Pyne Gould Corporation Limited

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

PYNE GOULD CORPORATION LIMITED
Contents

For the year ended 30 June 2017

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT

Directors' Report

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

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

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

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

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

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

Variance against Preliminary Full Year Announcement

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

Long Term Focus

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

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

Operating Performance

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

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

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

Directors' Report, continued

Operating performance, continued
At 30 June 2017, PGC held net current assets of £51.675 million (up from a deficiency of £3.736 million last year). The increase in net current assets is due to debt within a subsidiary of RCL Real Estate Holdings ("RCL") being refinanced and shifting to a non-current liability. RCL is an investment of Torchlight Fund LP and is consolidated in PGC's results.

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

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

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

Russell Naylor
Director
Date: 29 September 2017

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT, CONTINUED

Managing Director's Report

PGC remains focused on patiently executing on its long-term strategy of exiting non-core assets and building a long term business from distressed assets.

The exit of non-core assets is largely complete. The material residual receivable arose from the exit from Perpetual Trust Limited.

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

Torchlight Fund LP ("TFLP")
The core strategy of commitment to the growth of TFLP is expected to deliver long-term value for PGC shareholders.

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

RCL's largest project is Hanley Farm in Queenstown, where it is developing in excess of 1,700 sites. To date, 247 sites have been sold in a series of progressive releases. Focus is now on delivering the stock which have been sold, with settlements expected to commence around March 2018.

<u>RCL</u>
The largest investment of TFLP is RCL. This is very long term in nature and value is only realised as blocks of land are converted to actual cash sales over time. RCL is continuing to unlock value in the underlying real estate portfolio. The most significant event during the course of the past financial year has been the positive outcome in progressing a plan change at Jack's Point in Queenstown. The first four stages of this project were all sold on the day of release, in line with list prices. The near-term focus within RCL remains on continuing to progress this project, with the first round of settlements expected to commence around March 2018.

The near-term focus within RCL remains on continuing to progress this project and optimise planning outcomes from existing Australian projects. RCL also has a number of opportunities to restock the Australian portfolio and expects to execute one or more of these over the next 12 months.

<u>Lantern Hotel Group</u>
For a period, Torchlight was the largest shareholder in Lantern Hotel Group ("Lantern") and dominated Lantern's board. Our preferred approach was a long-term one. As a result of changes at the board level, however, another strategy was implemented by the new management, which resulted in Lantern divesting all of its assets. While we maintain the Torchlight-led approach would have delivered significantly better long-run returns to shareholders, returns from the sales of assets have still resulted in a positive investment outcome for TFLP. All of Lantern's assets have been sold and the majority of funds distributed, with a final distribution expected to be received during the 2018 financial year.

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

Managing Director's Report, continued

Final comment

Having been through a period of restructuring, PGC is now evolving and transforming into a venture with a very positive outlook ahead for our resolute shareholders. We still have challenges ahead but we have made good progress on a number of fronts over the past year and is well poised to deliver value to shareholders over the coming years as our long term investment strategy approaches maturity.

As our shareholders understand, our style of value investing requires patience in order to reap the rewards. We are a long term investor and, in that, we differ from the focus of most listed companies. We have, however, been consistent in the explanation of this so that shareholders and other investors will not be misled into believing there may be early value and liquidity opportunities.

Essentially, we buy quality assets when their value is low and realise them when the time is right and value is restored, usually at a considerable premium. PGC's financial position makes it well placed to continue this path with a focused implementation strategy.

George Kerr
Managing Director
Date: 29 September 2017

PYNE GOULD CORPORATION LIMITED
BOARD OF DIRECTORS

GEORGE KERR B Com

Non-Independent Director
George is a sophisticated private equity investor with a successful 23-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..

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 within 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.

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 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 Best Practice Code.

This governance statement outlines the main corporate governance practices as at 30 June 2017.

Corporate Governance Best Practice Code – Statement of Material Differences

This statement describes how the corporate governance principles adopted and followed by PGC differ materially from the principles of the NZX Corporate Governance Best Practice Code ("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.

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'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.

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.

Russell Naylor and Paul Dudley are standing for re-election at this year's annual meeting.

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.

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 are established for specific purposes from time to time.

PRINCIPLE 3 - BOARD COMMITTEES, CONTINUED

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.

From 1 October 2016 the Committee members are - 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.

From 1 October 2016 the Committee members are Paul Dudley, Committee Chairman, Michelle Smith and Russell Naylor.

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.

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.

PRINCIPLE 6 - RISK MANAGEMENT

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

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

PRINCIPLE 7 – AUDITOR

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

PRINCIPLE 8 - SHAREHOLDER RELATIONS

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

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

PRINCIPLE 9 - STAKEHOLDER INTERESTS

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

PYNE GOULD CORPORATION LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the consolidated financial statements present fairly the financial position of the Group as at 30 June 2017 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 64 for issue on 29 September 2017.

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 2017

	Note	2017 £000	2016 £000
Other revenue	6	1,691	1,201
Total fees and other revenue		**1,691**	**1,201**
Interest revenue	5	422	300
Interest expense	5	(6,122)	(8,004)
Net interest expense		**(5,700)**	**(7,704)**
Revenue from land development and resale	6	30,783	36,882
Cost of land development sales	6	(20,932)	(31,073)
Net revenue from land development and resale		**9,851**	**5,809**
Dividend revenue		10,572	96
Other investment revenue		(3,529)	2,057
Total other investment revenue	6	**7,043**	**2,153**
Total investment revenue	6	**16,894**	**7,962**
Net operating revenue		**12,885**	**1,459**
Selling and administration expenses	7	(14,311)	(10,973)
Wilaci litigation claim	26	(20,542)	-
Foreign exchange gains/(losses)		(24)	(1,586)
Impaired asset (expense)/reversal	8	(321)	8,341
Operating loss		**(22,313)**	**(2,759)**
Share of equity accounted investees' profits		-	972
Loss before income tax		**(22,313)**	**(1,787)**
Income tax credit/(expense)	10	1,384	(769)
Loss for the year after tax		**(20,929)**	**(2,556)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Change on fair value of available for sale financial asset	20	(1,785)	(138)
Foreign currency adjustment on translation to presentation currency		6,794	9,158
Total other comprehensive income		**5,009**	**9,020**
Total comprehensive (loss)/income for the year		**(15,920)**	**6,464**
Loss attributable to:			
Owners of the Parent Company		(19,739)	(2,836)
Non-controlling interests		(1,190)	280
Loss for the year		**(20,929)**	**(2,556)**
Total comprehensive (loss)/income attributable to:			
Owners of the Parent Company		(18,094)	(191)
Non-controlling interests		2,174	6,655
Total comprehensive (loss)/income for the year		**(15,920)**	**6,464**
Loss per share		**Pence**	**Pence**
Basic and diluted loss per share	14	(9.51)	(1.37)
Basic and diluted loss per share – continuing operations	14	(9.51)	(1.37)

The notes on pages 19 to 64 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

		Attributable to owners of the parent						
2016	**Note**	**Share Capital £000**	**Foreign Currency Translation Reserve £000**	**Accumulated Losses £000**	**Available for Sale reserve £000**	**Non-controlling interests acquisition reserve £000**	**Non-controlling interests £000**	**Total Equity £000**
Balance at 1 July 2015		**151,940**	**17,672**	**(114,014)**	**(399)**	**-**	**39,741**	**94,940**
Total comprehensive income for the year								
Loss for the year		-	-	(2,836)	-	-	280	(2,556)
Other comprehensive income/(loss)								
Change in fair value of available for sale financial asset	20	-	-	-	(138)	-	-	(138)
Foreign currency adjustment on translation to presentation currency		-	2,783	-	-	-	6,375	9,158
Total other comprehensive income/(loss)		-	2,783	-	(138)	-	6,375	9,020
Total comprehensive income for the year		-	**2,783**	**(2,836)**	**(138)**	**-**	**6,655**	**6,464**
Transactions with owners:								
Acquisition of non-controlling interests	24	-	-	-	-	(837)	837	-
Total transactions with owners		**-**	**-**	-	**-**	**(837)**	**837**	**-**
Balance at 30 June 2016		**151,940**	**20,455**	**(116,850)**	**(537)**	**(837)**	**47,233**	**101,404**

The notes on pages 19 to 64 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

		Attributable to owners of the parent						
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**
Balance at 1 July 2016		**151,940**	**20,455**	**(116,850)**	**(537)**	**(837)**	**47,233**	**101,404**
Total comprehensive income 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 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**

The notes on pages 19 to 64 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 £000	2016 £000
ASSETS			
Current assets			
Cash and cash equivalents		35,789	8,593
Trade and other receivables	19	3,134	1,025
Investments – Loans and receivables	23	3,099	-
Advances to related parties	28	-	1,796
Finance receivables – Other	16	1,161	1,151
Non-current assets held for sale	17	848	-
Inventories	18	32,810	29,282
Investments – Fair value through profit or loss	21	2,013	1,520
Prepayments		374	509
Total current assets		**79,228**	**43,876**
Non-current assets			
Property, plant and equipment		166	92
Investment property	17	-	3,454
Advances to related parties	28	2,301	-
Inventories	18	57,518	24,716
Investment – Available for sale financial asset	20	10,007	11,036
Investments – Loans and receivables	23	11,163	43,612
Investments – Derivative financial instruments	22	4,076	6,112
Investments – Fair value through profit or loss	21	-	19,274
Total non-current assets		**85,231**	**108,296**
Total assets		**164,459**	**152,172**
Equity and liabilities			
LIABILITIES			
Current liabilities			
Borrowings	25	455	42,198
Wilaci litigation claim	26	20,542	-
Trade and other payables	27	6,556	5,414
Total current liabilities		**27,553**	**47,612**
Non-current liabilities			
Borrowings	25	49,430	-
Deferred tax liability	11	1,992	3,156
Total non-current liabilities		**51,422**	**3,156**
Total liabilities		**78,975**	**50,768**
EQUITY			
Share capital	15	151,940	151,940
Foreign currency translation reserve		23,885	20,455
Accumulated losses		(136,589)	(116,850)
Available for sale reserve		(2,322)	(537)
Non-controlling interests acquisition reserve		(837)	(837)
Total equity – attributable to the owners of the Company		**36,077**	**54,171**
Non-controlling interests	24	**49,407**	**47,233**
Total equity		**85,484**	**101,404**
Total equity and liabilities		**164,459**	**152,172**

The notes on pages 19 to 64 are an integral part of these consolidated financial statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Interest received		209	100
Rental revenue		18	6
Dividend revenue		8,846	96
Proceeds from sale of inventories		30,783	36,882
Fees and other revenue received		1,676	1,174
Total cash provided from operating activities		**41,532**	**38,258**
Payments to suppliers and employees		(13,705)	(17,083)
Development costs of inventories		(20,802)	(14,071)
Interest paid		(4)	(1,003)
Total cash applied to operating activities		**(34,511)**	**(32,157)**
Net cash flows applied to operating activities	13	**7,021**	**6,101**
Cash flows from investing activities			
Proceeds from settlement of finance receivables		-	6
Proceeds from disposal of investments		18,786	15,842
Proceeds of repayment of loans		711	644
Total cash provided from investing activities		**19,497**	**16,492**
Acquisition of property, plant and equipment		(119)	(9)
Increase in other investments		(834)	(3,234)
Increase in advances to other related parties		(200)	-
Total cash applied to investing activities		**(1,153)**	**(3,243)**
Net cash flows from investing activities		**18,344**	**13,249**
Cash flows from financing activities			
Increase in borrowings		45,270	-
Total cash provided from financing activities		**45,270**	**-**
Non pro-rata exit payments to TFLP limited partners		-	(5,413)
Decrease in borrowings		(47,857)	(22,380)
Total cash applied to financing activities		**(47,857)**	**(27,793)**
Net cash flows applied to financing activities		**(2,587)**	**(27,793)**
Net increase/(decrease) in cash and cash equivalents		**22,778**	**(8,443)**
Foreign currency adjustment on translation of cash balances to presentation currency	2(d)	4,418	6,099
Opening cash and cash equivalents		8,593	10,937
Closing cash and cash equivalents		**35,789**	**8,593**
Represented by:			
Cash and cash equivalents		35,789	8,593
		35,789	8,593

There were no significant non-cash investing and financing activities in either the current or prior reporting periods.

The notes on pages 19 to 64 are an integral part of these 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 29 September 2017.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and The Companies (Guernsey) Law, 2008. They comply with 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. The Group is a "Tier 1" for-profit reporting entity in accordance with the *Accounting Standards Framework* issued by the External Reporting Board. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

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

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

(b) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for investment property recorded at fair value, 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 the 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) is 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 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 multi-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 London Stock Exchange in due course, the Board of Directors agreed the presentation currency of these consolidated financial statements should be British Pound Sterling. The consolidated financial statements and related notes have been translated from New Zealand 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 30 June 2017 (for comparatives, at 30 June 2016);
- 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 2017 the average rate applied was NZD0.56260 to GBP1.00 (30 June 2016: NZD0.45620 to GBP1.00);

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 2017 that have significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Critical judgements in applying accounting policies:

(i) Functional currency
The Board of Directors considers NZD as the functional currency of the Company, as NZD is the currency in which capital is raised, dividends are declared and paid, capital returned and ultimately the currency that would be returned if the Company was wound up. In addition, the 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 carrying amount of the Group's financial assets for impairment to determine fair value. 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 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 had an ownership through direct limited partnership interests in TFLP of 44.2% at 30 June 2017 (30 June 2016: 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.

(iv) Winding up petition of TFLP
A Winding Up Petition was filed by certain Limited Partners with the Grand Court of The Cayman Islands and served at the registered office of TFLP on 26 June 2015. The petition seeks an order to wind up TFLP. Hearings for this petition commenced on 20 February 2017 and are ongoing. Torchlight (GP) Limited, a subsidiary of the Group and the General Partner to TFLP, has robustly defended the petition and has provided extensive responsive evidence which rebuts each allegation raised in the Petition. The General Partner has also 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. Accordingly the General Partner considers it is still appropriate to include TFLP in these consolidated financial statements using the going concern assumption; however the Directors do acknowledge that the filing of the petition indicates the existence of a material uncertainty that may cast significant doubt about the TFLP's ability to continue as a going concern. See note 35 for more information.

(v) Investments at fair value through profit or loss
At 30 June 2017, the Group held 36.86% (30 June 2016: 36.86%) of the issued share capital in Lantern Hotel Group ("Lantern"). Although the Group's stake in Lantern at 30 June 2017 is greater than 20%, the Directors are of the opinion that the Group did not have the power to participate in the financial or operating policy decisions of Lantern at the reporting date, or during the reporting period. In forming this opinion, the Directors considered board representation of Lantern and the Group's voting rights within Lantern. During 2015, the Group's appointed directors on Lantern were removed by other combined shareholders and the Group's voting rights are not sufficient at the reporting date to enforce any operational or financial changes to Lantern. This being the case, for the purposes of these financial statements, Lantern is not deemed an associate and is accounted for as a financial asset at fair value through profit or loss (see note 21).

Key sources of estimation uncertainty:

(i) Valuation of investment property
As described in note 3(m) investment properties are carried at fair value in the consolidated financial statements. The Directors obtain external valuations and other evidence supporting the carrying amounts of the Group's investment properties. Information about the investment properties and their valuations is included in note 17.

(ii) 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 inventory is carried in the consolidated financial statements is disclosed above, whilst the carrying values of inventory are disclosed in note 18.

2. Basis of Preparation, continued

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

Critical judgements in applying accounting policies, continued

Key sources of estimation uncertainty, continued

(iii) 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 2017, 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 2017 under each scenario.

(iv) 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.

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 2017. 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.

(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.

3. Significant Accounting Policies, continued

(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.

(a) Management fee revenue
Management fees are recognised as the related services are rendered.

Performance management fees are recognised when it is probable that they will be received, and they can be reliably measured.

(b) 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.

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

(c) 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. Gains and losses on currency 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. Gain or loss is not 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) Investment property

Investment property has been acquired through the enforcement of security over finance receivables and is held to earn rental income or for capital appreciation (or both). Investment property is initially recognised at cost, being the value of the finance receivable over which the enforcement of security has been exercised, including related transaction costs. After initial recognition investment property is carried at fair value, with subsequent changes in fair value recognised in profit or loss within the consolidated Statement of Comprehensive Income. Transfers from Investment property to Inventories are recognised at the fair value of the Investment property at the date of transfer.

(n) 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.

(o) 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.

(p) 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.

(q) 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

(q) 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

(q) 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 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 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 2017, 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 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:

- NZ IAS 12 (amended), *Income Taxes* (effective for periods commencing on or after 1 January 2017) – amendments relate to the recognition of deferred tax assets for unrealised losses;
- NZ 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;
- NZ 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;
- NZ 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;
- NZ 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 impact that the adoption of NZ IAS 12, NZ IAS 40, NZ IFRS 9, NZ IFRS 15 and NZ IFRS 16 and based on their preliminary assessment to date, the adoption of these standards is not expected to have a significant impact on the future 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.

4. Segmental analysis, continued

(a) Group's reportable segments

	Continuing Operations				
2017	**Torchlight Segment £000**	**Property Group £000**	**Parent Company £000**	**Inter-segment eliminations £000**	**Total £000**
External revenue					
Interest revenue	231	-	191	-	**422**
Other revenue	1,675	16	-	-	**1,691**
Investment revenue	16,894	-	-	-	**16,894**
	18,800	**16**	**191**	-	**19,007**
Internal revenue					
Internal interest revenue/(expense)	9	-	(9)	-	-
Foreign exchange (losses)/gains	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

(a) Group's reportable segments, continued

2016	Continuing Operations Torchlight Segment £000	Property Group £000	Parent Company £000	Inter-segment eliminations £000	Total £000
External revenue					
Interest revenue	28	-	272	-	**300**
Other revenue	1,166	14	21	-	**1,201**
Investment revenue	7,791	-	171	-	**7,962**
	8,985	**14**	**464**	-	**9,463**
Internal revenue					
Foreign exchange losses	(1,374)	-	(212)	-	**(1,586)**
Total segment revenue	**7,611**	**14**	**252**	-	**7,877**
Expenses					
Interest expense	(8,003)	-	(1)	-	**(8,004)**
Impairment	8,341	-	-	-	**8,341**
Other operating expenses	(9,893)	(167)	(913)	-	**(10,973)**
Total operating expenses	**(9,555)**	**(167)**	**(914)**	-	**(10,636)**
Equity accounted share in profits	972	-	-	-	**972**
Loss before tax	**(972)**	**(153)**	**(662)**	-	**(1,787)**
Income tax benefit	**(769)**	-	-	-	**(769)**
Loss after tax	**(1,741)**	**(153)**	**(662)**	-	**(2,556)**
Non-controlling interests	**(280)**	-	-	-	**(280)**
Loss for the period attributable to owners of the Company	**(2,021)**	**(153)**	**(662)**	-	**(2,836)**
Total assets	**243,268**	**3,357**	**77,467**	**(171,920)**	**152,172**
Total liabilities	**79,201**	**12,455**	**536**	**(41,424)**	**50,768**

(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 2017 £000	Revenue/(loss) from External Customers 2016 £000	Non-Current Assets 2017 £000	Non-Current Assets 2016 £000
New Zealand	(1,811)	(1,038)	41,660	39,761
Australia	11,702	8,126	35,710	39,079
Cayman Islands	9,116	2,375	8,709	29,456
	19,007	**9,463**	**86,079**	**108,296**

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

	2017 £000	2016 £000
Interest revenue		
Finance receivables	228	159
Advances to related parties	194	141
Total interest revenue	**422**	**300**
Interest expense		
Bank borrowings	(6,122)	(8,004)
Total interest expense	**(6,122)**	**(8,004)**
Net interest expense	**(5,700)**	**(7,704)**

6. Investment and other revenue

	2017 £000	2016 £000
Other revenue		
Golf revenue	1,549	1,057
Miscellaneous revenue	128	130
Rental revenue	14	14
Total other revenue	**1,691**	**1,201**
Investment income		
Dividend income	10,572	96
Movement in fair value on non-current asset held for sale	431	-
Movement in fair value of investment property	-	(202)
Movement in fair value of other investments	-	(948)
Movement in fair value on derivative financial instrument	(2,449)	4,247
Movement in fair value of unlisted equity securities	-	833
Movement in listed equity securities	(1,511)	(1,873)
	7,043	**2,153**
Revenue from land sales	30,783	36,882
Cost of land sales	(20,932)	(31,073)
	9,851	**5,809**
Total investment revenue	**16,894**	**7,962**
Total investment and other revenue	**18,585**	**9,163**

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

	2017 £000	2016 £000
Directors' fees	112	115
Personnel expenses**	2,436	1,995
Legal and consultancy fees	6,731	4,573
Other operating expenses*	5,032	4,290
Selling and administration expenses	**14,311**	**10,973**

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

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

	2017 £000	2016 £000
Audit fees		
Grant Thornton – statutory audit only	478	443
	478	443

8. Impaired asset (expense)/reversal

	2017 £000	2016 £000
Loans receivable individually assessed	(321)	-
Fair value uplift on loan receivable	-	8,341
Total impaired asset (expense)/reversal	**(321)**	**8,341**

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

Impairment reversal
The reversal of impairment in the year ended 30 June 2017 related to a previously impaired loan receivable held within the RCL Jack's Point Ltd entity. The reversal amounted to NZD2.0 million (£1.1 million).

The reversal of impairment in the year ended 30 June 2016 related to a previously impaired loan receivable held at fair value of the underlying security within the RCL Queenstown Pty Ltd entity. Historically the RCL Group held 1st and 4th mortgage positions in the underlying debt. During the course of the financial year agreement was reached to acquire the mortgages not owned which removes priority limitations on the 1st mortgage. This with positive planning outcomes (and subsequent launch and sale of 100 sections on day of release) resulted in improved recoverability outcome expectations within the asset. As a result, a fair value uplift of AUD18.3 million (£8.3 million) was applied. RCL Queenstown is within the Torchlight Group segment of the Group. The asset to which this impairment reversal and fair value uplift related was held at 30 June 2016 within Investments – loans and receivables at a carrying value of AUD46.7 million (£28.8 million) in the consolidated Statement of Financial Position (see note 23).

9. Significant controlled entities

Significant subsidiaries	Principal place of business	Nature of business	2017 % held	2016 % held
MARAC Financial Services Limited (MFSL)	New Zealand	Investment holding company	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 entity	100%	100%
Equity Partners Infrastructure Management Ltd	New Zealand	Asset management	100%	100%
NZ Credit Fund (GP) 1 Limited (formerly Torchlight (GP) 1 Limited)	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 and its subsidiaries:	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%
RCL 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 2017.

9. Significant controlled entities, continued

Group 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	RCL Sanctuary Land Development Pty Ltd	
NZ Credit Fund (GP) 1 Limited	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 2017, the Group had an ownership through direct limited partnership interests in TFLP of 44.2% (30 June 2016: 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 seeks an order to wind up TFLP. Hearings for this petition commenced on 20 February 2017 and are ongoing. Torchlight (GP) Limited, a subsidiary of the Group and the General Partner to TFLP, has robustly defended the petition and has provided extensive responsive evidence which rebuts each allegation raised in the Petition. The General Partner has also 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. See note 35 for further details.

9. Significant controlled entities, continued

Torchlight Fund LP (TFLP) and its subsidiaries, continued

At 30 June 2017, 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 2017			
Torchlight Fund LP and its subsidiaries	55.8%	2,174	49,407
30 June 2016			
Torchlight Fund LP and its subsidiaries	55.8%	6,655	47,233

No dividends were paid to the NCI during the financial year ended 30 June 2017 (30 June 2016: £nil).

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

Summarised Statement of Financial Position

	30 June 2017 £000	30 June 2016 £000
Current		
Cash and cash equivalents	35,362	8,184
Other current assets (excluding cash)	41,985	31,736
Total current assets	**77,347**	**39,920**
Financial liabilities (excluding trade payables)	-	(43,921)
Other current liabilities (including trade payables)	(6,849)	(2,347)
Total current liabilities	**(6,849)**	**(46,268)**
Non-current		
Assets	69,511	94,196
Financial liabilities	(51,422)	(3,156)
Total non-current net assets	**18,089**	**91,040**
Net assets	**88,587**	**84,692**
Equity attributable to owners	**39,180**	**37,459**
Non-controlling interests	**49,407**	**47,233**

Summarised Statement of Comprehensive Income

	30 June 2017 £000	30 June 2016 £000
Revenue	**18,800**	**8,229**
(Loss)/profit for the year attributable to owners	(944)	208
(Loss)/profit for the year attributable to NCI	(1,190)	280
(Loss)/profit for the year	**(2,134)**	**488**
Total comprehensive profit for the year attributable to owners	1,723	4,892
Total comprehensive profit for the year attributable to NCI	2,174	6,655
Total comprehensive profit for the year	**3,897**	**11,547**

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 2016	**37,459**	**47,233**	**84,692**
Profit/(loss) for the year	(944)	(1,190)	(2,134)
Foreign currency adjustment on translation to presentation currency	2,665	3,364	6,029
Balance at 30 June 2017	**39,180**	**49,407**	**88,587**

Summarised cash flows

	30 June 2017 £000	30 June 2016 £000
Net cash from operating activities	6,461	8,477
Net cash from investing activities	22,735	20,316
Net cash applied to financing activities	(2,923)	(32,072)
Foreign currency adjustment on translation to presentation currency	905	1,002
Net cash inflow/(outflow)	**27,178**	**(2,277)**

10. Tax

	2017 £000	2016 £000
Current tax expense		
Current year	-	(769)
Deferred tax credit	1,384	-
Total tax credit/(expense)	1,384	(769)
Attributable to:		
Continuing operations	1,384	(769)
Reconciliation of effective tax rate		
Taxable losses before tax	(22,313)	(1,957)
Total taxable losses	**(22,313)**	**(1,957)**
Prima facie tax at 30% and 28%*	10,823	675
(Less)/plus tax effect of items not taxable/deductible	(9,145)	(1,444)
Unused tax losses and tax offsets not recognised as deferred tax assets	(294)	-
Total income tax credit/(expense)	**1,384**	**(769)**

*30% applicable Australian tax rate and 28% applicable New Zealand rate for the financial year ends 30 June 2017 and 30 June 2016.

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 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**

	1 July 2015 £000	Recognised in profit or loss £000	Foreign exchange (loss)/gain on translation £000	30 June 2016 £000
Deferred tax liabilities	2,357	617	389	3,363
Deferred tax assets	(333)	152	(26)	(207)
Net deferred tax liability	**2,024**	**769**	**363**	**3,156**

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

	2017 £000	2016 £000
The following deferred tax assets have not been recognised as at 30 June:		
Tax losses (subject to meeting shareholder continuity requirements)	6,344	3,657
Deductible temporary differences	318	142
Total unrecognised deferred tax assets	**6,662**	**3,799**

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

	2017 £000	2016 £000
The following deferred tax assets have not been recognised as at 30 June:		
Tax losses (subject to meeting shareholder continuity requirements)	484	2,119
Total unrecognised deferred tax assets	**484**	**2,119**

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.

12. New Zealand imputation credit account

	2017 £000	2016 £000
Balance at end of the reporting period available for use in subsequent reporting periods	-	-

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

	2017 £000	2016 £000
Loss for the year	**(20,929)**	**(2,556)**
Add/(less) non-cash items:		
Revaluation of investment property	(431)	198
Gain on disposal of assets	-	818
Foreign exchange gain	87	(157)
Share of equity accounted investee's profits	-	(972)
Impairment on finance receivables	321	318
Reversal of impairment on loan receivable	-	(7,981)
Depreciation and amortisation of non-current assets	46	58
Movement in unrealised loss/(gain) on investments	4,120	(3,654)
Interest paid	6,119	7,056
Interest received	(215)	(199)
Wilaci litigation claim	20,542	-
Other non-cash items	(2,917)	1,512
Total non-cash items	**27,672**	**(3,003)**
(Less)/add movements in working capital items:		
Trade and other receivables	(747)	(1,287)
Trade and other payables	1,025	12,947
Total movements in working capital items	**278**	**11,660**
Net cash flows applied to operating activities	**7,021**	**6,101**

14. Loss per share

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

	2017	2016
Loss after tax attributable to owners of the Company (£000)	(19,739)	(2,836)
Loss after tax attributable to owners of the Company – continuing operations (£000)	(19,739)	(2,836)
Weighted average number of ordinary shares in issue (000)	207,463	207,463
Basic and diluted loss (pence per share)	**(9.51)p**	**(1.37)p**
Basic and diluted loss (pence per share – continuing operations)	**(9.51)p**	**(1.37)p**
Net tangible assets per share (pence per share)*	**17.39p**	**26.11p**

** 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.

	2017 shares 000s	2016 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 - other

	2017 £000	2016 £000
Gross finance receivables	1,161	1,530
Less allowance for impairment	-	(379)
Total finance receivables	**1,161**	**1,151**

Finance receivables are loans with various terms and interest rates. During the year a receivable in the amount of £379,000, which was fully impaired at 30 June 2016, was written off.

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

Investment property	2017 £000	2016 £000
Opening balance	3,454	2,995
Transfer to inventories	(3,066)	-
Transfer to non-current asset held for sale	(388)	-
Change in fair value	-	202
Foreign exchange movement	-	257
Closing balance	**-**	**3,454**

During the year, an investment property valued at NZD 5.8 million (£3.1 million) (30 June 2016: £Nil) was reclassified as investment property held for development and was transferred to Inventories (see note 18).

During the year ended 30 June 2017, 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. For details of methods and assumptions used to estimate the fair value of these investment properties, see note 29.

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

Non-current asset held for sale	2017 £000	2016 £000
Opening balance	-	-
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 held during the year ended 30 June:

	2017 £000	2016 £000
Rental revenue	14	14
Direct operating expenses arising from investment property that generated investment revenue	9	7

18. Inventories

	2017 £000	2016 £000
Current assets		
Land held for resale		
Cost of acquisition	22,179	20,670
Development costs	10,631	8,612
	32,810	**29,282**
Non-current assets		
Cost of acquisition	56,892	22,784
Development costs	626	1,932
	57,518	**24,716**
Total inventories	**90,328**	**53,998**

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(n), inventories are held at the lower of cost and net realisable value. All inventories are held at cost. At 30 June 2017, these Inventories are pledged as security to a third party corporate debt facility as detailed further in note 25.

During the year, AUD34.9 million (£20.7 million) (30 June 2016: AUD75.2 million (£37.2 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 2016: £Nil).

During the year, an investment property valued at NZD 5.8 million (£3.1 million) (30 June 2016: £Nil) 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 2017, partial security is held over this property for a bank borrowing facility of NZD0.8 million (£0.5 million) (30 June 2016: facility of NZD0.2 million (£0.1 million)). This asset is classified as non-current as it is held for development and is not expected to be sold within twelve months of the reporting date.

19. Trade and other receivables

	2017 £000	2016 £000
Trade and other receivables	3,134	1,025
Total trade and other receivables	**3,134**	**1,025**

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

	2017 £000	2016 £000
Receivables – Sale of Perpetual Trust Limited ("PTL")	10,007	11,036
Total other assets	**10,007**	**11,036**

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 2017. 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 2017, 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 2017 under each scenario.

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

At 30 June 2017, 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 60% (30 June 2016: 19%); the probability of the Litigation Scenario arising and of that litigation being unsuccessful (resulting in no return) or no IPO occurring was 15% (30 June 2016: 1%); and the probability of a successful IPO scenario was 25% (30 June 2016: 80%), with 0%, 40% and 60% probabilities that the IPO would take place in the years ended 30 June 2018, 30 June 2019 and 30 June 2020 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.

20. Investment – Available for sale financial asset, continued

At 30 June 2017, 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 NZD17.7 million or £10.0 million (30 June 2016: NZD20.9 million or £11.0 million). A fair value loss of NZD3.2 million (£1.8 million) has been recognised in other comprehensive income during the year (30 June 2016: £0.1 million), with the difference of £0.8 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.

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

	2017 £000	2016 £000
Current assets		
Listed UK equity securities	1,241	1,520
Listed Australian equity securities	772	-
	2,013	1,520
Non-current assets		
Listed Australian equity securities	-	19,274
Total Investments – Fair value through profit or loss	**2,013**	**20,794**

During the year ended 30 June 2017, the Lantern Hotel Group ("Lantern"), the Group's listed Australian equity investment, embarked on a process of selling down its property portfolio and returning capital to shareholders. As a result, the Group has received capital distributions during the year totalling AUD30.9 million (£18.4 million), and the fair value of its holding in Lantern has decreased by a similar amount. The Group has, in addition, earned dividend revenue from Lantern of AUD17.7 million (£10.5 million) during the year. The holding in Lantern has been reclassified from a non-current to a current asset during the year. 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

	2017 £000	2016 £000
Non-current assets		
Derivative financial instruments	4,076	6,112
Total Investments – Derivative financial instruments	**4,076**	**6,112**

At 30 June 2017, 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 NZD6.0 million to NZD8.5 million. In the opinion of the Directors, a valuation of NZD7.2 million (£4.1 million), in the middle of this range, best represents the fair value of the Derivative financial instruments at 30 June 2017 (30 June 2016: NZD11.6 million (£6.1 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

	2017 £000	2016 £000
Current assets		
Loans receivable - gross	2,543	-
Impairment of loans receivable	(763)	-
Loans receivable – net of impairment	1,780	-
Other receivables	1,319	-
Total current loans and receivables	3,099	-
Non-current assets		
Loans receivable - gross	62,414	92,496
Impairment of loans receivable	(52,967)	(51,004)
Loans receivable – net of impairment	9,447	41,492
Other receivables	1,716	2,120
Total non-current loans and receivables	11,163	43,612
Total Investments – Loans and receivables	**14,262**	**43,612**

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

During the year, a loan receivable in the amount of AUD46.7 million (£25.9 million) was settled through the transfer to the Group of Inventories of approximately the same value.

Other receivables
Other receivables comprises the following amounts:

- £1.3 million (30 June 2016: £1.3 million) held in cash escrow following the Local World sale in October 2015; and
- NZD3.0 million (£1.7 million) (30 June 2016: NZD 1.5 million (£0.8 million)) paid as a deposit towards 50% of development costs on the initial exercise of call options in respect of 50 (30 June 2016: 25) residential lots.

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

	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**

	2016			
	£000	**£000**	**£000**	**£000**
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	2,120	-	-	2,120
Up to 12 months	-		-	-
1 to 3 years	-	2,378	-	2,378
More than 3 years	4,033	35,081	-	39,114
Total	**6,153**	**37,459**	**-**	**43,612**

24. Non-controlling interest

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

	2017 £000
NCI carried forward at 30 June 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**

	2016 £000
NCI carried forward at 30 June 2015	**39,741**
NCI's share of profits for the year	280
NCI's share of other comprehensive income for the year	688
Carrying amount of NCI acquired during the period	837
Foreign currency adjustment on translation to presentation currency	5,687
NCI carried forward at 30 June 2016	**47,233**

25. Borrowings

	2017 £000	**2016 £000**
Current		
Bank Loan – secured	-	7,699
Third party corporate debt facility – secured	455	34,499
	455	**42,198**
Non-current		
Third party corporate debt facility – secured	49,430	-
Total borrowings	**49,885**	**42,198**

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

26. Wilaci litigation claim

	2017 £000	2016 £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 AUD37.0 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.

Subsequent to repayment of the principal balance of the Wilaci liability, a dispute arose in respect of additional amounts which Wilaci claimed were owed to it by TLF1. Wilaci appointed Receivers to seek recovery of the additional amounts claimed. As a step towards recovering the additional amounts, the Receivers issued proceedings ("Receivers' Proceedings") seeking a declaration that various assets held by the Partnership and its subsidiaries are subject to the GSD and that the Receivers are entitled to trace those assets. The declaration is sought on the basis that the assets of TLF1 and its subsidiaries were acquired by TFLP in 2012 contrary to the terms of the GSD. TFLP disputes the Receivers' claim and has always and will continue to vigorously defend this claim.

In a separate proceeding, TLF1 sought an order that a late payment fee of approximately AUD31.5 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 General Partner has recognised its liability in this respect.

Subsequent to the reporting date, 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 the General Partner to TFLP in breach of the GSD. That application will be heard on 7 and 8 December 2017. In the meantime TFLP has provided undertakings as to how it will deal with the assets in question.

The General Partner has no substantive assets, has provided no security in respect of the liability, and any obligations it may have are not cross-guaranteed by any other entity within the Group.

As at 30 June 2017, the amount of the litigation claim is AUD 34.7 million (£20.5 million), which includes interest to 30 June 2017 of AUD 6.9 million. There is significant uncertainty as to the amount and timing of any cash flows that may result from this claim.

27. Trade and other payables

	2017 £000	2016 £000
Current		
Trade and other payables	6,556	5,414
	6,556	**5,414**

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 Limited Partnership ("AEP LP"), is the parent of PGC, holding 80.16% of the Company's shares at 30 June 2017. George Kerr is the ultimate controlling party of AEP LP. AEP GP charged a subsidiary of the Company administration fees of £65,000 during the year ended 30 June 2017 (30 June 2016: £223,000 in total charged to the Company and one of its subsidiaries). At 30 June 2017, there was no outstanding balance payable to AEP (GP) (30 June 2016: £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 2017, unsecured loan advances were provided to AEP GP. These amounts are repayable by AEP GP on demand, or by the loan expiry date of 13 November 2017, whichever is the earlier. The loan balance is classified as a non-current asset in these consolidated financial statements, as the Directors believe that the loan will be extended on or before its expiry date. At 30 June 2017, the amount receivable from AEP GP was £2.3 million (30 June 2016: £1.8 million). General advances accrue interest at 9%. Total interest recognised during the period was £198,000 (30 June 2016: £129,000).

(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:

	2017 £000	2016 £000
Key management personnel compensation from Parent Company is as follows:		
Directors' fees payable to non-executive Directors	112	115
Consultancy fees payable to executive Directors	556	342
Total	**668**	**457**

There were no Directors' fees outstanding at 30 June 2017 (30 June 2016: £10,000). Consultancy fees of £8,000 were outstanding at 30 June 2017 (30 June 2016: £8,000).

	2017 £000	2016 £000
Personnel compensation within RCL Group companies is as follows:		
Short-term employee benefits	2,436	1,995
Total	**2,436**	**1,995**

There were no employee benefits outstanding at 30 June 2017 or 30 June 2016.

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 fair value of the Available for Sale Financial Asset is determined by an external valuer and has been based on the probability weighted Net Present Values (NPVs) of a receivable under three separate scenarios (see note 20). The Directors consider the assessment of the fair value of the Available for Sale Financial Asset to be best represented by the valuation assessment provided by the external valuer.

Derivative financial instruments
Derivative financial instruments are measured at fair value. The derivative financial instrument is a call option for the right to receive 50 residential lots (30 June 2016: 75 residential lots) in a subdivision situated in East Wanaka, New Zealand following the development of 400 sections in a number of tranches.

The external valuer applied a stochastic discounted cash flow ("DCF") analysis over an assumed development period for the 50 lots. The primary assumptions used in the valuation were average sale price estimated to be NZD300,000 per lot, average lot size of 600 square metres, the section development cost being NZD121,439, each section will be pre-sold off plan subject to title and the overall develop and sell period of 6 years.

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

Number of sections released in future tranches
The developer is to develop and market at least 25 sections in each of the remaining two tranches, meaning the Group will have the option to purchase at least 50 properties at the conclusion of the options' life. The valuer has applied a broad spectrum of possibilities in case these tranches are not completed in line with the agreed timeline for whatever reason.

The escalation or reduction in sale price of the sections
The sale price will be determined by the market at the time of sale. The valuer has applied other possible outcomes in respect of future sale movement, with 2.5%, 5% and 10% per annum increases being modelled within the valuation, as well as a downward shock to the sale price in the near future.

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

Valuation results
The valuer has modelled a range of possible outcomes using a stochastic DCF analysis with varying assumptions as detailed above. The maximum assessed value of the option was NZD9.9 million and the minimum result was zero. The valuer estimated that the residual option is likely to return a value between the 25th and 75th percentiles, being NZD6.2 million and NZD8.5 million respectively. The Directors have determined that as at 30 June 2017 a valuation of NZD7.2 million (£4.1 million), in the middle of this range, best represents the fair value of the residual option for 50 lots (30 June 2016: central estimate of NZD11.6 million (£6.1 million) for 75 lots).

29. Fair value, continued

Fair value measurement of financial instruments, continued

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

	2017		2016	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Assets				
Cash and cash equivalents	35,789	35,789	8,593	8,593
Finance receivables – other	1,161	1,161	1,151	1,151
Advances to related parties	2,301	2,301	1,796	1,796
Investments – Loans and receivables	14,262	14,115	43,612	41,452
Investments – Fair value through profit or loss	2,013	2,013	20,794	20,794
Investments – Derivative financial instruments	4,076	4,076	6,112	6,112
Investments – Available for sale financial assets	10,007	10,007	11,036	11,036
Trade and other receivables	3,134	3,134	1,025	1,025
Total assets	**72,743**	**72,596**	**94,119**	**91,959**
Liabilities				
Borrowings	49,885	49,885	42,198	44,664
Other financial liabilities	27,098	27,098	5,414	5,414
Total liabilities	**76,983**	**76,983**	**47,612**	**50,078**

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	2017 Level 1 £000	2017 Level 2 £000	2017 Level 3 £000	2017 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**

During the year ended 30 June 2017 two investment properties with a combined value of £3,454,000 were transferred to inventories and non-current assets held for sale respectively. As a result, neither asset is now measured at fair value.

	Note	2016 Level 1 £000	2016 Level 2 £000	2016 Level 3 £000	2016 Total £000
Assets					
Investments – Available for sale financial asset	20	-	-	11,036	11,036
Listed equity securities	21	1,520	-	-	1,520
Listed Australian equity securities	21	19,274	-	-	19,274
Investments – Derivative financial instruments	22	-	-	6,112	6,112
Investment property	17	-	-	3,454	3,454
Total Assets		**20,794**	-	**20,602**	**41,396**

During the year ended 30 June 2016 the listed Australian equity securities were transferred from Level 3 to Level 1. There were no other transfers between Levels of the fair value hierarchy during the year.

29. Fair value, continued

Reconciliation of Level 3 fair value measurements of assets

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**

2016	Listed Australian equity securities £000	Loans and receivables £000	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	15,584	8,976	2,995	9,104	-	36,659
Transfers out of level 3 into Investment - Loans and receivables	-	(7,687)	-	-	-	(7,687)
Transfers from level 3 to level 1	(15,584)	-	-	-	-	(15,584)
Transfers on reclassification	-	(1,289)	-	-	1,289	-
Change in fair value through profit or loss within investment income	-	-	202	-	4,247	4,449
Change in fair value through other comprehensive income	-	-	-	(138)	-	(138)
Foreign exchange on translation	-	-	257	2,070	576	2,903
Balance at the end of the year	**-**	**-**	**3,454**	**11,036**	**6,112**	**20,602**

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

Valuation process

Investment property

As at 30 June 2017, investment property is comprised of residential properties held within the Property Group sector (30 June 2016: residential properties held within the Property Group and Torchlight Group sectors).

During the year, investment property held within the Property Group segment previously valued at £3.1 million was reclassified as investment property held for development and was transferred to inventories (see notes 17 and 18). The fair value at 30 June 2016 of this investment property was arrived at on the basis of valuations carried out in April 2016 by independent registered valuers. The independent valuers are members of the Property Institute of New Zealand, and have the appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation complies with the New Zealand Institute of Valuers Code of Ethics and International Valuation Standards.

During the year a second investment property, purchased in August 2014 and held within the Torchlight Group segment, was reclassified as an asset held for sale, and is measured at fair value less costs to sell. The fair value less costs to sell of this investment property of £0.8 million at 30 June 2017 is based on a sale and purchase agreement for the investment property in place at the reporting date (30 June 2016: fair value of £0.4 million based on recent sale evidence within the Central Otago Lakes District, Queenstown).

Listed UK and Australian equity securities

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

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 2017 £000	Fair value at 30 June 2016 £000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment property	-	3,454	Internal desktop based on 2016 valuation and using comparable sales	Estimated future sales price Estimated future development costs	-5% / +5%	The estimated fair value would increase/(decrease) if: - the estimated sales price was higher/(lower) - the estimated development costs were higher/(lower)
Derivative financial instruments	4,076	6,112	Stochastic discounted cash flow analysis	See page 49	See page 49	See page 49
Available for sale financial asset	10,007	11,036	External valuation using probability weighted scenarios	Percentage probability weightings Discount rate	See pages 55 to 58	See pages 55 to 58
	14,083	**20,602**				

29. Fair value, continued

Reconciliation of Level 3 fair value measurements of assets, continued

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 NZD17.7 million (£10.0 million) (30 June 2016: NZD20.9 million or £11.0 million). Set out below are details of the inputs used in determining the fair value of the PTL receivable, and analysis as to how the fair value of the receivable would change under varying scenarios.

Valuation assumptions

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

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

The valuer has assigned a 75% likelihood that the receivable will be subject to litigation and a 25% likelihood that the receivable will be recovered through an IPO between 30 June 2018 and 30 June 2020. In the event litigation occurs, the valuer has assigned an 80% probability that the litigation will be successful, and so effectively a 60% likelihood that the receivable will be recovered via a litigation scenario. The valuer has also recognised that an IPO may not occur and that PGC's litigation may not be successful, resulting in PGC receiving no return from the PTL receivable. The valuer has applied a 15% likelihood of no recovery under that scenario.

Under the IPO scenario, the valuer has assumed three sub-scenarios in which the IPO could take place in one year's time (i.e. on or around 30 June 2018), in two years' time (on or around 30 June 2019), or in three years' time (on or around 30 June 2020). In addition, the valuer has assessed the likelihood of the Newco not achieving a prospective EBITDA multiple of 8.5x to be negligible. All cash flows under the IPO scenario have been discounted using a discount rate of 8%.

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

	Litigation scenario	IPO – thee sub-scenarios			No return scenario
	NZD000	NZD000	NZD000	NZD000	NZD000
Gross Value	22,000	22,000	22,000	22,000	0
Date received	31 Dec 2018	30 June 2018	30 June 2019	30 June 2020	
Discount rate – pre-tax	0.00%	8.00%	8.00%	8.00%	
Present value – 30 June 2016	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

Reconciliation of Level 3 fair value measurements of assets, continued

Available for sale financial asset, continued

At 30 June 2016, the valuer assigned an 80% likelihood that the receivable would be recovered through an IPO between 31 December 2016 and 31 December 2017. In the event that the IPO did not occur, the valuer assigned a 19% likelihood that the receivable would be recovered through a subsequent litigation scenario. The valuer also recognised that an IPO might not occur and that PGC's litigation might not be successful, resulting in PGC receiving no return from the PTL receivable, however, they considered this likelihood as negligible and applied a 1% probability of a no return scenario.

Under the IPO scenario, the valuer assumed three sub-scenarios in which the IPO could take place, with the earliest being six months after the reporting date (i.e. 31 December 2016) with subsequent cash flow scenarios assuming recovery intervals of 6 months after this date (i.e. finishing 31 December 2017). 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 been discounted using a pre-tax discount rate of 8%.

Using the above valuation assumptions the fair value of the PTL receivable at 30 June 2016 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	22,000
Date received	31 Dec 2017	31 Dec 2016	30 June 2017	31 Dec 2017	
Discount rate – pre-tax	0.00%	8.00%	8.00%	8.00%	
Present value – 30 June 2016	22,000	21,170	20,370	19,601	
Probability	19.0%	60.0%	10.0%	10.0%	1.0%
Fair Value – 30 June 2016	**20,879**				
	£000				
Fair Value in £ – 30 June 2016	**11,036**				

29. Fair value, continued

Reconciliation of Level 3 fair value measurements of assets, 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 £1,244,000;
- 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 £30,000;
- 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 £97,000;
- 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 £189,000;
- a 1% decrease in the discount rate used would result in an increase in the fair value of the PTL receivable of £63,000.

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-17	30-Jun-18	31-Dec-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	
0%	2,646	2,547	2,450	2,358	2,183	2,022	1,872	**0.0%**
10%	3,579	3,479	3,382	3,290	3,116	2,954	2,804	**7.5%**
20%	4,511	4,412	4,315	4,223	4,048	3,887	3,737	**15.0%**
30%	5,444	5,344	5,247	5,155	4,981	4,819	4,669	**22.5%**
40%	6,376	6,277	6,180	6,088	5,913	5,752	5,602	**30.0%**
50%	7,309	7,209	7,113	7,021	6,846	6,684	6,534	**37.5%**
60%	8,241	8,142	8,045	7,953	7,778	7,617	7,467	**45.0%**
70%	9,174	9,074	8,978	8,886	8,711	8,549	8,399	**52.5%**
80%	10,106	10,007	9,910	9,818	9,643	9,482	9,332	**60.0%**
90%	11,039	10,940	10,843	10,751	10,576	10,414	10,264	**67.5%**
100%	11,971	11,872	11,775	11,683	11,509	11,347	11,197	**75.0%**

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

Litigation %	IPO delay							Successful litigation probability
	31-Dec-17	30-Jun-18	31-Dec-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	
60%	10,202	10,043	9,888	9,741	9,461	9,203	8,963	**48.0%**
65%	10,170	10,031	9,895	9,767	9,522	9,296	9,086	**52.0%**
70%	10,138	10,019	9,903	9,792	9,583	9,389	9,209	**56.0%**
75%	10,106	10,007	9,910	9,818	9,643	9,482	9,332	**60.0%**
80%	10,075	9,995	9,917	9,844	9,704	9,575	9,455	**64.0%**
85%	10,043	9,983	9,925	9,870	9,765	9,668	9,578	**68.0%**

29. Fair value, continued

Reconciliation of Level 3 fair value measurements of assets, continued

Available for sale financial asset, 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%	2,808	2,673	2,547	2,429	2,319	2,216	2,119	**0.0%**
10%	3,740	3,605	3,479	3,362	3,252	3,148	3,052	**7.5%**
20%	4,673	4,538	4,412	4,294	4,184	4,081	3,984	**15.0%**
30%	5,605	5,470	5,344	5,227	5,117	5,014	4,917	**22.5%**
40%	6,538	6,403	6,277	6,159	6,049	5,946	5,849	**30.0%**
50%	7,470	7,335	7,209	7,092	6,982	6,879	6,782	**37.5%**
60%	8,403	8,268	8,142	8,024	7,914	7,811	7,714	**45.0%**
70%	9,335	9,200	9,074	8,957	8,847	8,744	8,647	**52.5%**
80%	10,268	10,133	10,007	9,889	9,779	9,676	9,580	**60.0%**
90%	11,200	11,065	10,940	10,822	10,712	10,609	10,512	**67.5%**
100%	12,133	11,998	11,872	11,754	11,644	11,541	11,445	**75.0%**

Prospective EBITDA multiple

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

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

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

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

	2017 £000	2016 £000
Assets		
Fair value through profit or loss	2,013	20,794
Loans and receivables	56,647	56,177
Available-for-sale financial assets	10,007	11,036
Liabilities		
Financial liabilities at amortised cost	76,983	47,612

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 - other finance receivables

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

31. Credit Risk Exposure, continued

Collateral requirements - other finance receivables

(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 NZD1.4 million (£0.8 million) (30 June 2016: no impairment) was made against loans receivable with a gross value of NZD4.5 million (£2.5 million) (30 June 2016: NZD4.5 million (£2.4 million)). These loans were impaired by 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 (£2.6 million) (30 June 2016: AUD4.4 million (£2.4 million)) that are in default, against which a provision was made during the year of AUD1.0 million (£0.6 million) (30 June 2016: AUD1.2 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 NZD2.0 million (£1.1 million) was recognised on a loan held within the RCL group with a gross value of NZD32.0 million (£18.1 million), against which impairment of NZD27.1 (£15.3 million) had previously been recognised.

These loans are recorded at amortised cost less provision for impairment. At 30 June 2016, a finance receivable of £0.4 million held within the Group was provided against in full as a bad debt. This receivable was written off during the current year.

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 2017 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 is stated in note 20, NZD22.0 million (£12.4 million) (30 June 2016: NZD 22.0 million (£11.6 million) is due to be paid as soon as a newly incorporated company (Newco) related to the purchaser is listed on the Main Board of the NZX Limited. The Directors are of the view that the listing, should it proceed, will generate sufficient funds to settle this receivable, or alternatively that a significant proportion of the amount could be recovered through litigation. See note 20 for further details.

Maximum exposure to credit risk

The carrying amount of the Group's financial assets recorded in the consolidated financial statements, 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

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**

2016	**0-12 Months £000**	**1-2 Years £000**	**2-5 Years £000**	**5+ Years £000**	**Total £000**
Financial liabilities					
Borrowings	42,198	-	-	-	42,198
Other financial liabilities	5,414	-	-	-	5,414
Total financial liabilities	**47,612**	**-**	**-**	**-**	**47,612**

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 expired in September 2016, but were extended on 23 December 2016 for a further 3 years by the third party lender, who also provided an additional facility of AUD 48.8 million to refinance the bank loan and to provide additional development funding capacity. The projected cashflows relating to repayment of principal of these borrowing facilities are included in the 2-5 years time band to reflect the contractual requirements of the facilities, notwithstanding that some repayments of principal are projected to be made at earlier points in time. Interest payments arising on the facilities included in the 0-12 months, 1-2 years and 2-5 years time bands are based on projected dates of repayment of principal.

The Group's undrawn committed bank facilities at 30 June 2017 amounted to AUD24.5 million (£14.5 million) (30 June 2016: £nil).

There were no unrecognised loan commitments for the Group for the year ended 30 June 2017 (30 June 2016: £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
2017					
Assets					
Cash and cash equivalents	0.71%	35,789	-	-	35,789
Finance receivables – other		-	-	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)**

	WAIR* %	Floating rate financial instruments £000	Fixed rate financial instruments £000	Non-interest bearing financial instruments £000	Total £000
2016					
Assets					
Cash and cash equivalents	0.9%	8,593	-	-	8,593
Finance receivables – other		-	-	1,151	1,151
Advances to related parties	9.0%	-	1,796	-	1,796
Investments – Loans and receivables	20.0%	-	43,612	-	43,612
Investments – Fair value through profit or loss		-	-	20,794	20,794
Investments – Available for sale financial assets		-	-	11,036	11,036
Trade and other receivables		-	-	1,025	1,025
Total Assets		**8,593**	**45,408**	**34,006**	**88,007**
Financial liabilities					
Borrowings	18.7%	-	42,198	-	42,198
Trade and other payables		-	-	5,414	5,414
Total financial liabilities		**-**	**42,198**	**5,414**	**47,612**
Total interest sensitivity gap		**8,593**	**3,210**	**28,592**	**40,395**

*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 2017, 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 £83,000/decrease of £16,000 in profit or loss in the consolidated Statement of Comprehensive Income for the year (30 June 2016: increase of £45,000/decrease of £45,000). The effect on equity as a result of the above interest rate fluctuations would also be an increase of £83,000/decrease of £16,000 (30 June 2016: increase of £45,000/decrease of £45,000).

Equity Price risk
The Group is exposed to equity price risks arising from its listed and unlisted 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 2017.

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

- Loss for the year ended 30 June 2017 would have decreased by £0.20 million (30 June 2016: £2.49 million)

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

- Loss for the year ended 30 June 2017 would have increased by £0.20 million (30 June 2016: £2.49 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 an £8.6 million increase/decrease to profit or loss in the consolidated Statement of Comprehensive Income for the year (30 June 2016: £10.2 million). The effect on equity would also be an £8.6 million increase/decrease as a result of the above foreign exchange rate fluctuations (30 June 2016: £10.2 million).

34. Contingent liabilities and commitments

Torchlight Fund No. 1 and the Wilaci litigation claim
During the period ended 30 June 2014 Torchlight Fund No. 1 was placed into receivership (the "Receivership"). There is and has been a risk that the receivers of Torchlight Fund No. 1 may lay claim to some of the assets of Torchlight Fund LP (an associate of the Company).

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

	2017 £000	**2016 £000**
Contracted work to complete		
Expenditure contracted for at the reporting date but not recognised as liabilities		
Within one year	5,776	3,979

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 2017 was £0.8 million (30 June 2016: £1.2 million).

35. TFLP wind-up petition

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

The hearing date for the Petition was listed for an initial three week period commencing on 20 February 2017, with a subsequent hearing listed for the week commencing 8 May 2017. The first and second part of the trial has now been heard and the Petitioners’ factual evidence has been completed. The trial will resume again in September 2017 at which time it is currently anticipated that the General Partners’ factual evidence and each Parties’ expert evidence can be completed. As has been reported in previous years, the General Partner has been robustly defending the Petition since June 2015, and provided a detailed defence on 24 June 2016 and extensive responsive evidence which rebutted each allegation raised in the Petition. 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. The Defendants to the unlawful means conspiracy claim are each seeking to challenge the jurisdiction of the Cayman Courts but the hearing dates for those challenges have not currently been set. The General Partner is robustly defending those challenges. The General Partner has recently applied to add two additional Defendants to the conspiracy claim and to increase the value being claimed.

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

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

36. Subsequent events

The following material events have occurred subsequent to 30 June 2017 to the date when these consolidated financial statement were authorised for issue:

- On 28 July 2017, the Group contracted for the sale of an investment property classified as a non-current asset held for sale (see note 16) for a price of NZD1.5 million.
- On 14 July 2017, the New Zealand Supreme Court denied Torchlight Fund No. 1 LP (“TLF1”) leave to appeal against its judgement in the Wilaci matter (see note 26). On 31 July 2017, Wilaci served a statutory demand on the General Partner of TLF1 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 various assets of TFLP which they allege were transferred by the General Partner to TFLP in breach of the general security deed granted in favour of Wilaci by TLF1. That application will be heard in December 2017. In the meantime TFLP has provided undertakings as to how it will deal with the assets in question.

There were no other material events subsequent to 30 June 2017 to the date when these consolidated financial statements were authorised for issue.

Independent auditor's report

To the shareholders of Pyne Gould Corporation Limited

Report on the audit of the consolidation financial statements

Opinion

We have audited the consolidated financial statements of Pyne Gould Corporation Limited (the "Group") on pages 14 to 64 which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Audit and Assurance Standards Board. 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 Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, 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.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 35 in the consolidated financial statements which refers to the winding up petition filed by certain Limited Partners of Torchlight Fund LP ("TFLP") in the Grand Court of the Cayman Islands on 26 June 2015 and the 22 January 2016 injunction to prevent payment to persons related to the General Partner without the consent of the petitioners or the Grand Court. This indicates the existence of a material uncertainty that may cast significant doubt about TFLP and the RCL group's ability to continue as a going concern. Whilst this matter does not impact the Group's assessed ability to continue as a going concern, the matter could have a significant impact on the realisation value of assets recorded within the Group's financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We summarise below those matters, and our key audit procedures, to address those matters in order that the Company's shareholders, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter is significant	How our audit addressed the key audit matter
Bath Street capital Available for Sale Financial Asset The fair value of the Group's investment Available for Sale Financial Asset has been arrived at on the basis of a valuation carried out by an external party to the Group as at 30 June 2017. The outcome in respect to the asset is expected to be binary, in that the Directors anticipate either recovering $NZD22.0m at an uncertain point in time in the future, or nil. The carrying amount, and fair value, therefore represents a probability weighted outcome. The valuation requires the use of judgement specific to the receivable, and significant assumptions used within the valuation are not based on observable inputs. The valuation approach and significant assumptions are described in notes 20 and 29.	Our work focused on understanding the overall valuation methodology for compliance with NZ IFRS 13 Fair Value Measurement and evaluating significant inputs. In obtaining sufficient appropriate audit evidence, we: • assessed the qualifications, independence and objectivity of the external valuer; • discussed the basis for the valuation assumptions with the independent valuer; • assessed the assumptions applied; • involved our own specialists to assist us in assessing the valuation and evaluating the underlying assumptions for reasonableness; and • assessed the adequacy of the related financial statement disclosures including specific consideration of sensitivity analysis in respect to the impact of changes to key inputs into the valuation. From the procedures performed we have no matters to report.
Wilaci litigation claim On 29 May 2017 a late payment fee of $AUD31.5 million claimed by Wilaci in respect of a loan to Torchlight Fund No.1 LP was held by the New Zealand Court of Appeal as enforceable and payable. The Directors considered there was judgement as to whether or not the liability should be recognised within the Group financial statements given the entity to which the New Zealand Court of Appeal ruling applied was in receivership. Further details are described in Note 26.	Our work focused on understanding the impact of the New Zealand Court of Appeal ruling on the Group financial statements. In obtaining sufficient appropriate audit evidence, we: • held discussions with the Directors; • reviewed legal rulings relating to the Wilaci case; • obtained and reviewed legal confirmations from solicitors used in the period; • assessed the requirements of NZ IFRS in order to determine which entity within the Group should be responsible for recognising a liability, if any; • assessed whether interest subsequent to the Court of Appeal ruling should continue to accrue; • recalculated the interest accrual for amounts accruing as a consequence of the New Zealand Court of Appeal ruling; and • assessed the adequacy of the related financial statement disclosures. From the procedures performed we have no matters to report.

Matters on which we are required to report by exception

Under the Companies (Guernsey) Law, 2008 we are required to report to you, if in our opinion:

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

We have nothing to report in respect of the above matters.

In addition to the above, under applicable New Zealand Law, the Group has not complied with Section 461(3) of the New Zealand Financial Markets Conduct Act 2013, because the balance dates of certain subsidiaries are not the same as the rest of the Group. That said, the Group has made adjustments as part of the consolidation process to ensure that only financial results for the annual reporting period between 1 July and 30 June are reflected within its consolidated financial statements.

Other Information

The Directors are responsible for the 'other information'. The 'other information' comprises the Company Report, Board of Directors, Corporate Governance Statement, Directors' Responsibility Statement, Statutory Disclosures, Shareholder Information and Directory but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Directors' responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, 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 on behalf of the Group 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 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 (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

Restriction on use of our report

This report is made solely to the Company's shareholders, 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 Company's shareholders, as a body, those matters which 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 Company and its shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

Grant Thornton

Brayden Smith
Partner, Audit
Grant Thornton New Zealand Audit Partnership
29 September 2017

Level 15, Grant Thornton House
215 Lambton Quay
PO Box 10712
Wellington 6143
New Zealand

T +64 (0)4 474 8500
F +64 (0)4 474 8509

STATUTORY DISCLOSURES

The following persons respectively held office as Directors of the Company and the Company's subsidiaries during the year ended 30 June 2017:

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

STATUTORY DISCLOSURES, CONTINUED

RCL Real Estate Holdings
R Naylor

RCL Real Estate Pty Ltd
R Naylor

RCL Queenstown Pty Ltd
R Naylor

RCL PRM Pty Ltd
R Naylor

RCL Sanctuary Lakes Pty Ltd
R Naylor

RCL 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 Ltd

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 Company obtains consulting services from Naylor Partners Pty Ltd of which R Naylor 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 £30,355 (30 June 2016: £19,278)

Details of individual Directors share dealings are as follows:

	Beneficial	**Associated Person**
G Kerr		
Balance at 30 June 2016	-	166,309,760
Balance at 30 June 2017	**-**	**166,309,760**
R Naylor		
Balance at 30 June 2016	-	-
Balance at 30 June 2017	**-**	**-**
N Kirkwood		
Balance at 30 June 2016	-	-
Balance at 30 June 2017	**-**	**-**
M Smith		
Balance at 30 June 2016	-	-
Balance at 30 June 2017	**-**	**-**
P Dudley		
Balance at 30 June 2016	-	-
Balance at 30 June 2017	**-**	**-**

Remuneration of Directors

The total remuneration received by each Director who held office in the Company and its subsidiary companies during the 30 June 2017 year 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 2017 Number of Directors	30 June 2016 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 2017.

Donations
During the financial year ended 30 June 2017, the Company made no donations.

Size of shareholding at 26 September 2017

	Number of holders	% of share capital
1 – 5,000	827	0.67
5,001 – 10,000	260	0.88
10,001 – 50,000	304	3.18
50,001 – 100,000	61	2.12
100,001 and over	54	93.15
Total	**1,506**	**100.00**

Geographic distribution

	Number of holders	% of share capital
New Zealand	1,463	19.45
Overseas	43	80.55
Total	**1,506**	**100.00**

Largest Shareholders at 26 September 2017

Rank	Name	Number of shares	% of share capital
1	Lynchwood Nominees Limited	166,309,760	80.16
2	HSBC Nominees	10,496,459	5.06
3	ASB Nominees Limited	1,508,012	0.73
4	Stephen Andrew Walker	1,435,337	0.69
5	Bryan William Mogridge	1,424,250	0.69
6	Walker and Hall Fine Gifts Limited	1,229,935	0.59
7	Sean Anthony Dennehy	1,181,454	0.57
8	Paul Rex Chaney and Dianne Joan Chaney	1,018,400	0.49
9	Bruce Stewart Miles	562,800	0.27
10	Leveraged Equities Finance Limited	392,680	0.19
11	Tribal New Zealand Traders Limited	387,550	0.19
12	Alistair Blair McCredie	321,600	0.16
13	Michael Murray Benjamin	300,000	0.14
14	EPIC Trustees Limited	295,750	0.14
15	Investment Custodial Services Limited	279,200	0.13
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	Citibank Nominees (New Zealand) Limited	226,321	0.11
Total Top Holders Balance		**188,408,018**	**90.81**

SHAREHOLDER INFORMATION, CONTINUED

Substantial security holders

At 30 June 2017 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.

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
Bell Gully
Vero Centre, 48 Shortland Street
PO Box 4199, Auckland
NEW ZEALAND
Telephone: +64 9 916 8800

Burton & Co
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

AUDITOR
Grant Thornton New Zealand Audit Partnership
L15, Grant Thornton House
215 Lambton Quay, Wellington 6143
NEW ZEALAND
Telephone: + 64 4 474 8500

BANKERS
Credit Suisse 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