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

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 notes 2(e)(iv) and 35), the partnership interests of those Limited Partners were cancelled, and accordingly the Group's limited partnership interest in TFLP increased to 70.3%.

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 18.

(ii) Investments – Available for Sale Financial Assets
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 as at the reporting date by Simmons Corporate Finance, an external party to the Group. The key assumptions are detailed further in note 29, however there are three primary scenarios: the Company pursues payment of the Available for Sale Financial Assets 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 2018, 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 2018 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 29. 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 involves 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. The cash flows used in determination of an effective interest rate (in respect to the second tranche) are dependent on forecast estimates around sales volume rates, development costs and selling prices over the life of each development project.

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 results and assets and liabilities of the Company and its subsidiaries (the "Group") for the year ended 30 June 2018. 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.

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.

(b) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for by the Group using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the revenue and expenses and equity movements of equity accounted investees, from the date that significant influence is obtained until the date that significant influence ceases. Where significant influence ceases, but the Group retains its investment in the asset, the investment is re-classified within the consolidated financial statements to "investments at fair value through profit or loss".

(c) Investments in joint ventures

A joint venture is a joint arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in joint ventures are accounted for by the Group using the equity method and are recognised initially at cost.

(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 expense are recognised using the effective interest method in profit or loss within the consolidated Statement of Comprehensive Income. 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 is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

(i) Dividend revenue

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

(ii) Other revenue

Revenue, including revenue from golf operations, is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenues are net of trade allowances, amounts collected on behalf of third parties and net of the amount of goods and services tax ("GST") levied.

(iii) Revenue from land development and resale

Timing of recognition

Revenue is recognised when the risks and rewards have been transferred and the entity does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the units sold. Due to the nature of the agreements entered into by the group, this occurs on settlement.

Measurement of revenue

The revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

(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.

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

3. Significant Accounting Policies (continued)

(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) Treasury shares

The cost of an entity's own equity instruments that it has reacquired ("treasury shares" or "share buy backs") is deducted from equity. No gains or losses are recognised on the purchase, sale, issue, or cancellation of Treasury shares. Treasury shares may be acquired and held by the Company or by other members of the consolidated group. Consideration paid or received is recognised directly in equity.

(l) 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)

(m) 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.

(n) 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.

(o) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss within the consolidated Statement of Comprehensive Income. Gains are not recognised in excess of any cumulative impairment loss.

(p) Financial assets and liabilities

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, cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated Statement of Financial Position, but retains either all of the risks and rewards of the transferred assets or a portion of them. Transfers of assets with the retention of all or substantially all risks and rewards include, for example, securitised assets and repurchase transactions.

3. Significant Accounting Policies (continued)

(p) Financial assets and liabilities (continued)

Classification

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

Financial assets/liabilities	Accounting Category
Cash and cash equivalents	Loans and Receivables
Finance receivables	Loans and Receivables
Trade and other receivables	Loans and Receivables
Investments – Available for sale financial asset	Available for sale financial asset
Investments – Loans and receivables	Loans and Receivables
Investments – Derivative financial instruments	Fair value through profit or loss
Investments – Fair value through profit and loss	Fair value through profit or loss
Advances to other entities	Loans and Receivables
Advances from other entities	Other liabilities at amortised cost
Bank overdrafts	Other liabilities at amortised cost
Borrowings	Other liabilities at amortised cost
Other financial liabilities	Other liabilities at amortised cost

Loans and receivables

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.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets 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. This includes derivative financial instruments.

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.

Available for sale financial assets

Available for sale financial assets are those 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 fair value through profit or loss. Certain investments held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in note 29.

Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and the Available for Sale reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the Available for Sale reserve is included in profit or loss in the consolidated Statement of Comprehensive Income for the period.

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. 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.

3. Significant Accounting Policies (continued)

(p) Financial assets and liabilities (continued)

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, 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 into the other financial liabilities category. 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.
Other financial liabilities comprise borrowings, trade and other payables and advances from other entities.

(r) Impaired financial assets and past due assets
Impaired financial assets are those financial assets for which the Group has evidence that it has incurred a loss, and will be unable to collect all principal and interest due according to the contractual terms of the instrument.

The term collectively impaired asset refers to an asset where an event has occurred which past history indicates increases the possibility that the Group will not collect all its principal and interest as it falls due. No losses have yet been identified on these individual loans within the collectively impaired asset grouping, and history would indicate that only a small portion of these loans will eventually not be recovered. The Group provides fully for its estimated incurred losses.

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 31 - Credit risk exposure.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

3. Significant Accounting Policies (continued)

(w) Goods and services tax (GST)

GST for New Zealand subsidiaries
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.

As at 30 June 2018, only two wholly-owned subsidiaries remained registered for GST in New Zealand. Upon the Company’s re-domicile to Guernsey, its operating activities were no longer subject to 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.

(x) 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.

(y) Business combinations
Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is recognised as goodwill or a gain from a bargain purchase.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree at fair value.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

(z) Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated Statement of Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative year.

(aa) 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.

3. Significant Accounting Policies (continued)

(bb) Standards, interpretations and amendments to published standards

There are no new accounting standards, interpretations and amendments that have been adopted in the current year which have had a material impact in these consolidated financial statements.

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

- IAS 40 (amended), *Investment Property* (effective for accounting periods commencing on or after 1 January 2018) - amendments clarify transfers of property to or from investment property;
- IFRS 9, *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018) – includes requirements for the classification and measurement of financial instruments, impairment, recognition of financial instruments and hedge accounting;
- IFRS 15, *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018) - specifies how and when a reporting entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers;
- IFRS 16, *Leases* (effective for annual periods beginning on or after 1 January 2019) – eliminates the classification of leases for the lessee as either operating leases or finance leases. Instead there is a single lease under which requires a lessee to recognise on the consolidated Statement of Financial Position assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of lower value.

The Directors have considered the expected impact of IFRS 9 on the classification and measurement of the Group's financial assets. A number of the Group's financial assets are already measured at fair value and under the new Standard will continue to be so. The Directors expect that the Group's remaining financial assets, which are currently measured at amortised cost, will continue to be measured at amortised cost, as the associated cash flows comprise solely payments of principal and interest. As a result of the adoption of IFRS 9, the Group will also be required to apply an expected credit loss model to its trade receivables and finance receivables.

The Directors have further considered the expected impact of IFRS 15 on the recognition of the Group's revenue. The majority of the Group's revenue arises from land development and resale and therefore the Directors do not expect that there will be any significant impact on the timing or amount of revenue recognised by the Group in any year.

Other than as noted above, the adoption of IAS 40 (amended), IFRS 9, IFRS 15 or IFRS 16 is not expected to have a significant impact on the future consolidated financial statements of the Group.

The following relevant amended standards have been applied for the first time in these consolidated financial statements:

- IAS 7 (amended), *Statement of Cash Flows* (effective for accounting periods commencing on or after 1 January 2017);
- IAS 12 (amended), *Income Taxes* (effective for annual periods beginning on or after 1 January 2017) – amendments regarding the recognition of deferred tax assets for unrealised losses.

The amendments to IAS 7 require the Group to provide disclosures about the changes in liabilities from financing activities, categorising those changes into changes arising from cash flows and non-cash changes. An additional note has been included in these consolidated financial statements to provide this analysis (see note 13).

Other than as noted above, the adoption of these amended standards has had no material impact on the consolidated financial statements of the Group.

The Directors believe that the consolidated financial statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities, financial performance and cash flows of the Group for the period to which it relates and does not omit any matter or development of significance.

4. 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

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)**	-	**(5,894)**
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**

PYNE GOULD CORPORATION LIMITED

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2018

4. Segmental analysis (continued)

(a) Group's reportable segments (continued)

	Continuing Operations				
2017	**Torchlight Segment**	**Property Group**	**Parent Company**	**Inter-segment eliminations**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
External revenue					
Interest revenue	231	-	191	-	**422**
Other revenue	1,675	16	-	-	**1,691**
Gross revenue from land development and resale	30,783	-	-	-	**30,783**
Cost of land development sales	(20,932)				**(20,932)**
Other investment loss	7,043	-	-	-	**7,043**
	18,800	**16**	**191**	-	**19,007**
Internal revenue					
Internal interest revenue/(expense)	9	-	(9)	-	-
Foreign exchange gains/(losses)	75	2	(101)	-	**(24)**
Total segment revenue	**18,884**	**18**	**81**		**18,983**
Expenses					
Interest expense	(6,102)	(20)	-	-	**(6,122)**
Impairment expense	(321)	-	-	-	**(321)**
Wilaci litigation claim	(20,542)	-	-	-	**(20,542)**
Other operating expenses	(12,912)	(141)	(1,258)	-	**(14,311)**
Total operating expenses	**(39,877)**	**(161)**	**(1,258)**	-	**(41,296)**
Loss before tax	**(20,993)**	**(143)**	**(1,177)**	-	**(22,313)**
Income tax benefit	1,384	-	-	-	**1,384**
Loss after tax	**(19,609)**	**(143)**	**(1,177)**	-	**(20,929)**
Non-controlling interests	(1,190)	-	-	-	**(1,190)**
Loss for the period attributable to owners of the Company	**(18,419)**	**(143)**	**(1,177)**	-	**(19,739)**
Total assets	**263,465**	**3,847**	**79,815**	**(182,668)**	**164,459**
Total liabilities	**107,778**	**13,717**	**498**	**(43,018)**	**78,975**

4. 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/(loss) from External Customers		Non-Current Assets	
	2018	2017	2018	2017
	£000	£000	£000	£000
New Zealand	436	(1,811)	16,306	41,660
Australia	3,770	11,702	42,237	35,710
Cayman Islands	(293)	9,116	5,027	8,709
	3,913	**19,007**	**63,570**	**86,079**

The geographical information contained within the segmental analysis represents the New Zealand Business, and is not prepared on the same basis that the New Zealand Business accounts would be prepared for filing in accordance with section 461(B) of the FMCA 2013.

5. Net interest expense

	2018	2017
	£000	£000
Interest revenue		
Finance receivables	187	228
Advances to related parties	209	194
Total interest revenue	**396**	**422**
Interest expense		
Bank borrowings	(5,299)	(6,122)
Total interest expense	**(5,299)**	**(6,122)**
Net interest expense	**(4,903)**	**(5,700)**

6. Investment gains/(losses) and other revenue

	2018 £000	2017 £000
Investment gains/(losses) and revenue		
Dividend revenue	50	10,572
Movement in fair value on non-current asset held for sale	-	431
Movement in fair value on derivative financial instrument	124	(2,449)
Movement in listed equity securities	(245)	(1,511)
	(71)	**7,043**
Other revenue		
Golf revenue	1,441	1,549
Miscellaneous revenue	87	128
Rental revenue	10	14
Total other revenue	**1,538**	**1,691**

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

	2018 £000	2017 £000
Directors' fees	120	112
Personnel expenses*	2,035	2,436
Legal and consultancy fees	6,967	6,731
Other operating expenses**	1,916	5,032
Selling and administration expenses	**11,038**	**14,311**

** 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.*

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

	2018 £000	2017 £000
Audit fees		
Grant Thornton – statutory audit only	239	478
– NZ regulatory audit	76	-

8. Impaired asset reversal/(expense)

	2018 £000	2017 £000
Loans receivable individually assessed	5,290	(321)
Total impaired asset reversal/(expense)	**5,290**	**(321)**

During the year the Group recognised an impairment of NZD0.8 million (£0.5 million) (30 June 2017: NZD1.4 million (£0.8 million)) in relation to a group of three related loans, being 17.5% (30 June 2017: 30%) of the loan balances, as well as an impairment of AUD0.2 million (£0.1 million) (30 June 2017: AUD 1.0 million (£0.6 million)) in relation to a loan to an Australian borrower group that is in default.

Impairment reversal
Reversals of impairment in the years ended 30 June 2018 and 30 June 2017 related to a previously impaired loan receivable held within the RCL Jack's Point Ltd entity. The reversal during the current year amounted to NZD11.1 million (£5.9 million) (30 June 2017: NZD2.0 million (£1.1 million)) and reflects the revised estimation of the amount determined to be recoverable under the loan.

9. Significant controlled entities

Significant subsidiaries	Principal place of business	Nature of business	2018 % held	2017 % 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	44.2%	44.2%
Australasian Credit Fund Limited*	New Zealand	Finance	44.2%	44.2%
Real Estate Southern Holdings Limited*	New Zealand	Property Investment	44.2%	44.2%
Henley Downs Village Investments Limited*	New Zealand	Property Investment	44.2%	44.2%
Henley Downs Village Limited*	New Zealand	Property Investment	44.2%	44.2%
Torchlight Real Estate Group*	Cayman Islands	Bare Trustee	44.2%	44.2%
RCL Real Estate Holdings*	Cayman Islands	Bare Trustee	44.2%	44.2%
RCL Real Estate Pty Ltd*	Australia	Holding Company	44.2%	44.2%
RCL Queenstown Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL PRM Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Sanctuary Lakes Pty Ltd*	Australia	Property Investment	44.2%	44.2%
Sanctuary Land Development Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Links Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Grandvue Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Haywards Bay Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Port Stephens Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Pacific Dunes Golf Operations Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Forster Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Taree Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Merimbula Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Renaissance Rise Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Real Estate Australia Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Rock Pty Ltd*	Australia	Property Investment	44.2%	44.2%
RCL Henley Downs Limited*	New Zealand	Property Investment	44.2%	44.2%
RCL Jack's Point Limited*	New Zealand	Property Investment	44.2%	44.2%
NZ Real Estate Credit Limited*	New Zealand	Finance	44.2%	44.2%
GLC Land Holdings Limited*	New Zealand	Property Investment	44.2%	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 2018.

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*	RCL Group*	Property Group
MARAC Financial Services Limited	RCL Real Estate Holdings	Real Estate Credit Limited
Equity Partners Asset Management Limited	RCL Real Estate Pty Ltd	Property Assets Limited
Torchlight Securities Limited	RCL Queenstown Pty Ltd	Land House Limited
Ferrero Investments Limited	RCL PRM Pty Ltd	MARAC Investments Ltd
Torchlight Fund No. 2 Limited Partnership	RCL Sanctuary Lakes Pty Ltd	
Equity Partners Infrastructure Management Ltd	Sanctuary Land Development Pty Ltd	
NZ Credit Fund (GP) 1 Limited (in liquidation)	RCL Links Pty Ltd	
Torchlight (GP) 2 Limited	RCL Grandvue Pty Ltd	
Torchlight Management Limited	RCL Haywards Bay Pty Ltd	
Torchlight Group and its subsidiaries:	RCL Port Stephens Pty Ltd	
Torchlight GP Limited	RCL Pacific Dunes Golf Operations Pty Ltd	
Torchlight Fund LP	RCL Forster Pty Ltd	
Australasian Credit Fund Limited	RCL Taree Pty Ltd	
Real Estate Southern Holdings Limited	RCL Merimbula Pty Ltd	
Henley Downs Village Investments Limited	RCL Renaissance Rise Pty Ltd	
Henley Downs Village Limited	RCL Real Estate Australia Pty Ltd	
Torchlight Real Estate Group	RCL Rock Pty Ltd	
GLC Land Holdings Limited	RCL Henley Downs Limited	
	RCL Jack's Point Limited	
	NZ Real Estate Credit Limited	

*Torchlight segment within note 4 includes both the Torchlight Group and RCL Group of companies.

Torchlight Fund LP (TFLP) and its subsidiaries

At 30 June 2018, the Group had an ownership through direct limited partnership interests in TFLP of 44.2% (30 June 2017: 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 Group is deemed to have control over TFLP. The Group receives remuneration from TFLP in the form of management fees, but has no ability to access or use the assets of TFLP to settle liabilities of the Group.

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 have agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 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 35.

At 30 June 2018, the Group 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 allocated to NCI	Accumulated NCI
		£000	£000
30 June 2018			
Torchlight Fund LP and its subsidiaries	55.8%	(16,943)	32,464
30 June 2017			
Torchlight Fund LP and its subsidiaries	55.8%	2,174	49,407

No dividends were paid to the NCI during the financial year ended 30 June 2018 (30 June 2017: £nil).

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

	2018 £000	2017 £000
Current		
Cash and cash equivalents	13,335	35,362
Other current assets (excluding cash)	57,419	41,985
Total current assets	**70,754**	**77,347**
Other current liabilities (including trade payables)	(9,960)	(6,849)
Total current liabilities	**(9,960)**	**(6,849)**
Non-current		
Assets	52,634	69,511
Financial liabilities	(55,219)	(51,422)
Total non-current net (liabilities)/assets	**(2,585)**	**18,089**
Net assets	**58,209**	**88,587**
Equity attributable to owners	**25,745**	**39,180**
Non-controlling interests	**32,464**	**49,407**

Summarised Statement of Comprehensive Income

	2018 £000	2017 £000
Revenue	**3,714**	**18,800**
Loss for the year attributable to owners	(11,580)	(944)
Loss for the year attributable to NCI	(14,602)	(1,190)
Loss for the year	**(26,182)**	**(2,134)**
Total comprehensive (loss)/income for the year attributable to owners	(13,435)	1,723
Total comprehensive (loss)/income for the year attributable to NCI	(16,943)	2,174
Total comprehensive (loss)/income for the year	**(30,378)**	**3,897**

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 2017	**39,180**	**49,407**	**88,587**
Loss for the year	(11,580)	(14,602)	(26,182)
Foreign currency adjustment on translation to presentation currency	(1,855)	(2,341)	(4,196)
Balance at 30 June 2018	**25,745**	**32,464**	**58,209**

Summarised cash flows

	2018 £000	2017 £000
Net cash (applied to)/from operating activities	(18,188)	6,461
Net cash from investing activities	668	22,735
Net cash applied to financing activities	(1,475)	(2,923)
Foreign currency adjustment on translation to presentation currency	(3,031)	905
Net cash (outflow)/inflow	**(22,026)**	**27,178**

10. Tax

	2018 £000	2017 £000
Current tax expense		
Current year	-	-
Deferred tax credit	228	1,384
Total tax credit	228	1,384
Attributable to:		
Continuing operations	228	1,384
Reconciliation of effective tax rate		
Taxable losses before tax	(5,891)	(22,313)
Total taxable losses	**(5,891)**	**(22,313)**
Prima facie tax (charge)/credit at 30% and 28%*	(4,764)	10,823
Plus/(less) tax effect of items not taxable/deductible	7,384	(9,145)
Unused tax losses and tax offsets not recognised as deferred tax assets	(2,392)	(294)
Total tax credit	**228**	**1,384**

*30% applicable Australian tax rate and 28% applicable New Zealand rate for the financial year ends 30 June 2018 and 30 June 2017.

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 items included in other comprehensive income.

11. Deferred tax

	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**

	1 July 2016 £000	Recognised in profit or loss £000	Foreign exchange gain/(loss) on translation £000	30 June 2017 £000
Deferred tax liabilities	3,363	(1,508)	231	2,086
Deferred tax assets	(207)	124	(11)	(94)
Net deferred tax liability	**3,156**	**(1,384)**	**220**	**1,992**

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

	2018 £000	2017 £000
The following deferred tax assets have not been recognised as at 30 June:		
Tax losses (subject to meeting shareholder continuity requirements)	6,167	6,344
Deductible temporary differences	64	318
Total unrecognised deferred tax assets	**6,231**	**6,662**

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

	2018 £000	2017 £000
The following deferred tax assets have not been recognised as at 30 June:		
Tax losses (subject to meeting shareholder continuity requirements)	762	484
Total unrecognised deferred tax assets	**762**	**484**

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

	2018 £000	2017 £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

	2018 £000	2017 £000
Loss for the year	**(5,663)**	**(20,929)**
Add/(less) non-cash items:		
Gain on disposal of assets	1,191	-
Impairment on finance receivables	579	321
Reversal of impairment on loan receivable	(5,869)	-
Revaluation of investment property	-	(431)
Depreciation and amortisation of non-current assets	71	46
Movement in unrealised loss/(gain) on investments	344	4,120
Interest paid	5,295	6,119
Interest received	(208)	(215)
Wilaci litigation claim	(20,542)	20,542
Foreign exchange gain	254	87
Other non-cash items	(228)	(2,917)
Total non-cash items	**(19,113)**	**27,672**
(Less)/add movements in working capital items:		
Trade and other receivables	(891)	(747)
Trade and other payables	325	1,025
Total movements in working capital items	**(566)**	**278**
Net cash flows (applied to)/from operating activities	**(25,342)**	**7,021**

13. Reconciliation of liabilities arising from financing activities

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

	2018			2017		
	Long-term borrowings £000	Short-term borrowings £000	Total £000	Long-term borrowings £000	Short-term borrowings £000	Total £000
Opening balance	**49,430**	**455**	**49,885**	**-**	**42,198**	**42,198**
Cash flows:						
Repayment	(6,715)	-	(6,715)	-	(47,857)	(47,857)
Proceeds	7,904	489	8,393	44,961	309	45,270
Non-cash:						
Acquisition	-	-	-	-	111	111
Capitalised interest	6,904	43	6,947	3,112	3,006	6,118
Translation difference	(3,965)	(57)	(4,022)	1,357	2,688	4,045
Closing balance	**53,558**	**930**	**54,488**	**49,430**	**455**	**49,885**

14. Earnings/(loss) per share attributable to owners of the Company

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

	2018	2017
Profit/(loss) after tax attributable to owners of the Company (£000)	8,939	(19,739)
Profit/(loss) after tax attributable to owners of the Company – continuing operations (£000)	8,939	(19,739)
Weighted average number of ordinary shares in issue (000)	207,463	207,463
Basic and diluted earnings/(loss) attributable to owners of the Company (pence per share)	**4.31p**	**(9.51)p**
Basic and diluted earnings/(loss) attributable to owners of the Company - continuing operations (pence per share)	**4.31p**	**(9.51)p**
Net tangible assets per share attributable to owners of the Company (pence per share)*	**20.13p**	**17.39p**

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

	2018 shares 000s	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 year 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.

16. Finance receivables

	2018 £000	2017 £000
Gross finance receivables	1,015	1,161
Less allowance for impairment	-	-
Total finance receivables	**1,015**	**1,161**

Finance receivables are loans with various terms and interest rates.

17. Investment property/Non-current asset held for sale

Investment property	2018 £000	2017 £000
Opening balance	-	3,454
Transfer to inventories	-	(3,066)
Transfer to non-current asset held for sale	-	(388)
Closing balance	**-**	**-**

During the prior year, an investment property valued at NZD 5.8 million (£3.1 million) was reclassified as investment property held for development and was transferred to Inventories (see note 18).

During the prior year, agreement was reached for the sale of the remaining investment property, a residential property held within the Torchlight segment of the Group. As a result this property was reclassified as a non-current asset held for sale as at 30 June 2017.

Non-current asset held for sale	2018 £000	2017 £000
Opening balance	848	-
Disposal	(848)	-
Transfer from investment property	-	388
Change in fair value	-	431
Foreign exchange movement	-	29
Closing balance	**-**	**848**

The following amounts were recognised in profit or loss within the consolidated Statement of Comprehensive Income in respect of investment property or inventories held during the year ended 30 June:

	2018 £000	2017 £000
Rental revenue	10	14
Direct operating expenses arising from investment property that generated investment revenue	10	9

18. Inventories

	2018 £000	2017 £000
Land held for resale		
Current assets		
Cost of acquisition	28,773	22,179
Development costs	17,158	10,631
	45,931	**32,810**
Non-current assets		
Cost of acquisition	35,576	56,892
Development costs	6,500	626
	42,076	**57,518**
Total inventories	**88,007**	**90,328**

18. Inventories (continued)

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(m), inventories are held at the lower of cost and net realisable value. All inventories are held at cost. At 30 June 2018, these Inventories are pledged as security to a third party corporate debt facility as detailed further in note 25.

During the year, AUD31.4 million (£18.0 million) (30 June 2017: AUD34.9 million (£20.7 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 year (30 June 2017: £Nil).

During the prior year, an investment property valued at NZD 5.8 million (£3.1 million) and held in the Property Group segment of the business was reclassified as investment property held for development and was transferred to Inventories (see note 17). At 30 June 2018, partial security is held over this property for a bank borrowing facility of NZD1.8 million (£0.9 million) (30 June 2017: facility of NZD0.8 million (£0.5 million)). This asset is classified as current (30 June 2017: non-current) as it is expected to be sold within twelve months of the reporting date.

19. Trade and other receivables

	2018 £000	2017 £000
Trade and other receivables	4,236	3,134
Total trade and other receivables	**4,236**	**3,134**

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.

20. Investment – Available for sale financial asset

	2018 £000	2017 £000
Receivables – Sale of Perpetual Trust Limited ("PTL")	8,531	10,007
Total other assets	**8,531**	**10,007**

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 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 2018. 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 2018, 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 2018 under each scenario.

20. Investment – Available for sale financial asset (continued)

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.

At 30 June 2018, 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 56% (30 June 2017: 60%); 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 2017: 15%); and the probability of a successful IPO scenario was 24% (30 June 2017: 25%), with 0%, 40% and 60% probabilities that the IPO would take place in the years ended 30 June 2019, 30 June 2020 and 30 June 2021 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 29 for analysis of the receivable's sensitivity to the various inputs used in the valuation determination.

At 30 June 2018, 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 £8.5 million (30 June 2017: NZD17.7 million or £10.0 million). A fair value loss of NZD1.1 million (£0.6 million) has been recognised in other comprehensive income during the year (30 June 2017: NZD3.2 million (£1.8 million)), with the difference of £0.9 million being a foreign exchange movement on translation to presentation currency. 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 Available for Sale Asset 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 29.

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.

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

	2018 £000	2017 £000
Current assets		
Listed UK equity securities	-	1,241
Listed Australian equity securities	274	772
Total Investments – Fair value through profit or loss	**274**	**2,013**

During the year, the Group has disposed of its holding of Reach plc (formerly Trinity Mirror plc), the Group's listed UK equities, realising a net loss of £0.2 million.

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

During the prior year, the Lantern Hotel Group ("Lantern"), the Group's listed Australian equity investment, commenced selling down its property portfolio and returning capital to shareholders, a process which continued during the current year. As a result, the Group has received capital distributions during the year totalling AUD0.7 million (£0.4 million) (30 June 2017: AUD30.9 million (£18.4 million)), and the fair value of its holding in Lantern has decreased by a similar amount. The Group has received no dividend revenue from Lantern during the year (30 June 2017: AUD17.7 million (£10.5 million)). For details of methods and assumptions used to estimate the fair value of each of the above listed assets see note 29.

22. Investments – Derivative financial instruments

	2018 £000	2017 £000
Non-current assets		
Derivative financial instruments	3,815	4,076
Total Investments – Derivative financial instruments	**3,815**	**4,076**

In order to ascertain the fair value of the Derivative financial instruments, the Directors engaged an external valuer, who assessed the Derivative financial instruments to have a fair value in the range of NZD7.0 million to NZD7.9 million (30 June 2017: NZD6.0 million to NZD8.5 million) as at 31 March 2018. The Directors believe that the assumptions relating to this valuation remain appropriate as at 30 June 2018. In the opinion of the Directors, a valuation of NZD7.4 million (£3.8 million), in the middle of this range, best represents the fair value of the Derivative financial instruments at 30 June 2018 (30 June 2017: NZD7.2 million (£4.1 million)). For details of methods and assumptions used to estimate the fair value of each of the above listed assets see note 29.

23. Investments – Loans and receivables

	2018 £000	2017 £000
Current assets		
Loans receivable - gross	18,696	2,543
Impairment of loans receivable	(8,301)	(763)
Loans receivable – net of impairment	10,395	1,780
Other receivables	-	1,319
Total current loans and receivables	10,395	3,099
Non-current assets		
Loans receivable - gross	41,765	62,414
Impairment of loans receivable	(36,738)	(52,967)
Loans receivable – net of impairment	5,027	9,447
Other receivables	1,556	1,716
Total non-current loans and receivables	6,583	11,163
Total Investments – Loans and receivables	**16,978**	**14,262**

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

	2018 £000	2017 £000
Balance brought forward	53,730	51,004
Impaired asset (reversal)/charge	(5,290)	321
Foreign exchange on translation	(3,401)	2,405
Balance carried forward	**45,039**	53,730

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 discounted cash flow (DCF) analysis of the underlying projects. The discount rates applied within these DCF analysis range from 9% to 20%.

23. Investments – Loans and receivables (continued)

Loans receivable (continued)
During the year, a loan receivable valued at NZD6.8 million (£3.8 million) net of impairment as at 30 June 2017 was reclassified from a non-current asset to a current asset and impairment previously recognised of NZD11.1 million (£5.9 million) was reversed. The reversal of impairment reflects the revised estimation of the amount determined to be recoverable under the loan.

Other receivables
Other receivables comprises NZD3.0 million (£1.6 million) (30 June 2017: NZD 3.0 million (£1.7 million)) paid as a deposit towards 50% of development costs on the initial exercise of call options in respect of 50 (30 June 2017: 50) residential lots.

During the year, an amount of £1.3 million held in cash escrow following the Local World sale in October 2015 was released to the Group.

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

	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**

	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**

24. Non-controlling interest

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

	2018 £000
NCI carried 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**

	2017 £000
NCI brought forward at 1 July 2016	**47,233**
NCI's share of losses for the year	(1,190)
Foreign currency adjustment on translation to presentation currency	3,364
NCI carried forward at 30 June 2017	**49,407**

25. Borrowings

	2018 £000	2017 £000
Current		
Bank Loan – secured	-	-
Third party corporate debt facility – secured	930	455
	930	**455**
Non-current		
Third party corporate debt facility – secured	53,558	49,430
Total borrowings	**54,488**	**49,885**

The current third party corporate debt facility is secured against an investment property held for development included within Inventories (see note 18).

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.

The borrowing facilities within the RCL Group expire in September 2019.

26. Wilaci litigation claim

	2018 £000	2017 £000
Current		
Wilaci litigation claim	-	20,542
	-	**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 accrued by the General Partner as at 30 June 2017 has been reversed in the current year, and the settlement amount has been expensed via TFLP. The net reversal of this accrual of £2.9 million has been recognised in the Consolidated Statement of Comprehensive Income in the current year.

27. Trade and other payables

	2018 £000	2017 £000
Current		
Trade and other payables	8,778	6,556
	8,778	**6,556**

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.

28. 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 2018. George Kerr is the ultimate controlling party of AEP LP. AEP GP charged a subsidiary of the Company administration fees of £129,000 during the year ended 30 June 2018 (30 June 2017: £65,000). At 30 June 2018, 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.

During the year ended 30 June 2018, 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 2018, the amount receivable from AEP GP was £2.4 million (30 June 2017: £2.3 million). General advances accrue interest at 9%. Total interest recognised during the year was £208,000 (30 June 2017: £198,000).

(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 year as follows:

	2018 £000	2017 £000
Key management personnel compensation from Parent Company is as follows:		
Directors' fees payable to non-executive Directors	120	112
Consultancy fees payable to executive Directors	629	556
Total	**749**	**668**

There were no Directors' fees outstanding at 30 June 2018 (30 June 2017: £Nil). Consultancy fees of £14,000 were outstanding at 30 June 2018 (30 June 2017: £8,000).

	2018 £000	2017 £000
Personnel compensation within RCL Group companies is as follows:		
Short-term employee benefits	2,035	2,436
Total	**2,035**	**2,436**

There were no employee benefits outstanding at 30 June 2018 or 30 June 2017.

29. 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 value 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.

Investments – Available for sale financial assets
Available for sale financial assets are measured at fair value. The available for sale financial asset has been valued by an external valuer, based on the probability weighted Net Present Values (NPVs) of a receivable under three separate scenarios (see note 20). The Directors consider 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 derivative financial instrument is a call option for the right to receive 50 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 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 50 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.

	2018		2017	
	Carrying value £000	**Fair value £000**	**Carrying value £000**	**Fair value £000**
Assets				
Cash and cash equivalents	13,554	13,554	35,789	35,789
Finance receivables	1,015	1,015	1,161	1,161
Advances to related parties	2,404	2,404	2,301	2,301
Investments – Loans and receivables	16,978	16,834	14,262	14,115
Investments – Fair value through profit or loss	274	274	2,013	2,013
Investments – Derivative financial instruments	3,815	3,815	4,076	4,076
Investments – Available for sale financial assets	8,531	8,531	10,007	10,007
Trade and other receivables	4,236	4,236	3,134	3,134
Total assets	**50,807**	**50,663**	**72,743**	**72,596**
Liabilities				
Borrowings	54,488	54,488	49,885	49,885
Other financial liabilities	8,778	8,778	27,098	27,098
Total liabilities	**63,266**	**63,266**	**76,983**	**76,983**

29. 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	2018 Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Investments – Available for sale financial asset	20	-	-	8,531	8,531
Listed Australian equity securities*	21	-	-	274	274
Investments – Derivative financial instruments	22	-	-	3,815	3,815
Total Assets		**-**	**-**	**12,620**	**12,620**

* During the year ended 30 June 2018 the listed Australian equities were transferred from Level 1 to Level 3, as they are no longer traded in an active market and the valuation methodology has changed (see table on page 51).

	Note	2017 Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Investments – Available for sale financial asset	20	-	-	10,007	10,007
Listed equity securities	21	1,241	-	-	1,241
Listed Australian equity securities	21	772	-	-	772
Investments – Derivative financial instruments	22	-	-	4,076	4,076
Total Assets		**2,013**	**-**	**14,083**	**16,096**

There were no transfers between Levels of the fair value hierarchy during the year ended 30 June 2017.

29. Fair value (continued)

Reconciliation of Level 3 fair value measurements of assets

2018	Listed Australian 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 Australian equity securities	754	-	-	754
Capital distribution received from listed Australian equities	(374)	-	-	(374)
Change in fair value through profit or loss within investment income	(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**

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 income	-	-	(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.

29. 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 2018 £000	Fair value at 30 June 2017 £000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Listed Australian equity securities	274	-	Last published net asset value less value of subsequent capital distribution	See page 55	See page 55	See page 55
Derivative financial instruments	3,815	4,076	Stochastic discounted cash flow analysis	See pages 55-56	See pages 55-56	See pages 55-56
Available for sale financial asset	8,531	10,007	External valuation using probability weighted scenarios	Percentage probability weightings Discount rate	See pages 52 to 55	See pages 52 to 55
	12,620	**14,083**				

29. Fair value (continued)

Valuation process

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 NZD16.6 million (£8.5 million) (30 June 2017: NZD17.7 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 an 80% likelihood that the receivable will be subject to litigation and a 20% likelihood that the receivable will be recovered through an IPO between 30 June 2019 and 30 June 2021. In the event litigation occurs, the valuer has assigned a 70% probability that the litigation will be successful, so effectively a 56% 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 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 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 8%.

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 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**				

29. Fair value (continued)

Valuation process (continued)

Available for sale financial asset (continued)
At 30 June 2017, the valuer assigned a 75% likelihood that the receivable would be subject to litigation and a 25% likelihood that the receivable would be recovered through an IPO between 30 June 2018 and 30 June 2020. In the event litigation were to occur, the valuer assigned an 80% probability that the litigation would be successful, and so effectively a 60% likelihood that the receivable would be recovered via a litigation scenario. The valuer 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 applied a 15% 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 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 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 were discounted using a discount rate of 8%.

Using the above valuation assumptions the fair value of the PTL receivable at 30 June 2017 was calculated as follows:

	Litigation scenario	IPO – three 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	31 Dec 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 – 30 June 2017	**17,706**				
	£000				
Fair Value in £ – 30 June 2017	**10,007**				

29. Fair value (continued)

Valuation process (continued)

Available for sale financial asset (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 £1,014,000;
- 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 £211,000;
- 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 £80,000;
- 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 £156,000;
- a 1% decrease in the discount rate used would result in an increase in the fair value of the PTL receivable of £52,000.

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-18	30-Jun-19	31-Dec-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	
0%	3,210	3,090	2,972	2,861	2,649	2,452	2,271	**0.0%**
10%	3,987	3,871	3,758	3,651	3,448	3,259	3,085	**8.0%**
20%	4,764	4,653	4,545	4,442	4,247	4,066	3,899	**16.0%**
30%	5,540	5,434	5,331	5,233	5,046	4,873	4,713	**24.0%**
40%	6,317	6,216	6,117	6,024	5,846	5,681	5,528	**32.0%**
50%	7,094	6,997	6,903	6,814	6,645	6,488	6,342	**40.0%**
60%	7,870	7,779	7,690	7,605	7,444	7,295	7,156	**48.0%**
70%	8,647	8,531	8,476	8,396	8,243	8,102	7,971	**56.0%**
80%	9,424	9,342	9,262	9,186	9,042	8,909	8,785	**64.0%**
90%	10,201	10,124	10,048	9,977	9,841	9,716	9,599	**72.0%**
100%	10,977	10,905	10,835	10,768	10,641	10,523	10,414	**80.0%**

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-18	30-Jun-19	31-Dec-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	
65%	8,832	8,693	8,558	8,431	8,188	7,962	7,753	**45.5%**
70%	8,770	8,649	8,531	8,419	8,206	8,009	7,826	**49.0%**
75%	8,709	8,605	8,503	8,407	8,225	8,055	7,898	**52.5%**
80%	8,647	8,531	8,476	8,396	8,243	8,102	7,971	**56.0%**
85%	8,586	8,516	8,448	8,384	8,262	8,148	8,043	**59.5%**
90%	8,524	8,472	8,421	8,372	8,280	8,195	8,116	**63.0%**

29. Fair value (continued)

Valuation process (continued)

Available for sale financial asset (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%	6%	8%	10%	12%	14%	16%	
0%	3,406	3,243	3,090	2,947	2,813	2,688	2,571	**0.0%**
10%	4,175	4,018	3,871	3,734	3,606	3,486	3,373	**8.0%**
20%	4,944	4,793	4,653	4,521	4,398	4,283	4,175	**16.0%**
30%	5,713	5,569	5,434	5,309	5,191	5,081	4,978	**24.0%**
40%	6,482	6,344	6,216	6,096	5,984	5,879	5,780	**32.0%**
50%	7,251	7,120	6,997	6,883	6,776	6,676	6,582	**40.0%**
60%	8,020	7,895	7,779	7,670	7,569	7,474	7,385	**48.0%**
70%	8,789	8,671	8,531	8,458	8,361	8,271	8,187	**56.0%**
80%	9,557	9,446	9,342	9,245	9,154	9,069	8,989	**64.0%**
90%	10,326	10,221	10,124	10,032	9,947	9,867	9,792	**72.0%**
100%	11,095	10,997	10,905	10,819	10,739	10,664	10,594	**80.0%**

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.

Listed Australian equity securities
The Directors have assessed the trading activities of the Australian equity securities and deemed that the market in these securities is no longer active, as the securities' listing has been suspended. As a result, the Directors have valued the listed Australian equity securities based on their last published net asset value, less the amount of a capital distribution received subsequently. The investments have been reclassified from level 1 to 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 50 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 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 50 lots.

The primary assumptions used in the valuation were average sale price estimated to be NZD355,000 per lot, average lot size of 600 square metres, the section development cost being NZD137,000, each section will be pre-sold off plan subject to title and the overall develop and sell period of 4.5-5.5 years.

29. Fair value (continued)

Valuation process (continued)

Derivative financial instruments (continued)
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 3.5% per annum increases being modelled within the valuation.

The escalation in the exercise price
The valuer has allowed for the possibility that the exercise price will increase by 3.5% per annum and also at 2.75% but with an upward shock to the acquisition costs.

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 two remaining tranches being between NZD7.0 million and NZD7.9 million respectively. The Directors have determined that as at 30 June 2018 a valuation of NZD7.4 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: NZD7.2 million (£4.1 million)).

30. 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.

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

Categories of financial instruments

	2018 £000	2017 £000
Assets		
Fair value through profit or loss	274	2,013
Loans and receivables	38,187	56,647
Available-for-sale financial assets	8,531	10,007
Liabilities		
Financial liabilities at amortised cost	63,266	76,983

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 Company has no significant borrowing facilities nor externally imposed capital requirements.

31. 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.

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. Specific impairment allowances are made where events have occurred leading to an expectation of reduced future cash flows from certain receivables.

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 NZD0.8 million (£0.5 million) (30 June 2017: NZD1.4 million (£0.8 million)) was made against three related loans receivable with a gross value of NZD4.5 million (£2.3 million) (30 June 2017: NZD4.5 million (£2.5 million)). These loans were impaired by a further 17.5% (30 June 2017: 30%) to reflect uncertainty over whether the Group will be able to recover the full value of the loans. The Group also has loans to an Australian borrower group with a gross value of AUD4.4 million (£2.5 million) (30 June 2017: AUD4.4 million (£2.6 million)) that are in default, against which a provision was made during the year of AUD0.2 million (£0.1 million) (30 June 2017: AUD1.0 million (£0.6 million)) to reflect the future discounted cash flows expected to be received. The borrower was put into receivership in February 2012. Also during the year, a reversal of impairment of NZD11.1 million (£5.9 million) (30 June 2017: NZD2.0 million (£1.1 million)) was recognised on a loan held within the RCL group with a gross value of NZD32.0 million (£16.4 million) (30 June 2017: NZD32.0 million (£18.1 million)), against which impairment of NZD25.1 million (£14.2 million) (30 June 2017: NZD27.1 (£15.3 million)) had previously been recognised. The reversal of impairment reflects the revised estimation of the amount determined to be recoverable under the loan.

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

With the exception of the above receivables, the Group has no other amounts which are past due.

Concentrations of credit risk
The Group has a concentration of credit risk at 30 June 2018 in relation to its investments in loans and receivables and investment in Available for sale financial assets.

The Available for Sale Financial Asset relates to the sale of Perpetual Trust Limited (PTL). As stated in note 20, NZD22.0 million (£11.3 million) (30 June 2017: NZD22.0 million (£12.4 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.

31. Credit Risk Exposure (continued)

Collateral requirements - finance receivables (continued)

(a) Credit impairment (continued)

Maximum exposure to credit risk

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

32. 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.

Contractual liquidity profile of financial liabilities

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**

2017	**0-12 Months £000**	**1-2 Years £000**	**2-5 Years £000**	**5+ Years £000**	**Total £000**
Financial liabilities					
Borrowings	6,093	2,502	56,265	-	64,860
Wilaci litigation claim	20,542	-	-	-	20,542
Other financial liabilities	6,556	-	-	-	6,556
Total financial liabilities	**33,191**	**2,502**	**56,265**	**-**	**91,958**

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

The borrowing facilities within the RCL Group expire in September 2019. The projected cashflows relating to repayment of principal of these borrowing facilities are included in the 1-2 years time band to reflect the contractual requirements of the facilities, notwithstanding that some repayments of principal may be projected to be made at earlier points in time. Interest payments arising on the facilities included in the 0-12 months and 1-2 years time bands are based on projected dates of repayment of principal.

The Group’s undrawn committed bank facilities at 30 June 2018 amounted to AUD9.7 million (£5.4 million) (30 June 2017: AUD24.5 million (£14.5 million)).

There were no unrecognised loan commitments for the Group for the year ended 30 June 2018 (30 June 2017: £nil).

33. 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
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)**

	WAIR* %	Floating rate financial instruments £000	Fixed rate financial instruments £000	Non-interest bearing financial instruments £000	Total £000
2017					
Assets					
Cash and cash equivalents	0.71%	35,789	-	-	35,789
Finance receivables		-	-	1,161	1,161
Advances to related parties	9.00%	-	2,301	-	2,301
Investments – Loans and receivables	0.10%	1,319	-	12,943	14,262
Investments – Fair value through profit or loss		-	-	2,013	2,013
Investments – Available for sale financial assets		-	-	10,007	10,007
Trade and other receivables		-	-	3,134	3,134
Total Assets		**37,108**	**2,301**	**29,258**	**68,667**
Financial liabilities					
Borrowings	11.43%	-	49,885	-	49,885
Wilaci litigation claim	4.87%	20,542	-	-	20,542
Other financial liabilities		-	-	6,556	6,556
Total financial liabilities		**20,542**	**49,885**	**6,556**	**76,983**
Total interest sensitivity gap		**16,566**	**(47,584)**	**22,702**	**(8,316)**

*Weighted average interest rate

33. Market risk (continued)

Interest rate risk (continued)

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 2018, 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 £68,000/decrease of £66,000 in profit or loss in the consolidated Statement of Comprehensive Income for the year (30 June 2017: increase of £83,000/decrease of £16,000). The effect on equity as a result of the above interest rate fluctuations would also be an increase of £68,000/decrease of £66,000 (30 June 2017: increase of £83,000/decrease of £16,000).

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 21.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at 30 June 2018.

If equity prices had been 10% higher, the Group's:

- Loss for the year ended 30 June 2018 would have decreased by £0.03 million (30 June 2017: £0.2 million)

If equity prices had been 10% lower, the Group's:

- Loss for the year ended 30 June 2018 would have increased by £0.03 million (30 June 2017: £0.2 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 £7.4 million increase/decrease to profit or loss in the consolidated Statement of Comprehensive Income for the year (30 June 2017: £8.6 million). The effect on equity would be an £7.4 million increase/decrease as a result of the above foreign exchange rate fluctuations (30 June 2017: £8.6 million).

34. Contingent liabilities and commitments

Torchlight Fund LP and its subsidiaries

The Group had the following commitments within the RCL Group:

	2018 £000	2017 £000
Contracted work to complete		
Expenditure contracted for at the reporting date but not recognised as liabilities		
Within one year	21,580	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 30 June 2018 was £1.4 million (30 June 2017: £0.8 million).

35. 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. As has been reported in previous years, Torchlight (GP) Limited, a subsidiary of the Group and the General Partner to TFLP, 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.

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 with judgement delivered 17 January 2018 dismissing the challenge by all bar one defendant. Leave to appeal was sought by both the General Partner and the defendants and granted to all parties on 22 February 2018.

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

1) the Petition has been withdrawn with no order as to costs;
2) the injunction dated 22 January 2016 referred to above has been discharged with no order as to costs;
3) the General Partner has discontinued the Conspiracy Proceedings against five of the defendants to the Conspiracy Proceedings with no order as to costs;
4) the appeals referred to above regarding the challenges to jurisdiction have been 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 have agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 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.*"

Having failed to prevent publication of the judgment before the trial Judge, the Petitioners have indicated that they may now attempt to appeal this decision. However, the trial Judge has indicated that he sees no merit in any appeal and has confirmed in his decision of 13 September 2018 that:

"*Finally, in light of the clear governing legal principles the Court considers that there are no arguable grounds of appeal and no realistic prospects of an appeal against this decision succeeding. Nonetheless, the Court shall grant a stay of 14 days before publication as requested by the Petitioners.*"

36. Subsequent events

The following material events have occurred subsequent to 30 June 2018 to the date when these consolidated financial statement were authorised for issue:

- On 10 July 2018, a confidential settlement was reached in respect of the TFLP Winding Up Petition and the Conspiracy Proceedings. As part of this settlement, the Petitioners have agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 million, as a result of which PGC's direct limited partnership interests increased from 44.2% to 70.3%, without investing additional capital. See note 35 for details.
- On 10 September 2018 a Hearing in the Grand Court of the Cayman Islands took place in which the Petitioners persisted in arguing that, notwithstanding the direction of the Court on 16 July that it would proceed to publish its judgement in the Petition proceedings, that judgement should not be published. The trial Judge rejected the Petitioners' arguments and handed down his judgement setting out his reasons on 13 September 2018. Having failed to prevent publication of the judgement before the trial Judge, the Petitioners have indicated that they may now attempt to appeal this decision.

  The trial Judge has indicated that he sees no merit in any appeal, however he granted a stay of 14 days before publication of the judgement as requested by the Petitioners. The judgement was subsequently published in full on 25 September 2018.
- 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 in relation to the receivable arising from the sale of Perpetual Trust Limited in 2013 (see note 20);
  - 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.

There were no other material events subsequent to 30 June 2018 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 (the 'Group') for the year ended 30 June 2018 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 IASB.

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Parent Company's and Group's affairs as at 30 June 2018 and of the Group's loss for the year then ended;
- are in accordance with IFRSs as issued by the IASB; and
- comply with 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 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, 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 Group'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 the 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.

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 7, 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 Group 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' responsibilities 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.

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 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
St Peter Port
Guernsey
GY1 3TF

Date: 28 September 2018

STATUTORY DISCLOSURES
The following persons respectively held office as Directors of the Company and the Company's subsidiaries during the year ended 30 June 2018:

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

Henley Downs Village 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 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 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 £35,528 (30 June 2017: £30,355)

Details of individual Directors share dealings are as follows:

	Beneficial	Associated Person
G Kerr		
Balance at 30 June 2017	-	166,309,760
Balance at 30 June 2018	**-**	**166,309,760**
R Naylor		
Balance at 30 June 2017	-	-
Balance at 30 June 2018	**-**	**-**
N Kirkwood		
Balance at 30 June 2017	-	-
Balance at 30 June 2018	**-**	**-**
M Smith		
Balance at 30 June 2017	-	-
Balance at 30 June 2018	**-**	**-**
P Dudley		
Balance at 30 June 2017	-	-
Balance at 30 June 2018	**-**	**-**

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 2018 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 2018 Number of Directors	30 June 2017 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 2018.

Donations
During the financial year ended 30 June 2018, the Company made no donations.

Size of shareholdings at 30 August 2018

	Number of holders	% of share capital
1 – 5,000	790	0.62
5,001 – 10,000	254	0.86
10,001 – 50,000	269	2.67
50,001 – 100,000	62	2.13
100,001 and over	59	93.72
Total	**1,434**	**100.00**

Geographic distribution

	Number of holders	% of share capital
New Zealand	1,395	19.29
Overseas	39	80.71
Total	**1,434**	**100.00**

Largest Shareholders at 30 August 2018

Rank	Name	Number of shares	% of share capital
1	Lynchwood Nominees Limited	166,309,760	80.16
2	HSBC Nominees	10,692,228	5.15
3	ASB Nominees Limited	1,677,221	0.81
4	Bryan William Mogridge	1,448,208	0.70
5	Stephen Andrew Walker	1,435,337	0.69
6	Walker and Hall Fine Gifts Limited	1,229,935	0.59
7	Sean Anthony Dennehy	1,166,723	0.56
8	Paul Rex Chaney and Dianne Joan Chaney	1,018,400	0.49
9	Bruce Stewart Miles	562,800	0.27
10	Shane Austin Wakelin	538,124	0.26
11	EPIC Trustees Limited	442,482	0.21
12	John Austad Family	415,026	0.20
13	Investment Custodial Services Limited	332,492	0.16
14	Alistair Blair McCredie	321,600	0.16
15	Michael Murray Benjamin	300,000	0.14
16	Frederick Garnet Adams & Rosena Elisabeth Adams	267,772	0.13
17	Cash IT Limited	267,464	0.13
18	Hwa Yuen Ong	253,274	0.12
19	Jedi Investments Limited	250,000	0.12
20	ASB Nominees	218,834	0.11
Total Top Holders Balance		**189,147,680**	**91.17**

SHAREHOLDER INFORMATION (CONTINUED)

Substantial security holders

At 30 June 2018 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.

PYNE GOULD CORPORATION LIMITED

DIRECTORY

DIRECTORS
George Kerr
Russell Naylor
Noel Kirkwood
Michelle Smith
Paul Dudley

REGISTERED OFFICE
Sarnia House
Le Truchot
St Peter Port
GUERNSEY
GY1 1GR
Website: www.pgc.co.nz

SOLICITORS
Burton Partners
Level 3, 16 Viaduct Harbour Avenue,
PO Box 8889,
Symonds Street,
Auckland
NEW ZEALAND
Telephone: +64 9 913 1743

Carey Olsen
PO Box 98
Carey House
Les Banques
St Peter Port
GUERNSEY
GY1 4BZ
Telephone: +44 (0) 1481 727272

Conyers Dill & Pearman
Boundary Hall, 2nd Floor
Cricket Square
P.O. Box 2681
Grand Cayman, KY1-1111
CAYMAN ISLANDS
Telephone: +1 345 945 3901

DIRECTORY (continued):

SHARE REGISTRAR
Computershare Investor Services (Guernsey) Limited
PO Box 384, 3rd Floor
NatWest House
Le Truchot
St Peter Port
GUERNSEY
GY1 1WD
Telephone: +44 (0) 1534 281827

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
Auckland, 0622
NEW ZEALAND
Telephone: +64 9 488 8700

STATUTORY AUDITOR
Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
GUERNSEY
GY1 3TF
Telephone: + 44 1481 753400

BANKERS
Credit Suisse (Schweiz) AG
Postfach 357
CH-6301 Zug
SWITZERLAND

Bank of New Zealand
80 Queen Street, Auckland
NEW ZEALAND

COMPANY SECRETARY AND ACCOUNTANTS
Praxis Fund Services Limited
Sarnia House
Le Truchot
St Peter Port
GUERNSEY
GY1 1GR