

Pyne Gould Corporation Limited

**INTERIM REPORT AND
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 31 December 2018

PYNE GOULD CORPORATION LIMITED

CONTENTS

For the period ended 31 December 2018

Company Report	3-4
Interim Condensed Consolidated Financial Statements	
Interim Condensed Consolidated Statement of Comprehensive Income	5
Interim Condensed Consolidated Statement of Changes in Equity	6-7
Interim Condensed Consolidated Statement of Financial Position	8
Interim Condensed Consolidated Statement of Cash Flows	9
Notes to the Interim Condensed Consolidated Financial Statements	10-28

PYNE GOULD CORPORATION LIMITED

COMPANY REPORT

Directors' Report

Operating Performance

PGC recorded an unaudited Net Loss attributable to security holders of GBP 0.86 million for the half year to 31 December 2018 (compared with a Net Profit after Tax of GBP 7.93 million in the half year to 31 December 2017).

After favourable non-cash movements in foreign currency reserves, PGC recorded a Total Comprehensive Loss for the half year to 31 December 2018 of GBP 0.36 million (down from Total Comprehensive Loss of GBP 8.88 million in the half year to 31 December 2017).

Statement of Financial Position

Net Tangible Assets ("NTA") increased by 11.4% to GBP 46.53 million in the half year to 31 December 2018 (up from GBP 41.76 million as at 30 June 2018). Accordingly, NTA per share increased by 11.4% to 22.43 pence per share at 31 December 2018 (up from 20.13 pence per share).

The increase in NTA was driven by the positive impact of the settlement of the Cayman litigation within Torchlight Fund LP ("TFLP") as outlined in the 2018 Annual Report.

On a consolidated basis PGC held Total Assets of GBP 143.77 million at 31 December 2018 (up from GBP 139.15 million last year). This was made up of current assets of GBP 69.02 million and long-term assets of GBP 74.75 million. PGC had Total Liabilities of GBP 84.24 million at 31 December 2018 and Total Equity of GBP 59.53 million.

After allowing for non-controlling interests of GBP 13.00 million, PGC's NTA was GBP 46.53 million.

Commentary

Consistent with our previously advised strategy, PGC remains focused on the long run success of TFLP in which PGC has an ownership through direct limited partner interests of 70.3% (30 June 2018: 44.2%).

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").

Good progress has been made with our residential project located within the Bethlehem suburb of Tauranga City.

Bethlehem is a legacy asset acquired by PGC as part of the Marac bad bank acquisition.

Stage 1 of this project has now been completed with titles issued towards the end of January 2019. Settlements have commenced and we are now working on development options to maximise value 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 Farm in Queenstown, where it is developing in excess of 1,700 sites. As at 31 December 2018, approximately 400 sites had been sold in a series of progressive releases, with approximately 125 sites completed and settled. Focus remains on delivering the stock which has been sold. Additional land will be released during the course of calendar 2019 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.

The first of RCL's own turn key homebuilding projects is expected to be completed by the end of March 2019 and has been fully pre-sold.

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

RCL is actively looking for additional re-stocking opportunities in Australia.

Whilst the residential property market in Australia is slowing and there are some significant political risks for the sector, RCL, with a very strong balance sheet, is well positioned to take advantage of opportunities presented as a result of the negative sentiment.

PYNE GOULD CORPORATION LIMITED

COMPANY REPORT

Directors' Report (continued)

Perpetual Trust Limited

Shareholders will recall we sold our stake in PTL in 2014 for NZD 12.3 million. Further consideration was payable under certain corporate events - which was to allow PGC to benefit to 40 percent of any value the new owner was able to create from corporate events relating to Perpetual in the future.

This receivable remains outstanding and was independently valued at 30 June 2018 at NZD 16.6 million. The Directors consider the receivable remains fully recoverable, however, time will be required to achieve this outcome. We had hoped that litigation could be avoided, but this has not been possible.

As announced last year and outlined in the 2018 Annual Report, PGC has re-commenced High Court proceedings against Bath Street Capital Ltd ("BSC") and its director, Andrew Barnes, over the consideration payable to PGC from the sale of PTL in 2013.

PGC has lodged proceedings in the Auckland High Court against BSC and Mr Barnes seeking damages of not less than NZD 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.

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

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.

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 2019

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2018

	Note	Unaudited 6 months to 31 December 2018 £000	Unaudited 6 months to 31 December 2017 £000
Revenue from land development and resale		21,445	8,843
Cost of land development sales		(16,256)	(7,318)
Net revenue from land development and resale		5,189	1,525
Interest revenue		193	300
Interest expense		(3,206)	(2,620)
Net interest expense		(3,013)	(2,320)
Dividend revenue		-	28
Other investment losses		-	(195)
Other revenue		974	913
Total fees and other revenue	5	974	746
Gross operating revenue/(loss)		3,150	(49)
Selling and administration expenses	6	(4,357)	(8,777)
Wilaci litigation claim write-back		-	2,910
Foreign exchange gains/(losses)		269	(408)
Impaired asset expense		-	(39)
Net operating loss before income tax		(938)	(6,363)
Income tax		-	-
Loss for the period after tax		(938)	(6,363)
Other comprehensive income/(loss)			
<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		575	(2,517)
Total other comprehensive income/(loss)		575	(2,517)
Total comprehensive loss for the period		(363)	(8,880)
Loss attributable to:			
Owners of the Parent Company		(860)	7,934
Non-controlling interests		(78)	(14,297)
Loss for the period		(938)	(6,363)
Total comprehensive loss attributable to:			
Owners of the Parent Company		(300)	6,368
Non-controlling interests		(63)	(15,248)
Total comprehensive loss for the period		(363)	(8,880)
Earnings per share		Pence	Pence
Basic and diluted (loss)/earnings per share attributable to owners of the Parent Company	8	(0.41)	3.82
Basic and diluted (loss)/earnings per share attributable to owners of the Parent Company – continuing operations	8	(0.41)	3.82

The notes on pages 10 to 28 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 2018

	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 28 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 2018

	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 2017 - Unaudited							
Balance at 1 July 2017	151,940	23,885	(136,589)	(2,322)	(837)	49,407	85,484
Total comprehensive loss for the period							
Profit/(loss) for the period	-	-	7,934	-	-	(14,297)	(6,363)
Other comprehensive loss							
Foreign currency adjustment on translation to presentation currency	-	(1,566)	-	-	-	(951)	(2,517)
Total other comprehensive loss	-	(1,566)	-	-	-	(951)	(2,517)
Total comprehensive income/(loss) for the period	-	(1,566)	7,934	-	-	(15,248)	(8,880)
Balance at 31 December 2017	151,940	22,319	(128,655)	(2,322)	(837)	34,159	76,604

The notes on pages 10 to 28 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 2018

	Note	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
ASSETS			
Current assets			
Cash and cash equivalents		5,431	13,554
Trade and other receivables		5,004	4,236
Prepayments		130	172
Finance receivables	10	666	1,015
Inventories	11	56,269	45,931
Investments – Fair value through profit or loss	13	271	274
Investments – Loans and receivables	15	1,245	10,395
Total current assets		69,016	75,577
Non-current assets			
Property, plant and equipment		161	161
Inventories	11	53,391	42,076
Investment – Available for sale financial asset	12	-	8,531
Investments – Fair value through profit or loss	13	8,775	-
Investments – Derivative financial instruments	14	3,925	3,815
Investments – Loans and receivables	15	5,927	6,583
Advances to related parties	17	2,571	2,404
Total non-current assets		74,750	63,570
Total assets		143,766	139,147
LIABILITIES			
Current liabilities			
Borrowings	16	1,435	930
Trade and other payables		5,152	8,778
Total current liabilities		6,587	9,708
Non-current liabilities			
Borrowings	16	61,865	53,558
Deferred tax liability		1,643	1,661
Amount payable for acquisition of non-controlling interests	20	14,142	-
Total non-current liabilities		77,650	55,219
Total liabilities		84,237	64,927
EQUITY			
Share capital	9	151,940	151,940
Foreign currency translation reserve	9	21,744	21,184
Accumulated losses		(131,391)	(127,650)
Available for sale reserve	9	-	(2,881)
Non-controlling interests acquisition reserve	9	4,240	(837)
Total equity – attributable to the owners of the Company		46,533	41,756
Non-controlling interests	9	12,996	32,464
Total equity		59,529	74,220
Total equity and liabilities		143,766	139,147

The notes on pages 10 to 28 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 2018

	Note	Unaudited 6 months to 31 December 2018 £000	Unaudited 6 months to 31 December 2017 £000
Cash flows from operating activities			
Interest received		81	199
Rental revenue		4	5
Dividend revenue		-	28
Capital distributions received from FVTPL investments		-	1,707
Proceeds from sale of inventories		21,461	9,616
Fees and other revenue received		965	890
Total cash provided from operating activities		22,511	12,445
Payments to suppliers and employees (2017: includes litigation claim settlement)		(6,227)	(27,015)
Development costs of inventories		(38,856)	(8,066)
Interest paid		-	-
Total cash applied to operating activities		(45,083)	(35,081)
Net cash flows applied to operating activities	7	(22,572)	(22,636)
Cash flows from investing activities			
Proceeds from settlement of finance receivables		378	1,319
Proceeds from disposal of investments		-	267
Proceeds from sale of asset held for sale		-	848
Proceeds from repayment of loan advances		9,298	-
Total cash provided from investing activities		9,676	2,434
Acquisition of property, plant and equipment		(32)	(67)
Increase in advances to other related parties		(6)	(85)
Repayments from other related parties		20	-
Total cash applied to investing activities		(18)	(152)
Net cash flows from investing activities		9,658	2,282
Cash flows from financing activities			
Increase in borrowings		4,769	6,836
Total cash provided from financing activities		4,769	6,836
Decrease in borrowings		(751)	(6,876)
Total cash applied to financing activities		(751)	(6,876)
Net cash flows from/(applied to) financing activities		4,018	(40)
Net decrease in cash and cash equivalents		(8,896)	(20,394)
Foreign currency adjustment on translation of cash balances to presentation currency		773	183
Opening cash and cash equivalents		13,554	35,789
Closing cash and cash equivalents		5,431	15,578
Represented by:			
Cash and cash equivalents		5,431	15,578
		5,431	15,578

The notes on pages 10 to 28 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 2018

1. Reporting entity

Pyne Gould Corporation Limited is a Guernsey-domiciled company. During the period the Company delisted from the New Zealand Stock Exchange and listed on The International Stock Exchange. The financial statements presented are the consolidated interim financial statements comprising Pyne Gould Corporation Limited ("the Company") and its subsidiaries (together "the Group").

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

On 12 February 2014, the Company was deregistered as a New Zealand company (its original location of incorporation) and re-registered as a Guernsey-domiciled company. In New Zealand the Company is now registered as an Overseas Non-ASIC Company. Following its delisting from the New Zealand Stock Exchange, the Company is in the process of deregistering from New Zealand. The registered office address of the Company is Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 1GR. During the period the Company delisted from the New Zealand Stock Exchange and listed on The International Stock Exchange.

These consolidated interim financial statements were authorised by the Directors for issue on 25 March 2019.

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 2018.

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 2018, 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 2018 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.

(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 2018 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 2018.

New Accounting Standards effective and adopted

- IFRS 9, "Financial Instruments" (effective for periods commencing on or after 1 January 2018);
- IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2018).

In addition, the IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2018.

As a result of the adoption of IFRS 9, the Company's investment in an available for sale financial asset has been reclassified as an investment at fair value through profit or loss, however this has had no impact on the interim financial statements, other than a reclassification of the brought forward losses on the investment from the available for sale reserve to retained earnings, as this investment was already valued at fair value through profit or loss.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2018

3. Significant accounting policies (continued)

New accounting standards effective and adopted (continued)

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

No provision has been made for expected credit losses in these interim financial statements, as the Board believes that all of the loans and receivables are fully recoverable.

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

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

4. Segmental analysis

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

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

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

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

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

4. Segmental analysis (continued)

Group's reportable segments

Revenue and expenditure

For the period ended
31 December 2018 -
Unaudited

External revenue

	Continuing Operations			Total
	Torchlight Segment	Property Group	Parent Company	
	£000	£000	£000	£000
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 2018

4. Segmental analysis (continued)

Group's reportable segments (continued)

Revenue and expenditure For the period ended 31 December 2017 - Unaudited	Continuing Operations			Total
	Torchlight Group	Property Group	Parent Company	
	£000	£000	£000	
External revenue				
Interest revenue	197	-	103	300
Other revenue	908	5	-	913
Investment revenue	1,358	-	-	1,358
	2,463	5	103	2,571
Internal revenue				
Internal interest revenue/(expense)	20	-	(20)	-
Foreign exchange (losses)/gains	(484)	-	76	(408)
Total segment revenue	1,999	5	159	2,163
Expenses				
Interest expense	(2,604)	(16)	-	(2,620)
Impaired asset expense	(39)	-	-	(39)
Wilaci litigation claim write-back	2,910	-	-	2,910
Other operating expenses	(7,863)	(84)	(830)	(8,777)
Total operating expenses	(7,596)	(100)	(830)	(8,526)
Loss before tax	(5,597)	(95)	(671)	(6,363)
Income tax credit	-	-	-	-
Loss after tax	(5,597)	(95)	(671)	(6,363)
Non-controlling interests	14,297	-	-	14,297
Profit/(loss) for the period attributable to owners of the Company	8,700	(95)	(671)	7,934

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

4. Segmental analysis (continued)

Group's reportable segments (continued)

Assets and liabilities

As at 31 December 2018 - Unaudited	Torchlight Segment £000	Property Group £000	Parent Company £000	Inter- segment eliminations £000	Total £000
Total assets	176,028	3,973	72,531	(108,766)	143,766
Total liabilities	108,520	13,557	626	(38,466)	84,237
As at 30 June 2018 – Audited					
Total assets	170,523	3,865	70,884	(106,125)	139,147
Total liabilities	89,237	13,069	405	(37,784)	64,927

5. Investment and other revenue

	Unaudited 6 months to 31 December 2018 £000	Unaudited 6 months to 31 December 2017 £000
Investment (loss)/revenue		
Dividend revenue	-	28
Movement in fair value of listed equity securities	-	(195)
Net investment loss	-	(167)
Other revenue		
Golf revenue	888	903
Miscellaneous revenue	81	5
Rental revenue	5	5
Total other revenue	974	913

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 2018 £000	Unaudited 6 months to 31 December 2017 £000
Directors' fees	60	60
Personnel expenses *	921	1,176
Legal and consultancy fees	1,211	5,425
Other operating expenses **	2,165	2,116
Selling and administration expenses	4,357	8,777

* 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 2018

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

	Unaudited 6 months to 31 December 2018 £000	Unaudited 6 months to 31 December 2017 £000
Loss for the period	(938)	(6,363)
Adjustments for non-cash items:		
Loss on disposal of assets	-	618
Foreign exchange (gain)/loss	(254)	142
Impairment of finance receivables	-	39
Depreciation and amortisation of non-current assets	31	37
Unrealised gain on investments	-	(156)
Interest paid	3,094	2,518
Wilaci litigation claim	-	(20,542)
Other non-cash items	756	40
Total non-cash items	3,627	(17,304)
Adjustments for movements in working capital:		
Trade and other receivables	1,464	588
Trade and other payables	(3,368)	443
Movement in development costs	(23,357)	-
Total movements in working capital	(25,261)	1,031
Net cash flows applied to operating activities	(22,572)	(22,636)

8. (Loss)/earnings per share

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

	Unaudited 6 months to 31 December 2018 £000	Unaudited 6 months to 31 December 2017 £000
(Loss)/profit after tax attributable to owners of the Company	(860)	7,934
(Loss)/profit after tax attributable to owners of the Company – continuing operations	(860)	7,934
Weighted average number of ordinary shares in issue (000)	207,463	207,463
Basic and diluted (loss)/earnings (pence per share)	(0.41)p	3.82p
Basic and diluted (loss)/earnings – continuing operations (pence per share)	(0.41)p	3.82p
	Unaudited 31 December 2018	Audited 30 June 2018
Net tangible assets per share (pence per share)*	22.43p	20.13p

* 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 2018

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 2018 Shares 000s	Audited 30 June 2018 Shares 000s
Number of issued shares		
Opening and closing balance	207,463	207,463

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

Foreign currency translation reserve

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

Available for sale reserve

The available for sale reserve comprises the accumulated unrealised gains and losses for each financial period on the available for sale financial asset. On the adoption of IFRS 9 with effect from 1 July 2018, the Company's available for sale asset was reclassified as a financial asset at fair value through profit or loss, and accordingly the brought forward losses on the investment have been reclassified from the available for sale reserve to accumulated losses.

Non-controlling interests ("NCI") reserve

NCI reserve represents the accumulated profits attributable to the NCIs.

NCI acquisition reserve

NCI acquisition reserve represents the excess of consideration transferred and recognised in transactions between the Group and NCIs. Further to the settlement during the period of a winding up petition served by certain limited partners of TFLP in June 2015, the Petitioners agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 million, as a result of which PGC's direct limited partnership interests increased from 44.2% to 70.3%, without investing additional capital. The gain arising to the Group as a result of the settlement has been credited to the NCI acquisition reserve.

10. Finance receivables - other

	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
Current		
Gross finance receivables	666	1,015
Total finance receivables	666	1,015

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 2018

11. Inventories

	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
<i>Land held for resale</i>		
Current assets		
Cost of acquisition	24,539	28,773
Development costs	31,730	17,158
	56,269	45,931
Non-current assets		
Cost of acquisition	46,258	35,576
Development costs	7,133	6,500
	53,391	42,076
Total inventories	109,660	88,007

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 with a carrying value of NZD 6.9 million (£3.6 million). At 31 December 2018, partial security is held over this property for a bank borrowing facility of NZD 1.2 million (£0.6 million) (30 June 2018: NZD 1.8 million (£0.9 million)).

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 2018, these Inventories are pledged as security to a third party corporate debt facility as detailed further in note 16.

During the period, AUD 29.1 million (£16.3 million) (31 December 2017: AUD 12.5 million (£7.3 million)) of inventories were recognised as an expense in the consolidated Statement of Comprehensive Income. No write-down of inventories to fair value less costs to sell nor any reversal of any such write-downs were recognised as an expense during the period (31 December 2017: £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 2018:

	Unaudited 31 December 2018 £000	Unaudited 31 December 2017 £000
Rental revenue	5	5
Direct operating expenses arising from inventories/ investment property that generated investment revenue	4	6

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

12. Investment – Available for sale financial asset

	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
Receivable from sale of Perpetual Trust Limited (“PTL”)	-	8,531
Total available for sale financial assets	-	8,531

On the adoption of IFRS 9 with effect from 1 July 2018, the Group’s available for sale financial asset was reclassified as an investment at fair value through profit or loss (see note 13).

13. Investments – Fair value through profit or loss

	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
Non-current assets		
Receivable from sale of Perpetual Trust Limited (“PTL”)	8,775	-
Current assets		
Listed Australian equity securities	271	274
Total Investments – Fair value through profit or loss	9,046	274

On the adoption of IFRS 9 with effect from 1 July 2018, the Receivable from the sale of PTL was reclassified from an available for sale financial asset to an investment at fair value through profit or loss (see note 12).

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 2018, which assessed the fair value of the PTL receivable to be NZD 16.6 million (£8.8 million) (30 June 2018: NZD 16.6 million (£8.5 million)). The key assumptions underlying the valuation are the same as those applied in the Group’s 30 June 2018 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 18.

14. Investments – Derivative financial instruments

	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
Non-current assets		
Derivative financial instruments	3,925	3,815
Total Investments – Derivative financial instruments	3,925	3,815

The fair value of the Group’s Derivative financial instruments at 31 December 2018 has been arrived at on the basis of a valuation carried out by an external valuer as at 30 June 2018. The external valuer assessed the Derivative financial instruments to have a fair value in the range of NZD 6.0 million to NZD 8.5 million. In the opinion of the Directors, a valuation of NZD 7.4 million (£3.9 million), in the middle of this range, best represents the fair value of the Derivative financial instruments at 31 December 2018 (30 June 2018: NZD 7.4 million (£3.8 million)). The key assumptions underlying the valuation are the same as those applied in the Group’s 30 June 2018 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 18.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

15. Investments – Loans and receivables

	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
Current assets		
Loans receivable - gross	2,372	18,696
Impairment of loans receivable	(1,127)	(8,301)
Total current loans and receivables	1,245	10,395
Non-current assets		
Loans receivable - gross	41,472	41,765
Impairment of loans receivable	(36,345)	(36,738)
Loans receivable – net of impairment	5,127	5,027
Other receivables	800	1,556
Total non-current loans and receivables	5,927	6,583
Total Investments – Loans and receivables	7,172	16,978

Loans receivable

During the period, a loan with an impaired value of AUD 17.9 million (£9.2 million) was repaid in full. Loans receivable have been impaired based on expected recoveries from underlying projects. These loans have been valued and assessed for impairment based on discount cash flow (DCF) analysis of the underlying projects. The discount rates applied within these DCF analyses range from 9% to 20%.

Other receivables

Other receivables comprises an amount of NZD 1.5 million (£0.8 million) paid as a deposit towards 50% of development costs on an initial exercise of a call option in respect of 25 residential lots (30 June 2018: 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:

	31 December 2018			
	£000	£000	£000	£000
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	800	-	-	800
Up to 12 months	-	-	-	-
1 to 3 years	-	1,105	-	1,105
More than 3 years	4,022	1,245	-	5,267
Total	4,822	2,350	-	7,172
	30 June 2018			
	£000	£000	£000	£000
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	1,556	-	-	1,556
Up to 12 months	-	10,395	-	10,395
1 to 3 years	-	-	-	-
More than 3 years	3,910	1,117	-	5,027
Total	5,466	11,512	-	16,978

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

16. Borrowings

	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
Current		
Third party corporate debt facilities – secured	1,435	930
Non-current		
Third party corporate debt facility – secured	61,865	53,558
Total borrowings	63,300	54,488

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 RCL borrowing facilities were extended for a period of 3 years with effect from 23 December 2016.

The current third party corporate debt facilities comprise two loans separately secured against two investment properties held for development and included within Inventories (see note 11). One debt facility, held in the Property Group segment, expired on 10 February 2019. At the date of signing of these interim financial statements, the facility was in the process of being renewed for a further year to 10 February 2020. The second facility, held in the Torchlight Group segment, expires on 12 April 2019.

17. Related party transactions

(a) Transactions with related parties

Parent and its associated entity

Australasian Equity Partners (GP) No. 1 Limited (“AEP GP”)

AEP GP, as general partner of Australasian Equity Partners Limited Partnership (“AEP LP”), is the parent of PGC, holding 80.16% of PGC's shares at 31 December 2018. George Kerr is the ultimate controlling party of AEP LP.

AEP GP charged PGC administration fees of £52,000 during the period ended 31 December 2018 (31 December 2017: £106,000). At 31 December 2018, there was no outstanding balance payable to AEP GP (30 June 2018: £Nil). The above expenses have been included in selling and administration expenses in the Consolidated Statement of Comprehensive Income.

During the period ended 31 December 2018, unsecured loan advances were provided to AEP GP. These amounts are repayable by AEP GP on demand or by the loan expiry date of 30 November 2020. At 31 December 2018, the amount receivable from AEP GP was £2.6 million (30 June 2018: £2.4 million). General advances accrue interest at 9%. Total interest recognised during the period was £112,000 (31 December 2017: £103,000).

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

17. 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 2018 £000	Unaudited 31 December 2017 £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	308	313
Total	368	373

Directors' fees of £20,000 were outstanding at 31 December 2018 (30 June 2018: £Nil). Consultancy fees of £61,000 were outstanding at 31 December 2018 (30 June 2018: £14,000).

	Unaudited 31 December 2018 £000	Unaudited 31 December 2017 £000
Personnel compensation within the RCL Group companies is as follows:		
Short-term employee benefits	921	1,065
Total	921	1,065

There were no employee benefits outstanding at 31 December 2018 or 30 June 2018.

18. Fair value

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

Fair value measurement of financial instruments

Finance receivables

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

Other loans and receivables

The fair values of other loans and receivables are considered equivalent to their carrying value.

Borrowings

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

Investments - Fair value through profit or loss

Investments at fair value through profit or loss comprises Australian listed equity securities, which are measured at fair value, based on their last published net asset value, less the value of a subsequent capital distribution; and a receivable (see notes 12 and 13), previously classified as available for sale, for which the fair value is determined by an external valuer, based on the probability weighted Net Present Values (NPVs) of the receivable under three separate scenarios (see 'Valuation process' section of this note). The Directors consider the assessment of the fair value of the receivable to be best represented by the valuation assessment provided by the external valuer.

Derivative financial instruments

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

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

18. Fair value (continued)

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 2018		Audited 30 June 2018	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Assets				
Cash and cash equivalents	5,431	5,431	13,554	13,554
Finance receivables	666	666	1,015	1,015
Advances to related parties	2,571	2,571	2,404	2,404
Investments – Loans and receivables	7,172	7,172	16,978	16,834
Investments – Fair value through profit or loss	9,046	9,046	274	274
Investments – Derivative financial instruments	3,925	3,925	3,815	3,815
Investments – Available for sale financial assets	-	-	8,531	8,531
Trade and other receivables	5,004	5,004	4,236	4,236
Total assets	33,815	33,815	50,807	50,663
Liabilities				
Borrowings	63,300	63,300	54,488	54,488
Other financial liabilities	20,937	20,937	8,778	8,778
Total liabilities	84,237	84,237	63,266	63,266

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).

	NOTE	Unaudited 31 December 2018			Total £000
		Level 1 £000	Level 2 £000	Level 3 £000	
Assets					
Investments – Fair value through profit or loss	13	-	-	9,046	9,046
Investments – Derivative financial instruments	14	-	-	3,925	3,925
Total Assets		-	-	12,971	12,971

There were no transfers between Levels 1, 2 and 3 in the period (31 December 2017: no transfers).

	NOTE	Audited 30 June 2018			Total £000
		Level 1 £000	Level 2 £000	Level 3 £000	
Assets					
Investments – Available for sale financial asset	12	-	-	8,531	8,531
Investments – Fair value through profit or loss	13	-	-	274	274
Investments – Derivative financial instruments	14	-	-	3,815	3,815
Total Assets		-	-	12,620	12,620

During the year ended 30 June 2018 the listed Australian equities were transferred from Level 1 to Level 3, as they were no longer traded in an active market and the valuation methodology changed. There were no other 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 2018

18. Fair value (continued)

Reconciliation of Level 3 fair value measurements of assets

	Investments – Fair value through profit or loss	Unaudited 31 December 2018		Total £000
		Available for sale financial assets £000	Derivative financial instruments £000	
Investments held at fair value				
<i>Balance at the beginning of the period</i>	274	8,531	3,815	12,620
Reclassification of PTL receivable	8,531	(8,531)	-	-
Foreign exchange on translation	241	-	90	331
<i>Balance at the end of the period</i>	9,046	-	3,905	12,951

Foreign exchange translation movements are recognised in other comprehensive income.

	Investments – Fair value through profit or loss £000	Audited 30 June 2018		Total £000
		Available for sale financial assets £000	Derivative Financial instruments £000	
Investments held at fair value				
<i>Balance at the beginning of the year</i>	-	10,007	4,076	14,083
Reclassification of listed Australian equity securities	754	-	-	754
Capital distribution received from listed Australian equities	(374)	-	-	(374)
Change in fair value through profit or loss within investment income	(93)	-	124	31
Change in fair value through other comprehensive income	-	(559)	-	(559)
Foreign exchange on translation	(13)	(917)	(385)	(1,315)
<i>Balance at the end of the year</i>	274	8,531	3,815	12,620

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

Valuation process

Listed Australian equity securities

The Directors have assessed the trading activities of the Australian equity securities and deemed that the market in these securities is not active, as the securities' listing is suspended. As a result, the Directors have valued the listed Australian equity securities based on their last published net asset value, less the amount of a capital distribution received subsequently. The investments 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 50 residential lots in a subdivision situated in East Wanaka, New Zealand following the development of 400 sections in a number of tranches. The external valuer applied a stochastic discounted cash flow ("DCF") analysis over an assumed development period for the 50 lots.

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

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

18. Fair value (continued)

Valuation process (continued)

Derivative financial instruments (continued)

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

Number of sections released in future tranches

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

The escalation or reduction in sale price of the sections

The sale price will be determined by the market at the time of sale. The valuer has applied other possible outcomes in respect of future sale movement, with 3.5% per annum increases being modelled within the valuation.

The escalation in the exercise price

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

Valuation results

The valuer has modelled a range of possible outcomes using a stochastic DCF analysis with varying assumptions as detailed above. The valuer estimated a low to high range of values of the two remaining tranches being between NZD7.0 million and NZD7.9 million respectively. The Directors have determined that as at 31 December 2018 a valuation of NZD7.4 million (£3.9 million), in the middle of this range, best represents the fair value of the residual option for 50 lots (30 June 2018: NZD7.4 million (£3.8 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 (£8.8 million) (30 June 2018: NZD 16.6 million (£8.5 million)). Set out below are details of the inputs used in determining the fair value of the PTL receivable, and analysis as to how the fair value of the receivable would change under varying scenarios.

Valuation assumptions

In determining the fair value of the PTL receivable at 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%.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

18. Fair value (continued)

Valuation process (continued)

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

Valuation assumptions (continued)

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

31 December 2018	Litigation scenario	IPO – thee sub-scenarios			No return scenario
	NZD000	NZD000	NZD000	NZD000	NZD000
Gross Value	22,000	22,000	22,000	22,000	0
Date received	31 Dec 2019	30 June 2019	30 June 2020	30 June 2021	
Discount rate – pre-tax	0.00%	8.00%	8.00%	8.00%	
Present value	22,000	20,370	18,861	17,464	
Probability	56.0%	0.0%	9.6%	14.4%	20.0%
Fair Value	16,646				
	£000				
Fair Value in £	8,775				

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

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 £966,000;
- 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 £220,000;
- 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 £56,000;
- 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 £138,000;
- a 1% decrease in the discount rate used would result in an increase in the fair value of the PTL receivable of £72,000.

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

18. 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 success rate and potential delays in the timing of IPO scenarios, with all other variables consistent with initial assumptions.

Success %	IPO delay							Successful litigation probability
	31-Dec-18	30-Jun-19	31-Dec-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	
0%	3,302	3,178	3,057	2,943	2,725	2,523	2,336	0.0%
10%	4,101	3,982	3,866	3,756	3,547	3,353	3,173	8.05%
20%	4,900	4,786	4,675	4,570	4,369	4,183	4,011	16.0%
30%	5,699	5,590	5,484	5,383	5,191	5,013	4,849	24.0%
40%	6,498	6,394	6,292	6,196	6,013	5,843	5,686	32.0%
50%	7,297	7,198	7,101	7,010	6,835	6,674	6,524	40.0%
60%	8,096	8,002	7,910	7,823	7,657	7,504	7,362	48.0%
70%	8,895	8,775	8,719	8,636	8,479	8,334	8,199	56.0%
80%	9,694	9,610	9,528	9,450	9,301	9,164	9,037	64.0%
90%	10,493	10,414	10,336	10,263	10,124	9,994	9,874	72.0%
100%	11,292	11,218	11,145	11,076	10,946	10,824	10,712	80.0%

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

Litigation %	IPO delay							Successful litigation probability
	31-Dec-18	30-Jun-19	31-Dec-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	
65%	9,085	8,943	8,804	8,672	8,422	8,190	7,976	45.5%
70%	9,022	8,897	8,775	8,660	8,441	8,238	8,050	49.0%
75%	8,958	8,851	8,747	8,648	8,460	8,286	8,125	52.5%
80%	8,895	8,775	8,719	8,636	8,479	8,334	8,199	56.0%
85%	8,832	8,760	8,690	8,624	8,498	8,382	8,274	59.5%
90%	8,769	8,715	8,662	8,612	8,518	8,430	8,348	63.0%

Discount rate

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

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

18. Fair value (continued)

Valuation process (continued)

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

Discount rate (continued)

Success %	Discount rate							Successful litigation probability
	4%	6%	8%	10%	12%	14%	16%	
0%	3,504	3,335	3,178	3,031	2,894	2,765	2,644	0.0%
10%	4,295	4,133	3,982	3,841	3,709	3,586	3,470	8.0%
20%	5,086	4,931	4,786	4,651	4,525	4,406	4,295	16.0%
30%	5,877	5,728	5,590	5,461	5,340	5,227	5,120	24.0%
40%	6,668	6,526	6,394	6,271	6,155	6,047	5,946	32.0%
50%	7,459	7,324	7,198	7,080	6,971	6,868	6,771	40.0%
60%	8,250	8,121	8,002	7,890	7,786	7,688	7,596	48.0%
70%	9,040	8,919	8,775	8,700	8,601	8,508	8,422	56.0%
80%	9,831	9,717	9,610	9,510	9,416	9,329	9,247	64.0%
90%	10,622	10,514	10,414	10,320	10,232	10,149	10,072	72.0%
100%	11,413	11,312	11,218	11,130	11,047	10,970	10,897	80.0%

Prospective EBITDA multiple

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

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

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

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

Description	Unaudited Fair value at 31 December 2018	Audited Fair value at 30 June 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
	£000	£000				
Listed Australian equity securities	271	274	Last published net asset value less value of subsequent capital distribution	See page 23	See page 23	See page 23
Derivative financial instruments	3,925	3,815	Stochastic discounted cash flow analysis	See pages 23 to 24	See pages 23 to 24	See pages 23 to 24
PTL receivable	8,775	8,531	External valuation using probability weighted scenarios	Percentage probability weightings Discount rate	See pages 24 to 27	See pages 24 to 27
	12,971	12,620				

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2018

19. Contingent liabilities and commitments

Torchlight Fund LP and its subsidiaries

The Group had the following commitments within the RCL group:

	Unaudited 31 December 2018 £000	Audited 30 June 2018 £000
Contracted work to complete		
<i>Expenditure contracted for at the reporting date but not recognised as liabilities</i>		
Within one year	8,581	21,580

Torchlight Fund LP and its subsidiaries – Contingent assets

The Group has financial guarantees in respect of completion of development works and maintenance bonds to relevant authorities. The value of these guarantees at 31 December 2018 was £1.8 million (30 June 2018: £1.4 million).

20. TFLP winding 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.

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

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

As part of this settlement, the Petitioners have agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 million (£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.

21. Subsequent events

The following material events have occurred subsequent to 31 December 2018 to the date when these interim condensed consolidated financial statements were authorised for issue:

On 10 February 2019, the third party corporate debt facility secured against an investment property held for development in the property group segment and included within Inventories (see note 16) expired. At the date of signing of these interim financial statements, the facility was in the process of being renewed for a further year to 10 February 2020.

There were no other material events subsequent to 31 December 2018 to the date of signing of the interim financial statements that require adjustments or disclosures that need to be reflected in these interim financial statements.