

Pyne Gould Corporation Limited

**INTERIM REPORT AND
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 31 December 2019

PYNE GOULD CORPORATION LIMITED

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PYNE GOULD CORPORATION LIMITED

COMPANY REPORT

Directors' Report

Operating Performance

PGC recorded an unaudited Net Profit attributable to security holders of £1.31 million for the half year to 31 December 2019 (compared with a Net Loss after Tax of £0.86 million in the half year to 31 December 2018).

After unfavourable non-cash movements in foreign currency reserves, PGC recorded a Total Comprehensive Profit for the half year to 31 December 2019 of £0.23 million (compared to a Total Comprehensive Loss of £0.36 million in the half year to 31 December 2018).

Statement of Financial Position

Net Tangible Assets ("NTA") decreased by 1.58% to £43.66 million in the half year to 31 December 2019 (down from £44.36 million as at 30 June 2019). NTA per share increased by 0.01% to 21.57 pence per share at 31 December 2019 (up from 21.38 pence per share).

The marginal increase in NTA was driven by the positive impact of the buyback of 5 million shares which was partially offset by the negative impact of (non-cash) foreign currency movements.

On a consolidated basis PGC held Total Assets of £140.64 million at 31 December 2019 (up from £131.70 million at 31 December 2018). This was made up of current assets of £46.31 million and long-term assets of £94.33 million. PGC had Total Liabilities of £84.87 million at 31 December 2019 and Total Equity attributable to the owners of PGC of £43.66 million.

After allowing for non-controlling interests of £12.10 million, PGC's NTA was £43.66 million.

Commentary

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

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

As previously announced PGC has lodged proceedings in the Auckland High Court against Bath Street Capital Ltd ("BSC") and Mr Barnes seeking damages of not less than \$22 million, together with interest and costs. The claim concerns the sale in 2013 by PGC to BSC (then called Coulthard Barnes Capital Ltd) of PGC's shareholding in PTL. The amount of the claim represents unpaid consideration in respect of carry rights that were vested in PGC.

This matter remains ongoing and consistent with our approach we will only comment on this as outcomes occur. Following the successful delivery of the first stage of our residential project located within the Bethlehem suburb of Tauranga City, we are continuing to explore development options for the balance of this site.

Torchlight

TFLP's largest investment is 100% of land developer and home builder RCL. RCL has a series of substantial 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's Farm in Queenstown, where it is developing in excess of 1,700 sites. As at 31 December, approximately 600 sites had been sold in a series of progressive releases, with approximately 300 sites completed and settled. Focus remains on delivering the stock which has been sold. Additional land will be released during the course this calendar year maintaining project momentum.

RCL 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 near-term focus within RCL remains on continuing to progress the Hanley Farm project, delivering pre-sold stock in the existing Australian projects and continuing to roll out its own turn-key homes.

In the Australian portfolio RCL continues to focus on delivery of its own built form product (turn-key apartments and townhouses) enhancing margins and returns from the existing medium density sites within the portfolio.

RCL has also acquired several new projects to restock the Australian portfolio and is progressing planning approvals for these sites.

RCL continues to actively look for additional re-stocking opportunities in Australia.

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

PYNE GOULD CORPORATION LIMITED

COMPANY REPORT

Directors' Report (continued)

KCR Investment

During the half year as highlighted in last year's annual report, as part of the General Partner's efforts to maximise its investment and facilitate an exit for RCL, TFLP made a follow-on investment in KCR, a UK-based, AIM-listed residential REIT.

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

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

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

TFLP has the ability to subscribe for a further 50 million ordinary shares during the option agreement.

The initial investment enabled KCR to successfully refinance part of its existing portfolio on more favourable terms and free up additional capital to support further investment.

KCR's near term focus is on maximising returns from its existing portfolio and actively seeking to make value accretive acquisitions.

Share buyback

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

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

As previously announced, agreement was reached to buy back 5 million shares at NZD 29c on a deferred consideration basis.

This transaction completed on 14 February 2020 and is value accretive for shareholders.

COVID-19

The Directors are aware of the developments regarding the ongoing COVID-19 global pandemic which began in January 2020. Due to the rapid development of COVID-19, the degree of uncertainty involved and the unprecedented nature of the challenges being posed by the coronavirus situation, the Directors are of the opinion that, at this stage, it is too early to ascertain the impact that COVID-19 will have on the Company however, they continue to monitor the situation closely.

Final comment

We continue to make progress with our strategy of building a long-term sustainable business from distressed assets.

We are grateful to shareholders for the patience and understanding you are demonstrating.

We still have challenges ahead, but the company is well poised to deliver value to shareholders over the coming years as our long-term investment strategy approaches maturity.

George Kerr
Managing Director

25 March 2020

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2019

	Note	Unaudited 6 months to 31 December 2019 £000	Unaudited 6 months to 31 December 2018 £000
Revenue from land development and resale		27,605	21,445
Cost of land development sales		(19,654)	(16,256)
Net revenue from land development and resale		7,951	5,189
Interest revenue		177	193
Interest expense		(2,667)	(3,206)
Net interest expense		(2,490)	(3,013)
Other investment gains	5	272	-
Other revenue	5	1,012	974
Total fees and other revenue		1,284	974
Gross operating revenue		6,745	3,150
Selling and administration expenses	6	(4,888)	(4,357)
Foreign exchange gains		19	269
Net operating profit/(loss) before income tax		1,876	(938)
Income tax		-	-
Profit/(loss) for the period after tax		1,876	(938)
Other comprehensive (loss)/income			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>			
Foreign currency adjustment on translation to presentation currency		(1,638)	575
Total other comprehensive (loss)/income		(1,638)	575
Total comprehensive income/(loss) for the period		238	(363)
Profit/(loss) attributable to:			
Owners of the Parent Company		1,299	(860)
Non-controlling interests		577	(78)
Profit/(loss) for the period		1,876	(938)
Total comprehensive income/(loss) attributable to:			
Owners of the Parent Company		41	(300)
Non-controlling interests		197	(63)
Total comprehensive income/(loss) for the period		238	(363)
Earnings per share		Pence	Pence
Basic and diluted profit/(loss) per share attributable to owners of the Parent Company	8	0.63	(0.41)
Basic and diluted profit/(loss) per share attributable to owners of the Parent Company – continuing operations	8	0.63	(0.41)

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

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2019

	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Non-controlling interests acquisition reserve	Non-controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000
31 December 2019 - Unaudited						
Balance at 1 July 2019	151,940	22,060	(133,921)	4,285	11,908	56,272
Total comprehensive profit for the period						
Profit for the period	-	-	1,299	-	577	1,876
Other comprehensive loss						
Foreign currency adjustment on translation to presentation currency	-	(1,258)	-	-	(380)	(1,638)
Total other comprehensive loss	-	(1,258)	-	-	(380)	(1,638)
Total comprehensive (loss)/income for the period	-	(1,258)	1,299	-	197	238
Transactions with owners						
Share buy-back	(743)	-	-	-	-	(743)
Total transactions with owners	(743)	-	-	-	-	(743)
Balance at 31 December 2019	151,197	20,802	(132,622)	4,285	12,105	55,767

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

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the period ended 31 December 2019

	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Available for sale reserve	Non-controlling interests acquisition reserve	Non-controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000	£000
31 December 2018 - Unaudited							
Balance at 1 July 2018	151,940	21,184	(127,650)	(2,881)	(837)	32,464	74,220
Reclassification of losses on available for sale asset	-	-	(2,881)	2,881	-	-	-
Adjusted balance at 1 July 2018	151,940	21,184	(130,531)	-	(837)	32,464	74,220
Total comprehensive loss for the period							
Loss for the period	-	-	(860)	-	-	(78)	(938)
Other comprehensive income							
Foreign currency adjustment on translation to presentation currency	-	560	-	-	-	15	575
Total other comprehensive income	-	560	-	-	-	15	575
Total comprehensive income/(loss) for the period	-	560	(860)	-	-	(63)	(363)
Transactions with owners							
NCI acquisition during the period	-	-	-	-	5,077	(19,405)	(14,328)
Total transactions with owners	-	-	-	-	5,077	(19,405)	(14,328)
Balance at 31 December 2018	151,940	21,744	(131,391)	-	4,240	12,996	59,529

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

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	Unaudited 31 December 2019 £000	Audited 30 June 2019 £000
ASSETS			
Current assets			
Cash and cash equivalents		11,434	15,096
Finance receivables	10	680	672
Trade and other receivables		2,805	5,378
Investments – Fair value through profit or loss	12	108	144
Investments – Loans and receivables at amortised cost	14	908	937
Inventories	11	30,180	37,588
Prepayments		196	147
Total current assets		46,311	59,962
Non-current assets			
Inventories	11	69,794	51,051
Investments – Fair value through profit or loss	12	17,938	14,020
Investments – Derivative financial instruments	13	2,053	2,119
Investments – Loans and receivables at amortised cost	14	1,556	1,606
Advances to related parties	16	2,864	2,795
Property, plant and equipment		122	145
Total non-current assets		94,327	71,736
Total assets		140,638	131,698
LIABILITIES			
Current liabilities			
Borrowings	15	5,239	617
Trade and other payables		4,358	5,962
Total current liabilities		9,597	6,579
Non-current liabilities			
Borrowings	15	59,752	52,758
Settlement payable for acquisition of non-controlling interests	19	13,606	14,103
Deferred tax liability		1,916	1,986
Total non-current liabilities		75,274	68,847
Total liabilities		84,871	75,426
EQUITY			
Share capital	9	151,197	151,940
Foreign currency translation reserve	9	20,790	22,060
Accumulated losses		(132,610)	(133,921)
Non-controlling interests acquisition reserve	9	4,285	4,285
Total equity – attributable to the owners of the Company		43,662	44,364
Non-controlling interests	9	12,105	11,908
Total equity		55,767	56,272
Total equity and liabilities		140,638	131,698

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

PYNE GOULD CORPORATION LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 31 December 2019

	Note	Unaudited 6 months to 31 December 2019 £000	Unaudited 6 months to 31 December 2018 £000
Cash flows from operating activities			
Interest received		49	81
Rental revenue		5	4
Proceeds from sale of inventories		27,605	21,461
Fees and other revenue received		1,007	965
Total cash from operating activities		28,666	22,511
Payments to suppliers and employees		(4,352)	(6,227)
Development costs of inventories		(31,601)	(38,856)
Total cash used in operating activities		(35,953)	(45,083)
Net cash flows used in operating activities	7	(7,287)	(22,572)
Cash flows (used in)/from investing activities			
Proceeds from settlement of finance receivables		-	378
Proceeds from repayment of loan advances		-	9,298
Total cash from investing activities		-	9,676
Advances to finance receivables		(41)	-
Acquisition of property, plant and equipment		-	(32)
Increase in advances to other related parties		(16)	(6)
Increase in other investments	12	(4,050)	-
Repayments from other related parties		-	20
Total cash applied to investing activities		(4,107)	(18)
Net cash flows (used in)/ from investing activities		(4,107)	9,658
Cash flows from financing activities			
Increase in borrowings		31,390	4,769
Total cash from financing activities		31,390	4,769
Decrease in borrowings		(22,098)	(751)
Total cash used in financing activities		(22,098)	(751)
Net cash flows from financing activities		9,292	4,018
Net decrease in cash and cash equivalents		(2,102)	(8,896)
Foreign currency adjustment on translation of cash balances to presentation currency		(1,560)	773
Opening cash and cash equivalents		15,096	13,554
Closing cash and cash equivalents		11,434	5,431
Represented by:			
Cash and cash equivalents		11,434	5,431
		11,434	5,431

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

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2019

1. Reporting entity

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

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

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

These consolidated interim financial statements were authorised by the Directors for issue on 25 March 2020.

2. Basis of preparation

(a) Statement of compliance

These Interim Condensed Consolidated Financial Statements (the "interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' and with applicable legal and regulatory requirements. They do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's last annual audited financial statements for the year ended 30 June 2019.

The accounting policies applied in these interim financial statements are consistent with those applied in the last annual audited financial statements for the year ended 30 June 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. Having reassessed the principal risks, the Company's financial position as at 31 December 2019 and the factors that may impact its performance in the forthcoming year, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing these interim financial statements.

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

(b) Accounting judgements and major sources of estimation uncertainty

There have been no significant changes in the key sources of estimation uncertainty from those outlined in the annual financial statements for the year ended 30 June 2019 to these interim financial statements.

3. Significant accounting policies

The accounting policies applied in the preparation of the interim financial statements are the same as those applied in the Group's annual financial statements for the year ended 30 June 2019.

New Accounting Standards effective and adopted

- IFRS 9 (amended), "Financial Instruments" (amendments regarding prepayment features with negative compensation and modification of financial liabilities, effective for periods commencing on or after 1 January 2019).

In addition, the IASB completed its Annual Improvements to IFRS standards 2015-2017 Cycle project in December 2017. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2019.

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

On 6 August 2019, a subsidiary of the Group, Torchlight Fund LP, acquired shares in KCR Residential REIT, an AIM-listed real estate trust. Under the provisions of IAS 28, the Directors have elected to measure the investment at fair value through profit or loss in accordance with IFRS 9.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

4. Segmental analysis

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The following summary describes the operations in each of the Group's reportable segments for the current period:

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

4. Segmental analysis (continued)

Group's reportable segments

Revenue and expenditure For the period ended 31 December 2019 - Unaudited	Continuing Operations			Total
	Torchlight Segment	Property Group	Parent Company	
	£000	£000	£000	£000
External revenue				
Interest revenue	108	-	69	177
Other revenue	1,007	5	-	1,012
Gross revenue from land development and resale	26,611	994	-	27,605
Cost of land development sales	(19,227)	(427)	-	(19,654)
Other investment gains	272	-	-	272
	8,771	572	69	9,412
Internal revenue				
Foreign exchange gains/(losses)	29	(2)	(8)	19
Total segment revenue	8,800	570	61	9,431
Expenses				
Interest expense	(2,655)	(12)	-	(2,667)
Selling and administration expenses	(4,278)	(76)	(534)	(4,888)
Total operating expenses	(6,933)	(88)	(534)	(7,555)
Profit/(loss) before tax	1,867	482	(473)	1,876
Income tax	-	-	-	-
Profit/(loss) after tax	1,867	482	(473)	1,876
Non-controlling interests	(577)	-	-	(577)
Profit/(loss) for the period attributable to owners of the Company	1,290	482	(473)	1,299

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

4. Segmental analysis (continued)

Group's reportable segments (continued)

Revenue and expenditure For the period ended 31 December 2018 - Unaudited	Continuing Operations			Total
	Torchlight Group	Property Group	Parent Company	
	£000	£000	£000	£000
External revenue				
Interest revenue	80	-	113	193
Other revenue	969	5	-	974
Gross revenue from land development and resale	21,445	-	-	21,445
Cost of land development sales	(16,256)	-	-	(16,256)
	6,238	5	113	6,356
Internal revenue				
Foreign exchange gains/(losses)	297	-	(28)	269
Total segment revenue	6,535	5	85	6,625
Expenses				
Interest expense	(3,148)	(58)	-	(3,206)
Selling and administration expenses	(3,624)	(70)	(663)	(4,357)
Total operating expenses	(6,772)	(128)	(663)	(7,563)
Loss before tax	(237)	(123)	(578)	(938)
Income tax	-	-	-	-
Loss after tax	(237)	(123)	(578)	(938)
Non-controlling interests	78	-	-	78
Loss for the period attributable to owners of the Company	(159)	(123)	(578)	(860)

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

4. Segmental analysis (continued)

Group's reportable segments (continued)

Assets and liabilities

As at 31 December 2019 - Unaudited	Torchlight Segment £000	Property Group £000	Parent Company £000	Inter- segment eliminations £000	Total £000
Total assets	175,189	3,082	69,835	(107,468)	140,638
Total liabilities	111,123	11,671	1,218	(39,141)	84,871
As at 30 June 2019 – Audited					
Total assets	164,277	3,488	72,678	(108,745)	131,698
Total liabilities	100,425	12,612	582	(38,193)	75,426

5. Investment and other revenue

	Unaudited 6 months to 31 December 2019 £000	Unaudited 6 months to 31 December 2018 £000
Investment loss		
Movement in fair value of listed equity securities	272	-
Net investment loss	272	-
Other revenue		
Golf revenue	870	888
Miscellaneous revenue	137	81
Rental revenue	5	5
Total other revenue	1,012	974

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

6. Selling and administration expenses

	Unaudited 6 months to 31 December 2019 £000	Unaudited 6 months to 31 December 2018 £000
Directors' fees	60	60
Personnel expenses *	839	921
Legal and consultancy fees	1,750	1,211
Other operating expenses **	2,239	2,165
Selling and administration expenses	4,888	4,357

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

** Other operating expenses include property expenses, golf expenses, listing and regulatory costs, audit fees and other overhead expenditure. There are no other individual (or aggregated) significant expenses for further disaggregation.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

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

	Unaudited 6 months to 31 December 2019 £000	Unaudited 6 months to 31 December 2018 £000
Profit/(loss) for the period	1,888	(938)
Adjustments for non-cash items:		
Foreign exchange gain	(18)	(254)
Depreciation and amortisation of non-current assets	24	31
Unrealised gain on investments	(272)	-
Interest paid	2,539	3,094
Other non-cash items	-	756
Total non-cash items	2,273	3,627
Adjustments for movements in working capital:		
Trade and other receivables	2,359	1,464
Trade and other payables	(2,349)	(3,368)
Movement in development costs	(11,458)	(23,357)
Total movements in working capital	(11,448)	(25,261)
Net cash flows applied to operating activities	(7,287)	(22,572)

8. Earnings/(Loss) per share

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

	Unaudited 6 months to 31 December 2019 £000	Unaudited 6 months to 31 December 2018 £000
Profit/(loss) after tax attributable to owners of the Company	1,299	(860)
Profit/(loss) after tax attributable to owners of the Company – continuing operations	1,299	(860)
Weighted average number of ordinary shares in issue (000)	207,436	207,463
Basic and diluted earnings/(loss) (pence per share)	0.63p	(0.41)p
Basic and diluted earnings/(loss) – continuing operations (pence per share)	0.63p	(0.41)p
	Unaudited 31 December 2019	Audited 30 June 2019
Net tangible assets per share (pence per share)*	21.57p	21.38p

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

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

9. Share capital and reserves

Authorised capital

The Company has the power to issue an unlimited number of shares of no par value which may be issued as Redeemable Shares or otherwise. The Company only has NZ Dollar non-redeemable Ordinary Shares in issue at the date of this report.

	Unaudited 31 December 2019 Shares 000s	Audited 30 June 2019 Shares 000s
Number of issued shares		
Opening balance	207,463	207,463
Share buy-back	(5,000)	-
Closing balance	202,463	207,463

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

On 31 December 2019, The Board agreed to repurchase 5 million shares through its Market Maker, who struck a market price of NZ\$0.29 per Share, with the payment of the NZD 1.4 million (£0.7 million) consideration deferred until 14 February 2020.

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.

Non-controlling interests ("NCI") reserve

NCI reserve represents the accumulated profits attributable to the NCIs.

NCI acquisition reserve

NCI acquisition reserve represents the accumulated net gains recognised by the Group in transactions between the Group and NCIs.

10. Finance receivables

	Unaudited 31 December 2019 £000	Audited 30 June 2019 £000
Current		
Gross finance receivables	680	672
Total finance receivables	680	672

Finance receivables are loans with various terms and interest rates.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

11. Inventories

	Unaudited 31 December 2019 £000	Audited 30 June 2019 £000
<i>Land held for resale</i>		
Current assets		
Cost of acquisition	10,473	14,296
Development costs	19,707	23,292
	30,180	37,588
Non-current assets		
Cost of acquisition	63,482	44,393
Development costs	6,312	7,123
Less: impairment	-	(465)
	69,794	51,051
Total inventories	99,974	88,639

The majority of the Group's inventories are held in the Torchlight Group segment of the business, principally 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.

The remaining inventories comprise an investment property held for development in the Property Group segment of the business through Land House Limited ("LHL") with a carrying value of NZD 5.3 million (£2.7 million) (30 June 2019: NZD 5.9 million (£3.1 million)). During the period, the bank borrowing facility held over this property was fully repaid and therefore, as at 31 December 2019, the balance is NZD Nil (£Nil) (30 June 2019: NZD 1.2 million (£0.6 million)). This asset is classified as current (as at 31 December 2019 and 30 June 2019: LHL inventories - current) as it is expected to be sold within twelve months of the reporting date or within the next operating cycle.

The comparative inventories as at 30 June 2019, also contain inventories held in the Torchlight Group segment of the business through Real Estate Southern Holdings Limited ("RESHL"). The partial security held over this property for bank borrowing facilities was fully repaid during the period and as at 31 December 2019 the balance is NZD Nil (£Nil) (30 June 2019: NZD 0.4 million (£0.2 million)). The RESHL inventories were classified as current and have been fully sold in the period.

In accordance with the Group's accounting policy, inventories are held at the lower of cost and net realisable value. All inventories are held at cost. At 31 December 2019, these inventories are pledged as security to a third party corporate debt facility as detailed further in note 15.

During the period, AUD 13.4 million (£7.3 million) (31 December 2018: AUD 29.1 million (£16.3 million)) and NZD 21.5 million (£11.7 million) (31 December 2018: NZD Nil (£ Nil)) of inventories in respect of the RCL subsidiaries and NZD 1.4 million (£0.7 million) (31 December 2018: NZD Nil (£ Nil)) in respect of the RESHL and LHL subsidiaries were recognised as an expense in the consolidated Statement of Comprehensive Income. No write-down of inventories to fair value less costs to sell nor any reversal of any such write-downs were recognised as an expense during the period (31 December 2018: £Nil).

The following amounts were recognised in profit or loss within the consolidated Statement of Comprehensive Income in respect of the inventories held within the Property Group during the period ended 31 December 2019:

	Unaudited 31 December 2019 £000	Unaudited 31 December 2018 £000
Rental revenue	5	5
Direct operating expenses arising from inventories/ investment property that generated investment revenue	6	4

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

12. Investments – Fair value through profit or loss

	Unaudited 31 December 2019 £000	Audited 30 June 2019 £000
Current assets		
Listed equity securities	108	144
	<u>108</u>	<u>144</u>
Non-current assets		
KCR Residential REIT	4,365	-
PTL receivable	8,489	8,765
Loans and receivables	5,084	5,255
	<u>17,938</u>	<u>14,020</u>
Total Investments – Fair value through profit or loss	<u>18,046</u>	<u>14,164</u>

On 6 August 2019, a subsidiary of the Group, Torchlight Fund LP, acquired 9,000,000 New Ordinary Shares, each at 45 pence per share for a total amount of GBP4,050,000, in KCR Residential REIT, an AIM-listed real estate trust. Under the provisions of IAS 28, the Directors have elected to measure the investment at fair value through profit or loss in accordance with IFRS 9.

The fair value of the PTL receivable has been arrived at on the basis of a valuation carried out by an external party to the Group, Simmons Corporate Finance, as at 30 June 2019, which assessed the fair value of the PTL receivable to be NZD 16.6 million (£8.5 million) (30 June 2019: NZD 16.6 million (£8.8 million)). The key assumptions underlying the valuation are the same as those applied in the Group's 30 June 2019 annual financial statements. The Directors have taken into consideration all events that have transpired during the interim reporting period and consider that these assumptions remain appropriate.

For further details of the methods and assumptions used to estimate the fair value of the above listed assets see note 17.

13. Investments – Derivative financial instruments

	Unaudited 31 December 2019 £000	Audited 30 June 2019 £000
Non-current assets		
Derivative financial instruments	2,053	2,119
Total Investments – Derivative financial instruments	<u>2,053</u>	<u>2,119</u>

The fair value of the Group's Derivative financial instruments at 31 December 2019 has been arrived at on the basis of a valuation carried out by an external valuer as at 30 June 2019. The external valuer assessed the Derivative financial instruments to have a fair value in the range of NZD 3.8 million to NZD 4.2 million. In the opinion of the Directors, a valuation of NZD 4.0 million (£2.1 million), in the middle of this range, best represents the fair value of the Derivative financial instruments at 31 December 2019 (30 June 2019: NZD 4.0 million (£2.1 million)). The key assumptions underlying the valuation are the same as those applied in the Group's 30 June 2019 annual financial statements. The Directors have taken into consideration all events that have transpired during the interim reporting period and consider that these assumptions remain appropriate. For details of methods and assumptions used to estimate the fair value of each of the above listed assets see note 17.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

14. Investments – Loans and receivables at amortised cost

	Unaudited 31 December 2019 £000	Audited 30 June 2019 £000
Current assets		
Loans receivable - gross	2,306	2,381
Impairment of loans receivable	(1,398)	(1,444)
Total current loans and receivables as amortised cost	908	937
Non-current assets		
Loans receivable - gross	33,668	34,898
Impairment of loans receivable	(33,668)	(34,898)
Loans receivable – net of impairment	-	-
Other receivables	1,556	1,606
Total non-current loans and receivables at amortised cost	1,556	1,606
Total Investments – Loans and receivables at amortised cost	2,464	2,543

Loans receivable

Loans receivable have been impaired based on expected recoveries from underlying projects. These loans have been valued and assessed for impairment based on discount cash flow (DCF) analysis of the underlying projects. The discount rates applied within these DCF analyses range from 9% to 20% (30 June 2019: 9% to 20%).

Other receivables

Other receivables comprises an amount of NZD 3.0 million (£1.6 million) paid as a deposit towards 50% of development costs on an initial exercise of a call option in respect of 50 residential lots (30 June 2019: NZD 3.0 million (£1.6 million) on an initial exercise of a call option in respect of 50 residential lots).

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

	Unaudited 31 December 2019			
	£000	£000	£000	£000
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	1,556	-	-	1,556
Up to 12 months	-	908	-	908
Total	1,556	908	-	2,464
	Audited 30 June 2019			
	£000	£000	£000	£000
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	1,606	-	-	1,606
Up to 12 months	-	937	-	937
Total	1,606	937	-	2,543

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

15. Borrowings

	Unaudited 31 December 2019 £000	Audited 30 June 2019 £000
Current		
Third party corporate debt facilities – secured	5,239	617
Non-current		
Third party corporate debt facility – secured	59,752	52,758
Total borrowings	64,991	53,375

The 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.

On 22 January 2020, the current third party corporate debt facility was repaid in full.

The RCL borrowing facilities were extended in September 2019 and now expire in February 2021.

The 30 June 2019 current third party corporate debt facilities comprised two loans separately secured against two investment properties held for development and included within Inventories. During the period both facilities were repaid in full.

16. 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 80.36% (30 June 2019: 80.16%) of PGC's shares at 31 December 2019. George Kerr is the ultimate controlling party of AEP LP.

AEP GP charged PGC administration fees of £Nil during the period ended 31 December 2019 (31 December 2018: £52,000). At 31 December 2019, there was no outstanding balance payable to AEP GP (30 June 2019: £Nil). The above expenses have been included in selling and administration expenses in the Consolidated Statement of Comprehensive Income.

During the period ended 31 December 2019, unsecured loan advances were provided to AEP GP. On 2 October 2019, the loan was assigned from PGC to Torchlight Group Limited. The amounts are repayable by AEP GP on demand or by the loan expiry date of 30 November 2020. At 31 December 2019, the amount receivable from AEP GP was £2.9 million (30 June 2019: £2.8 million). General advances accrue interest at 9%. Total interest recognised during the period was £133,000 (31 December 2018: £112,000).

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

16. Related party transactions (continued)

(b) Transactions with key management personnel

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

	Unaudited 31 December 2019 £000	Unaudited 31 December 2018 £000
Key management personnel compensation from the Parent Company is as follows:		
Directors' fees payable to non-executive Directors	60	60
Consultancy fees payable to executive Directors	509	308
Total	569	368

Directors' fees of £10,000 were outstanding at 31 December 2019 (30 June 2019: £10,000). Consultancy fees of £137,000 were outstanding at 31 December 2019 (30 June 2019: £98,000).

	Unaudited 31 December 2019 £000	Unaudited 31 December 2018 £000
Personnel compensation within the RCL Group companies is as follows:		
Short-term employee benefits	839	921
Total	839	921

There were no employee benefits outstanding at 31 December 2019 or 30 June 2019.

17. 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.

Loans and receivables at amortised cost

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

Borrowings

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

Investments - Fair value through profit or loss

PTL Receivable

The PTL receivable is measured at fair value, in accordance with a valuation prepared by an external valuer, which is based on the probability weighted Net Present Values (NPVs) of the receivable under three separate scenarios (see note 17). The Directors consider the fair value of the PTL receivable at the reporting date to be best represented by the valuation assessment provided by the external valuer.

KCR Residential REIT

The investment in KCR Residential REIT ("KCR"), an entity listed on the AIM segment of the LSE, is held by a subsidiary of the Group, Torchlight Fund LP, which holds 32.64% of the total shares and measures the investment in KCR at fair value. As such, under the provisions of IAS 28, the Directors have elected to measure the investment at fair value through profit or loss in accordance with IFRS 9.

Fair value is determined by reference to the quoted market price of the investment.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

17. Fair value (continued)

Investments - Fair value through profit or loss (continued)

Listed equity securities

The listing of the equity securities has been suspended, and so they are no longer actively traded. The equity securities are measured based on expected value of the final distribution as announced 26 September 2019 but not yet distributed, which the Directors consider to be the best estimate of fair value for the securities at the reporting date.

Loans and receivables

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

Derivative financial instruments

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

Other financial assets and liabilities

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

	Unaudited 31 December 2019		Audited 30 June 2019	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Assets				
Cash and cash equivalents	11,434	11,434	15,096	15,096
Finance receivables	680	680	672	672
Advances to related parties	2,864	2,864	2,795	2,795
Investments – Loans and receivables at amortised cost	2,464	2,464	2,543	2,543
Investments – Fair value through profit or loss	18,046	18,046	14,164	14,164
Investments – Derivative financial instruments	2,053	2,053	2,119	2,119
Trade and other receivables	2,805	2,805	5,378	5,378
Total assets	40,346	40,346	42,767	42,767
Liabilities				
Borrowings	64,991	64,991	53,375	53,375
Other financial liabilities	17,964	17,964	20,065	20,065
Total liabilities	82,955	82,955	73,440	73,440

Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- 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
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

17. Fair value (continued)

Fair Value Hierarchy (continued)

	Note	Unaudited 31 December 2019			Total
		Level 1 £000	Level 2 £000	Level 3 £000	
Assets					
Investments – PTL receivable	12	-	-	8,489	8,489
Investments – KCR Residential REIT	12	4,365	-	-	4,365
Listed equity securities	12	-	-	108	108
Loans and receivables	12	-	-	5,084	5,084
Investments – Derivative financial instruments	13	-	-	2,053	2,053
Total Assets		4,365	-	15,734	20,099

There were no transfers between Levels 1, 2 and 3 in the period (31 December 2018: no transfers).

	Note	Audited 30 June 2019			Total
		Level 1 £000	Level 2 £000	Level 3 £000	
Assets					
Investments – PTL receivable	12	-	-	8,765	8,765
Listed equity securities	12	-	-	144	144
Loans and receivables	12	-	-	5,255	5,255
Investments – Derivative financial instruments	13	-	-	2,119	2,119
Total Assets		-	-	16,283	16,283

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

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

17. Fair value (continued)

Reconciliation of Level 3 fair value measurements of assets

Foreign exchange translation movements are recognised in other comprehensive income.

	Unaudited 31 December 2019					
	PTL receivable £000	Loans and receivables at fair value through profit or loss £000	Listed equity securities £000	Derivative Financial instruments £000	Total £000	
Investments held at fair value						
<i>Balance at the beginning of the period</i>	8,765	5,255	144	2,119	16,283	
Purchase of investment	-	-	-	-	-	
Change in fair value through profit or loss	-	-	(31)	-	(31)	
Foreign exchange on translation	(276)	(171)	(5)	(66)	(518)	
Balance at the end of the period	8,489	5,084	108	2,053	15,734	
	Audited 30 June 2019					
	PTL receivable £000	Loans and receivables at fair value through profit or loss £000	Listed equity securities £000	Available for sale financial assets £000	Derivative Financial instruments £000	Total £000
Investments held at fair value						
<i>Balance at the beginning of the year</i>	-	-	274	8,531	3,815	12,620
Reclassification to investments at fair value through profit or loss	8,531	5,026	-	(8,531)	-	5,026
Change in fair value through profit or loss within investment revenue	(41)	116	(126)	-	(1,787)	(1,838)
Foreign exchange on translation	275	113	(4)	-	91	475
Balance at the end of the year	8,765	5,255	144	-	2,119	16,283

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.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

17. Fair value (continued)

Valuation process

Listed equity securities

The listing of the equity securities has been suspended, and so they are no longer actively traded. The equity securities are measured based on expected value of the final distribution as announced 26 September 2019 and distributed on 10 March 2020, which the Directors consider to be the best estimate of fair value for the securities at the reporting date. The investments are classified as level 3 in the fair value hierarchy.

Derivative financial instruments

Derivative financial instruments are measured at fair value. The derivative financial instrument is a call option for the right to receive 25 residential lots (30 June 2019: 25 residential lots) in a subdivision situated in East Wanaka, New Zealand following the development of 400 sections in a number of tranches. The derivative financial instrument has been valued by an external valuer, using a stochastic discounted cash flow ("DCF") analysis over an assumed development period for the 25 lots. The Directors consider the fair value of the derivative financial instrument to be best represented by the valuation assessment provided by the external valuer.

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

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

Number of sections released in future tranches

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

The escalation or reduction in sale price of the sections

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

The escalation in the exercise price

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

Valuation results

The valuer has modelled a range of possible outcomes using a stochastic DCF analysis with varying assumptions as detailed above. The valuer estimated a low to high range of values of the remaining tranche being between NZD3.8 million and NZD4.2 million respectively. The Directors have determined that as at 31 December 2019 a valuation of NZD4.0 million (£2.1 million), in the middle of this range, best represents the fair value of the residual option for 25 lots (30 June 2019: NZD4.0 million (£2.1 million)).

Perpetual Trust Limited ("PTL") receivable

In order to ascertain the fair value of the PTL receivable, the Directors engaged an external valuer, who assessed the receivable to have a fair value of NZD 16.6 million (£8.5 million) (30 June 2019: NZD 16.6 million (£8.8 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.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

17. Fair value (continued)

Valuation process (continued)

Perpetual Trust Limited (“PTL”) receivable (continued)

Valuation assumptions

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

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

The valuer has assigned an 80% likelihood that the receivable will be subject to litigation and a 20% likelihood that the receivable will be recovered through an IPO between 30 June 2019 and 30 June 2021. In the event litigation occurs, the valuer has assigned a 70% probability that the litigation will be successful, so effectively a 56% likelihood that the receivable will be recovered via a litigation scenario. The valuer has also recognised that an IPO may not occur and that PGC’s litigation may not be successful, resulting in PGC receiving no return from the PTL receivable. The valuer has applied a 20% likelihood of no recovery under that scenario.

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

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

31 December 2019	Litigation scenario	IPO – thee sub-scenarios			No return scenario
	NZD000	NZD000	NZD000	NZD000	NZD000
Gross Value	22,000	22,000	22,000	22,000	0
Date received	31 Dec 2020	30 June 2020	30 June 2021	30 June 2022	
Discount rate – pre-tax	0.00%	10.56%	10.56%	10.56%	
Present value	22,000	19,899	17,998	16,279	
Probability	59.5%	0.0%	8.2%	12.3%	20.0%
Fair Value	16,568				
	£000				
Fair Value in £	8,489				

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

17. Fair value (continued)

Valuation process (continued)

Perpetual Trust Limited (“PTL”) receivable (continued)

Valuation assumptions (continued)

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

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 £940,000;
- 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 £35,000;
- a 6 month delay in each of the IPO sub-scenarios would result in a reduction in the fair value of the PTL receivable of £80,000;
- a 12 month delay in each of the IPO sub-scenarios would result in a reduction in the fair value of the PTL receivable of £155,000;
- a 1% decrease in the discount rate used would result in an increase in the fair value of the PTL receivable of £42,000.

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

Success %	IPO delay							Successful litigation probability
	31-Dec-19	30-Jun-20	31-Dec-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	
0%	3,046	2,898	2,754	2,621	2,370	2,144	1,939	0.0%
10%	3,836	3,696	3,561	3,435	3,198	2,984	2,790	8.5%
20%	4,627	4,495	4,368	4,249	4,026	3,824	3,642	17.0%
30%	5,417	5,294	5,174	5,063	4,854	4,664	4,493	25.5%
40%	6,208	6,093	5,981	5,877	5,681	5,504	5,345	34.0%
50%	6,999	6,891	6,788	6,691	6,509	6,345	6,196	42.5%
60%	7,790	7,690	7,594	7,505	7,337	7,185	7,048	51.0%
70%	8,580	8,489	8,401	8,319	8,165	8,025	7,899	59.5%
80%	9,371	9,288	9,208	9,133	8,993	8,865	8,751	68.0%
90%	10,161	10,086	10,014	9,947	9,820	9,706	9,602	76.5%
100%	10,952	10,885	10,821	10,761	10,648	10,546	10,454	85.0%

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

17. Fair value (continued)

Valuation process (continued)

Perpetual Trust Limited (“PTL”) receivable (continued)

Litigation, IPO scenarios and timings(continued)

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

Litigation %	IPO delay							Successful litigation probability
	31-Dec-19	30-Jun-20	31-Dec-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	
70%	8,678	8,525	8,377	8,238	7,979	7,744	7,532	49.0%
75%	8,646	8,513	8,385	8,265	8,041	7,838	7,654	52.5%
80%	8,613	8,501	8,393	8,292	8,103	7,931	7,777	56.0%
85%	8,580	8,489	8,401	8,319	8,165	8,025	7,899	59.5%
90%	8,547	8,477	8,409	8,345	8,227	8,119	8,022	63.0%
95%	8,514	8,465	8,417	8,373	8,289	8,213	8,144	66.5%

Discount rate

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

Success %	Discount rate							Successful litigation probability
	4.56%	6.56%	8.56%	10.56%	12.56%	14.56%	16.56%	
0%	3,347	3,187	3,037	2,898	2,767	2,645	2,530	0.0%
10%	4,121	3,970	3,828	3,696	3,573	3,457	3,349	8.5%
20%	4,895	4,753	4,619	4,495	4,379	4,270	4,168	17.0%
30%	5,669	5,535	5,411	5,294	5,185	5,083	4,987	25.5%
40%	6,443	6,318	6,202	6,093	5,991	5,895	5,806	34.0%
50%	7,217	7,101	6,993	6,891	6,797	6,708	6,625	42.5%
60%	7,991	7,884	7,784	7,690	7,602	7,521	7,444	51.0%
70%	8,765	8,667	8,575	8,489	8,408	8,333	8,263	59.5%
80%	9,539	9,450	9,366	9,288	9,214	9,146	9,082	68.0%
90%	10,313	10,232	10,157	10,086	10,020	9,959	9,900	76.5%
100%	11,087	11,015	10,948	10,885	10,826	10,771	10,720	85.0%

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.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

17. Fair value (continued)

Valuation process (continued)

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

Description	Unaudited Fair value at 31 December 2019	Audited Fair value at 30 June 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
	£000	£000				
Listed equity securities	108	144	Last published net asset value less value of subsequent capital distribution	See page 25	See page 25	See page 25
Derivative financial instruments	2,053	2,119	Stochastic discounted cash flow analysis	See page 25	See page 25	See page 25
PTL receivable	8,489	8,765	External valuation using probability weighted scenarios	Percentage probability weightings	See pages 25 to 28	See pages 25 to 28
Loan at fair value through profit or loss	1,175	1,218	Based on NPV of future cash flows and cash balance	Discount rate	10%	If the discount rate used was higher/lower, the fair value would decrease/increase
Receivable at fair value through profit or loss	3,909	4,037	Cost adjusted for any estimated shortfall in future distribution payable to Limited Partner in Torchlight	Torchlight NAV	Current NAV at period end date	If the fair value of the Limited Partner's interest in Torchlight fell below the subscription value, the fair value would decrease
	15,734	16,283				

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2019

18. Contingent liabilities and commitments

Torchlight Fund LP and its subsidiaries

The Group had the following commitments within the RCL group:

	Unaudited 31 December 2019 £000	Audited 30 June 2019 £000
Contracted work to complete		
<i>Expenditure contracted for at the reporting date but not recognised as liabilities</i>		
Within one year	1,950	5,239

Torchlight Fund LP and its subsidiaries – Contingent assets

The Group has financial guarantees in respect of completion of development works and maintenance bonds to relevant authorities. The value of these guarantees at 31 December 2019 was £0.8 million (30 June 2019: £2.0 million).

19. TFLP winding up petition

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

In July 2018, a confidential settlement was reached in respect of the Petition and the Conspiracy Proceedings. As part of this settlement, the Petitioners agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 million (£13.6 million) (30 June 2019: £14.1 million), as a result of which PGC's direct limited partnership interests increased from 44.2% to 70.3%, without investing additional capital.

20. Subsequent events

The following material events have occurred subsequent to 31 December 2019 to the date when these interim condensed consolidated financial statements were authorised for issue:

- On 11 February 2020, payment of NZD 1.4 million (£0.7 million) was made in relation to the buy-back of 5,000,000 shares effective 31 December 2019.
- On 10 March 2020, a final capital return in the amount of AUD 203,126 (£0.1 million) was received from the listed equity security which is now in voluntary liquidation. As such, the Company recognises no further value in the listed equity security as of 10 March 2020.
- In January 2020, an outbreak of a novel coronavirus, now classified as COVID-19, was detected in China's Hubei province. During the following months, COVID-19 has spread steadily throughout the World and on 11 March 2020, The World Health Organisation ("WHO") declared the outbreak a global pandemic. At the date of signing of this report, confirmed cases were in excess of 395,000 and deaths caused by COVID-19 were in excess of 17,250. In order to stem the spread of the virus, Governments around the World are taking drastic steps which include compulsory closure of various businesses, shops and schools and are also heavily restricting of movement of people.

Due to the rapid development of COVID-19, the degree of uncertainty involved and the unprecedented nature of the challenges being posed by the coronavirus situation, the Directors are of the opinion that it is too soon to quantify the financial impact that the COVID-19 pandemic will cause but are monitoring the situation closely.