

Pyne Gould Corporation Limited

**INTERIM REPORT AND
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 31 December 2016

PYNE GOULD CORPORATION LIMITED

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For the period ended 31 December 2016

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PYNE GOULD CORPORATION LIMITED

COMPANY REPORT

Directors' Report

Operating Performance

Pyne Gould Corporation ("PGC") delivered a cash operating profit of £2.628 million for the six months to 31 December 2016. This compares with a cash operating profit of £1.596 million for the same period last year.

Net operating income increased to £9.832 million (2015: £5.187 million), primarily as a result of reduced financing charges and lower costs associated with development of stock realised during the period.

After a small non-cash foreign exchange gain of £0.230 million (2015: loss of £2.906 million), the company reported an after tax profit for the period of £2.858 million (2015: loss of £1.546 million). This is equal to 1.09 pence per share (2015: loss of 0.51 pence per share).

Statement of Financial Position

Foreign exchange movements also had a positive impact on the consolidated Statement of Financial Position. As at 31 December 2016, PGC held £59.787 million of net assets (30 June 2016: £54.171 million).

On a per share basis, the NTA per share at 31 December 2016 is 28.82 pence per share (30 June 2016: 26.11 pence per share).

Current Assets

PGC Group held consolidated current assets of £52.697 million (30 June 2016: £43.876 million) as at 31 December 2016.

Group cash balances lifted by £7.826 million over the six month period, from £8.593 million at 30 June 2016 to £16.419 million at 31 December 2016.

This very strong cash performance was principally generated by Torchlight Fund LP ("TFLP"). Specifically, cash was generated through continued strong performance by RCL Real Estate Holdings ("RCL") in its Victorian residential real estate book, and capital returns received from Lantern Hotel Group.

RCL recorded £19.902 million of residential site sales over the period (2015: £25.458 million). After £7.498 million of development costs (2015: £8.864 million), this generated cash of £12.404 million (2015: £16.594 million). After allowing for interest on borrowings of £0.429 million (2015: £4.428 million), the cash contribution pre sales and administration expenses was £11.975 million (2015: £12.166).

As at 31 December 2016, PGC Group held £28.265 million (30 June 2016: £29.282 million) in real estate inventories classed as current assets. These inventories represent blocks of land being developed into residential sites for sale over the coming 12 month period. The cash generated from these sales will be at a substantial premium to cost and will be reflected in group profit next year. The cash is budgeted to amortise bridge and working capital finance at RCL (new site acquisitions for restocking of RCL's portfolio are expected to be debt funded within existing facility limits).

Current and Non-Current Liabilities

Current assets of £52.697 million (30 June 2016: £43.876 million) comfortably exceeded current liabilities of £7.205 million (30 June 2016: £47.612 million).

As at 31 December 2016, PGC Group had £54.057 million (30 June 2016: £50.768 million) of consolidated liabilities. Increase in liabilities predominantly relates to draw downs by RCL to fund project works and increased development activity flowing through to an increase in cost to complete for current lots under construction.

Non-Current Assets

PGC Group holds consolidated non-current assets of £111.604 million (30 June 2016: £108.296 million) with £96.134 million (30 June 2016: £93.714 million) in core assets and £15.470 million (30 June 2016: £14.582 million) of legacy non-core assets in process of divestment.

Non-current inventories of £51.038 million (30 June 2016: £24.716 million) comprise large blocks of land that will not be developed in the coming 12 month period. As time progresses these inventories move incrementally into current assets for development and sale. The long run cashflow from these inventories is substantially in excess of book value.

The increase in non-current inventories follows additional acquisitions by RCL during the period of land in Victoria and Queenstown. The Queenstown land was acquired as part of a security enforcement process of a loan owned by RCL.

PYNE GOULD CORPORATION LIMITED

COMPANY REPORT

Directors' Report, continued

Non-Current Assets, continued

Loans and receivables of £18.638 million (30 June 2016: £43.612 million) reduced consistent with expectations of conversion to ownership of the underlying real estate. The residual balance is also predominantly expected to convert to ownership of underlying real estate assets and increase inventories for long-term profitable development. The exception is a receivable of £1.318 million, which is an escrowed cash amount following the sale of Local World, which will be held in a cash escrow for 2 years pending settlement adjustments.

Investments of £26.458 million (30 June 2016: £25.386 million) include securities and an option over residential development land situated in East Wanaka. Securities are represented by the TFLP shareholding in Lantern Hotel Group, which represents £19.968 million at market price as at 31 December 2016.

Non-core assets have a book value of £15.470 million.

The largest non-core asset is a receivable independently valued at NZD 20.9 million (£11.718 million) (30 June 2016: (£11.036 million)). This receivable represents the consideration PGC is due for agreeing to exit its carried interest in the owner of Perpetual Trust.

The balance is made up of small real estate assets. These include a residential real estate project in Tauranga acquired as a distressed asset from Marac at the time of the restructuring and 2009 rights issue. This is valued at NZD 5.8 million (£3.255 million) (30 June 2016: £3.066 million) and will gradually be worked through to cash over the next 5 to 7 years. The first stage of this project is expected to commence settling around July this year.

Non-Controlling Interests

PGC controls and is required to consolidate TFLP. In order to fairly calculate NTA, the accounts must make adjustments and allow for non-controlling interests. As at 31 December 2016, PGC held 44.23% of TFLP. Non-controlling interests represent the balance, which is £50.457 million (30 June 2016: £47.233 million).

Commentary

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

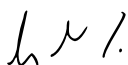
After the sale in November 2015 of Local World, TFLP's primary assets are a cornerstone stake in ASX-listed Lantern Hotel Group ("Lantern") and 100% of residential land developer RCL.

Lantern has largely completed the sale program of its freehold pub portfolio in Australia and is in the process of settling contracted sales and incrementally distributing cash to shareholders, the largest of which is TFLP, which expects to receive in excess of AUD 30 million from this source during the course of the current financial year.

The largest investment of TFLP is RCL. RCL holds a land bank of circa 4,000 sites across Australia and New Zealand, including Hanley Downs near Queenstown. Hanley Downs successfully rezoned in the third quarter of 2016 and has begun the process of unlocking cash value over time. The first stages of this project were released to the market in the latter part of 2016, with 175 sections selling in line with list prices on release.

The near-term focus within RCL remains on continuing to progress this project.

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



George Kerr
Managing Director

30 March 2017

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2016

		UNAUDITED 6 months to 31 December 2016 £000	UNAUDITED 6 months to 31 December 2015 £000	AUDITED 12 months to 30 June 2016 £000
Continuing operations				
Other revenue		892	514	1,057
Other income		86	182	144
Total fees and other income	5	978	696	1,201
Interest income		178	337	300
Interest expense		(3,467)	(4,276)	(8,004)
Net interest expense		(3,289)	(3,939)	(7,704)
Revenue from land development and resale	5	19,902	25,458	36,882
Cost of land development sales	5	(12,370)	(21,539)	(31,073)
		7,532	3,919	5,809
Investment income	5	4,611	4,511	2,153
Net operating income		9,832	5,187	1,459
Selling and administration expenses	6	(7,422)	(4,516)	(10,973)
Foreign exchange gains/(losses)		230	(2,906)	(1,586)
Asset impairment (expense)/reversal		-	(236)	8,341
Operating profit/(loss)		2,640	(2,471)	(2,759)
Share of equity accounted investees' gains		-	925	972
Profit/(loss) from continuing operations before tax		2,640	(1,546)	(1,787)
Tax credit/(expense)		218	-	(769)
Profit/(loss) from continuing operations		2,858	(1,546)	(2,556)
Profit/(loss) for the period/year after tax		2,858	(1,546)	(2,556)
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Change in fair value of available for sale financial asset		-	-	(138)
Foreign currency adjustment on translation to presentation currency		5,982	(2,395)	9,158
Total other comprehensive income/(loss)		5,982	(3,941)	9,020
Total comprehensive income/(loss) for the period/year		8,840	(3,941)	6,464
Profit/(loss) attributable to:				
Owners of the Company		2,260	(1,064)	(2,836)
Non-controlling interests		598	(482)	280
Profit/(loss) for the period/year		2,858	(1,546)	(2,556)
Total comprehensive income/(loss) attributable to:				
Owners of the Company		5,616	(4,394)	(191)
Non-controlling interests		3,224	453	6,655
Total comprehensive income/(loss) for the period/year		8,840	(3,941)	6,464
Earnings/(loss) per share		Pence	Pence	Pence
Basic and diluted earnings/(loss) per share	8	1.09	(0.51)	(1.37)
Basic and diluted earnings/(loss) per share – continuing operations	8	1.09	(0.51)	(1.37)

The notes on pages 11 to 31 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 2016

	Share Capital £000	Foreign Currency Translation Reserve £000	Accumulated Losses £000	Available for Sale reserve £000	Non-controlling interests acquisition reserve £000	Non-controlling interests £000	Total Equity £000
31 December 2016 - UNAUDITED							
Balance at 1 July 2016	151,940	20,455	(116,850)	(537)	(837)	47,233	101,404
Profit for the period	-	-	2,260	-	-	598	2,858
Other comprehensive income							
Foreign currency adjustment on translation to presentation currency	-	3,356	-	-	-	2,626	5,982
Total other comprehensive income	-	3,356	-	-	-	2,626	5,982
Total comprehensive income for the period	-	3,356	2,260	-	-	3,224	8,840
Balance at 31 December 2016	151,940	23,811	(114,590)	(537)	(837)	50,457	110,244

The notes on pages 11 to 31 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 2016

	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Available for Sale reserve	Non-controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000
31 December 2015 - UNAUDITED						
Balance at 1 July 2015	151,940	17,672	(114,014)	(399)	39,741	94,940
Loss for the period	-	-	(1,064)	-	(482)	(1,546)
Other comprehensive (loss)/income						
Foreign currency adjustment on translation to presentation currency	-	(3,330)	-	-	935	(2,395)
Total other comprehensive (loss)/income	-	(3,330)	-	-	935	(2,395)
Total comprehensive (loss)/income for the period	-	(3,330)	(1,064)	-	453	(3,941)
Transactions with owners:						
Acquisition of non-controlling interests	-	-	-	-	21,380	21,380
Disposal of non-controlling interests	-	-	-	-	(15,842)	(15,842)
Total transactions with owners	-	-	-	-	5,538	5,538
Balance at 31 December 2015	151,940	14,342	(115,078)	(399)	45,732	96,537

The notes on pages 11 to 31 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 2016

30 June 2016 - AUDITED

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

The notes on pages 11 to 31 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 2016

		UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
ASSETS				
Current assets				
Cash and cash equivalents		16,419	31,580	8,593
Trade and other receivables		632	1,128	1,025
Advances to related parties	18	2,021	1,521	1,796
Finance receivables – Other	10	1,223	1,007	1,151
Inventories	12	28,265	27,124	29,282
Investments – Fair value through profit or loss	14	1,339	5,479	1,520
Prepayments		2,798	10	509
Total current assets		52,697	67,849	43,876
Non-current assets				
Property, plant and equipment		85	125	92
Investment property	11	3,667	3,409	3,454
Inventories	12	51,038	23,697	24,716
Investment – Available for sale financial asset	13	11,718	9,801	11,036
Investments – Loans and receivables	16	18,638	22,811	43,612
Investments – Derivative financial instruments	15	6,490	-	6,112
Investments – Fair value through profit or loss	14	19,968	27,402	19,274
Total non-current assets		111,604	87,245	108,296
Total assets		164,301	155,094	152,172
LIABILITIES				
Current liabilities				
Borrowings	17	-	52,332	42,198
Trade and other payables		7,205	4,177	5,414
Total current liabilities		7,205	56,509	47,612
Non-current liabilities				
Deferred tax liability		3,007	2,048	3,156
Borrowings	17	43,845	-	-
Total non-current liabilities		46,852	2,048	3,156
Total liabilities		54,057	58,557	50,768
EQUITY				
Share capital		151,940	151,940	151,940
Foreign currency translation reserve		23,811	14,342	20,455
Accumulated losses and other reserves		(115,964)	(115,477)	(118,224)
Total equity – attributable to the entities owners		59,787	50,805	54,171
Non-controlling interests		50,457	45,732	47,233
Total equity		110,244	96,537	101,404
Total equity and liabilities		164,301	155,094	152,172

The notes on pages 11 to 31 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 2016

	UNAUDITED 6 months to 31 December 2016 £000	UNAUDITED 6 months to 31 December 2015 £000	AUDITED 12 months to 30 June 2016 £000
Cash flows from operating activities			
Interest received	86	270	100
Rental income	8	8	6
Dividend income	26	-	96
Capital distributions received from FVTPL investments	4,802	-	-
Proceeds from sale of inventories	19,902	28,033	36,882
Fees and other income received	969	889	1,174
Total cash provided from operating activities	25,793	29,200	38,258
Payments to suppliers and employees	(7,763)	(8,526)	(17,083)
Development costs of inventories	(7,498)	(8,864)	(14,071)
Interest paid	(429)	(4,428)	(1,003)
Total cash applied to operating activities	(15,690)	(21,818)	(32,157)
Net cash flows provided from operating activities	10,103	7,382	6,101
Cash flows from investing activities			
Proceeds from settlement of finance receivables	-	-	6
Proceeds from disposal of investments	410	13,606	15,842
Proceeds from disposal of Joint Venture	-	2,123	-
Proceeds from repayment of loan advances	709	1,407	644
Total cash provided from investing activities	1,119	17,136	16,492
Acquisition of property, plant and equipment	(4)	-	(9)
Increase in other investments	-	(90)	(3,234)
Increase in advances to other related parties	(42)	-	-
Increase in loan advances	-	(2,021)	-
Total cash applied to investing activities	(46)	(2,111)	(3,243)
Net cash flows from investing activities	1,073	15,025	13,249
Cash flows from financing activities			
Increase in borrowings	44,603	-	-
Total cash provided from financing activities	44,603	-	-
Non-pro rata exit payment to TFLP limited partners	-	-	(5,413)
Decrease in borrowings	(48,075)	(3,787)	(22,380)
Total cash applied to financing activities	(48,075)	(3,787)	(27,793)
Net cash flows applied to financing activities	(3,472)	(3,787)	(27,793)
Net increase/(decrease) in cash and cash equivalents	7,704	18,620	(8,443)
Foreign currency adjustment on translation of cash balances to presentation currency	122	2,023	6,099
Opening cash and cash equivalents	8,593	10,937	10,937
Closing cash and cash equivalents	16,419	31,580	8,593
Represented by:			
Cash and cash equivalents	16,419	31,580	8,593
	16,419	31,580	8,593

The notes on pages 11 to 31 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 2016

1. Reporting Entity

Pyne Gould Corporation Limited is a listed Company in New Zealand. The financial statements presented are the consolidated financial statements comprising Pyne Gould Corporation Limited ("the Company") and its subsidiaries ("the Group").

Entities within the Parent and Group offer financial and asset management services. With effect from 12 February 2014, the registered office address is Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 1GR.

The Company is a Guernsey domiciled company and in New Zealand is now registered as an Overseas Non-ASIC Company.

2. Basis of Preparation

The financial statements presented here relate to the following periods:

At 31 December 2016: 6 month period – unaudited

At 31 December 2015: 6 month period – unaudited

At 30 June 2016: 12 month period – audited

(a) Statement of compliance

These consolidated condensed interim financial statements (the "interim financial statements") have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and The Companies (Guernsey) Law, 2008. They comply with NZ IAS 34 and IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the Group as at and for the year ended 30 June 2016 (the "annual financial statements").

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

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

(b) Accounting judgements and major 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 2016 to the interim financial statements.

3. Significant accounting policies

The accounting policies applied in the preparation of the interim financial statements are the same as those applied in the Group's annual financial statements for the year ended 30 June 2016.

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

4. Segmental analysis

The Group has three reportable segments, as described below, which are the Group's strategic divisions.

The following summary describes the operations in each of the Group's reportable segments for the current period:

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

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit/(loss) for the period, as included in the internal management reports that are reviewed by the Managing Director in his capacity as the Group's Chief Operating Decision Maker. 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.

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

4. Segmental analysis, continued						
Group's reportable segments						
6 months to 31 December 2016 - UNAUDITED						
	Torchlight Group £000	Property Group £000	Parent Company £000	Total £000		
External income						
Interest income	90	-	88	178		
Other income	892	-	-	892		
Other revenue	76	10	-	86		
Net sales of inventories	7,532	-	-	7,532		
Investment income	4,614	-	(3)	4,611		
Internal income						
Foreign exchange gains/(losses)	261	-	(31)	230		
Total segment income	13,465	10	54	13,529		
Expenses						
Interest expense	(3,470)	(7)	10	(3,467)		
Other operating expenses	(6,653)	(71)	(698)	(7,422)		
Total operating expenses	(10,123)	(78)	(688)	(10,889)		
Profit/(loss) before tax	3,342	(68)	(634)	2,640		
Income tax credit	218	-	-	218		
Profit/(loss) after tax	3,560	(68)	(634)	2,858		
Non-controlling interests	(598)	-	-	(598)		
Profit/(loss) for the period attributable to owners of the Company	2,962	(68)	(634)	2,260		
Total assets	147,055	3,475	13,771	164,301		
Total liabilities	52,624	294	1,139	54,057		

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

4. Segmental analysis, continued		Group's reportable segments, continued				
6 months to 31 December 2015 - UNAUDITED		Torchlight Group	Property Group	Parent Company	Total	
		£000	£000	£000	£000	
External income						
Interest income		143	-	194	337	
Other income		154	8	20	182	
Other revenue		514	-	-	514	
Investment income		8,254	173	3	8,430	
Internal income						
Foreign exchange losses		(2,543)	-	(363)	(2,906)	
Total segment income		6,522	181	(146)	6,557	
Expenses						
Interest expense		(4,275)	-	(1)	(4,276)	
Impairment		(236)	-	-	(236)	
Other operating expenses		(4,156)	(73)	(287)	(4,516)	
Total operating expenses		(8,667)	(73)	(288)	(9,028)	
Equity accounted share of profit		925	-	-	925	
(Loss)/profit before tax		(1,220)	108	(434)	(1,546)	
Income tax expense		-	-	-	-	
(Loss)/profit after tax		(1,220)	108	(434)	(1,546)	
Non-controlling interests		482	-	-	482	
(Loss)/profit for the period attributable to owners of the Company		(738)	108	(434)	(1,064)	
Total assets		137,784	2,729	14,581	155,094	
Total liabilities		58,272	14	271	58,557	

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

4. Segmental analysis, continued

Group's reportable segments, continued

12 months to 30 June 2016 - AUDITED

	Torchlight Segment £000	Property Group £000	Parent Company £000	Total £000
External income				
Interest income	28	-	272	300
Other revenue	1,166	14	21	1,201
Investment income	7,791	-	171	7,962
Internal income				
Foreign exchange losses	(1,374)	-	(212)	(1,586)
Total segment income	7,611	14	252	7,877
Expenses				
Interest expense	(8,003)	-	(1)	(8,004)
Impairment reversal	8,341	-	-	8,341
Other operating expenses	(9,893)	(167)	(913)	(10,973)
Total operating expenses	(9,555)	(167)	(914)	(10,636)
Equity accounted share in profits	972	-	-	972
Loss before tax	(972)	(153)	(662)	(1,787)
Income tax expense	(769)	-	-	(769)
Loss after tax	(1,741)	(153)	(662)	(2,556)
Non-controlling interests	(280)	-	-	(280)
Loss for the year attributable to owners of the Company	(2,021)	(153)	(662)	(2,836)
Total assets	135,606	3,193	13,373	152,172
Total liabilities	50,076	156	536	50,768

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

5. Revenue and other income

	UNAUDITED 6 months to 31 December 2016 £000	UNAUDITED 6 months to 31 December 2015 £000	AUDITED 12 months to 30 June 2016 £000
Fees and other income			
Golf revenue	892	514	1,057
Miscellaneous income	78	174	130
Rental income	8	8	14
	978	696	1,201
Total fees and other income	978	696	1,201
Investment income			
Dividend income	26	-	96
Movement in fair value on investment property	-	170	(202)
Movement in fair value of other investments	-	-	(948)
Movement in fair value on derivative financial instrument	-	-	4,247
Movement in fair value of unlisted equity securities	-	-	833
Capital distributions received from listed equity securities	4,802	-	-
Movement in fair value of listed equity securities	(217)	2,751	(1,873)
Movement in fair value in loans and receivables	-	1,590	-
	4,611	4,511	2,153
Revenue from land sales	19,902	25,458	36,882
Cost of land sales	(12,370)	(21,539)	(31,073)
	7,532	3,919	5,809
Total investment income	12,143	8,430	7,962
Total investment and other income	13,121	9,126	9,163

6. Selling and administration expenses

	UNAUDITED 6 months to 31 December 2016 £000	UNAUDITED 6 months to 31 December 2015 £000	AUDITED 12 months to 30 June 2016 £000
Directors' fees	56	80	115
Personnel expenses	1,115	785	1,995
Legal and consultancy fees	3,616	1,752	4,573
Other operating expenses*	2,635	1,899	4,290
Selling and administration expenses	7,422	4,516	10,973

*Other operating expenses include property expenses, expenses associated with golf revenue (see note 5), listing and regulatory costs, audit fees and other overhead expenditure

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Notes to the Interim Condensed Consolidated Financial Statements, continued
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7. Reconciliation of profit after tax to net cash flows from operating activities

	UNAUDITED 6 months to 31 December 2016 £000	UNAUDITED 6 months to 31 December 2015 £000	AUDITED 12 months to 30 June 2016 £000
Profit/(loss) for the period/year	2,858	(1,546)	(2,556)
Adjustments for non-cash items:			
Revaluation of investment property	-	(170)	198
Loss on disposal of assets	-	-	818
Foreign exchange gain	(181)	(3,551)	(157)
Share of equity accounted investees' profit	-	(925)	(972)
Impairment on finance receivables	-	236	318
Reversal of impairment on loan receivable	-	-	(7,981)
Depreciation and amortisation of non-current assets	16	17	58
Movement in unrealised loss/(gain) on investments	628	(2,044)	(3,654)
Interest paid/(received)	2,945	(98)	6,857
Other non-cash items	(206)	93	1,512
Total non-cash items	3,202	(6,442)	(3,003)
Adjustments for movements in working capital:			
Trade and other receivables	(2,286)	10	(1,287)
Trade and other payables	6,329	(3,809)	12,947
Total movements in working capital	4,043	(3,799)	11,660
Net cash flows from/(applied to) operating activities	10,103	(11,787)	6,101

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8. Earnings/(loss) per share

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

	UNAUDITED 6 months to 31 December 2016 £000	UNAUDITED 6 months to 31 December 2015 £000	AUDITED 6 months to 30 June 2016 £000
Earnings/(loss) after tax attributable to owners of the Company	2,260	(1,064)	(2,836)
Earnings/(loss) after tax attributable to owners of the Company – continuing operations	2,260	(1,064)	(2,836)
Weighted average number of ordinary shares in issue (000)	207,463	207,463	207,463
Basic and diluted earnings/(loss) (pence per share)	1.09	(0.51)	(1.37)
Basic and diluted earnings/(loss) (pence per share – continuing operations)	1.09	(0.51)	(1.37)
Net tangible assets per share (pence per share)*	28.82	24.49	26.11

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

9. Share capital

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 6 months to 31 December 2016 Shares 000s	UNAUDITED 6 months to 31 December 2015 Shares 000s	AUDITED 12 months to 30 June 2016 Shares 000s
Number of issued shares			
Opening and closing balance	207,463	207,463	207,463

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

10. Finance receivables - other

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Current			
Gross finance receivables	1,638	1,331	1,530
Less: allowance for impairment	(415)	(324)	(379)
Total finance receivables	1,223	1,007	1,151

Finance receivables are loans with various terms and interest rates.

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Notes to the Interim Condensed Consolidated Financial Statements, continued
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11. Investment property

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Opening balance	3,454	2,995	2,995
Change in fair value	-	173	202
Foreign exchange gain	213	241	257
Closing balance	3,667	3,409	3,454

As at 31 December 2016, investment property comprises of residential properties. For details of methods and assumptions used to estimate the fair value of these investment properties, see note 19.

At 31 December 2016, partial security is held over NZD 5.8 million (£3.3 million) of investment property for a borrowing facility of NZD 0.5 million (£0.3 million) within the Property Group segment.

The following amounts were recognised in profit or loss within the consolidated Statement of Comprehensive Income in respect of investment property held during the period ended 31 December 2016:

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Rental income	8	8	14
Direct operating expenses arising from investment property that generated investment income	5	5	7

12. Inventories

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Current assets			
<i>Land held for resale</i>			
Cost of acquisition	21,398	19,671	20,670
Development costs	6,867	7,453	8,612
	28,265	27,124	29,282
Non-current assets			
Cost of acquisition	47,986	23,293	22,784
Development costs	3,052	404	1,932
	51,038	23,697	24,716
Total inventories	79,303	50,821	53,998

The Group's inventories are held within the Torchlight Group segment of the business, through the RCL Australian and New Zealand registered subsidiaries. Inventories consist of residential land subdivisions and property development in the geographical areas of Australia and New Zealand. Inventories are held at the lower of cost and net realisable value.

At 31 December 2016, Inventories held with the RCL Group, and detailed above, are pledged as security to the third party corporate debt facility as detailed further in note 17.

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

13. Investment – Available for sale financial asset

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Receivables – Sale of Perpetual Trust Limited (“PTL”)	11,718	9,801	11,036
Total available for sale financial assets	11,718	9,801	11,036

The fair value of the Group’s investment in the Available for sale financial asset has been arrived at on the basis of a valuation carried out by an external party to the Group, Simmons Corporate Finance, on 7 August 2016, which assessed the fair value of the PTL receivable to be NZD 20.9 million or £11.7 million (31 December 2015: NZD 21.2 million or £9.8 million, 30 June 2016 NZD 20.9 million or £11.0 million). The key assumptions underlying the valuation are the same as those applied in the Group’s 30 June 2016 annual financial statements. The Directors have taken into consideration all events that have transpired during the interim reporting period and consider that these assumptions remain appropriate.

For further details of the methods and assumptions used to estimate the fair value of Available for sale financial asset, and the sensitivity of this balance to variation of key inputs to the valuation, see note 19.

14. Investments – Fair value through profit or loss

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Current assets			
Listed equity securities	1,339	5,479	1,520
	1,339	5,479	1,520
Non-current assets			
Listed Australian equity securities	19,968	16,596	19,274
Loans and receivables	-	10,806	-
	19,968	27,402	19,274
Total Investments – Fair value through profit or loss	21,307	32,881	20,794

For details of methods and assumptions used to estimate the fair value of each of the above listed assets see note 19.

15. Investments – Derivative financial instruments

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Non-current assets			
Derivative financial instruments	6,490	-	6,112
Total Investments – Derivative financial instruments	6,490	-	6,112

The fair value of the Group’s Derivative financial instruments has been arrived at on the basis of a valuation carried out by an external valuer as at 30 June 2016. The external valuer assessed the Derivative financial instruments to have a fair value of NZD 11.6 million or £6.5 million (31 December 2015: N/A, 30 June 2016: NZD 11.6 million or £6.1 million). The key assumptions underlying the valuation are the same as those applied in the Group’s 30 June 2016 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 19.

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
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16. Investments – Loans and receivables

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Non-current assets			
Loans receivable	16,468	21,493	41,492
Other receivable	2,170	1,318	2,120
Total Investments – Loans and receivables	18,638	22,811	43,612

Loans receivable

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

Other receivables

Other receivables comprises the following amounts:

- £1.3 million (31 December 2015 and 30 June 2016: £1.3 million) held in cash escrow following the Local World sale in October 2015; and
- NZD1.5 million or £0.9 million (31 December 2015: N/A, 30 June 2016: NZD 1.5 million or £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.

17. Borrowings

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Current			
Bank Loan – secured	-	11,184	7,699
Third party corporate debt facility – secured	-	41,148	34,499
	-	52,332	42,198
Non-current			
Third party corporate debt facility – secured	43,845	-	-
Total borrowings	43,845	52,332	42,198

The third party corporate debt facility is secured by cross-guarantees between subsidiaries of the Group together with the freehold mortgages and registered charges.

The borrowing facilities within the RCL Group expired in September 2016, but were extended for a further 3 years by the third party lender, who also provided an additional facility of AUD 48.8 million to refinance the bank loan and to provide additional development funding capacity.

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

18. 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 2016. George Kerr is the ultimate controlling party of AEP LP.

AEP GP charged PGC management fees of £0.2 million during the period ended 31 December 2016 (31 December 2015: £0.2 million; 30 June 2016: £0.2 million). At 31 December 2016, there was no outstanding balance payable to AEP (GP) (31 December 2015: £nil; 30 June 2016: £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 2016, loan advances were provided to AEP GP. These amounts are repayable by AEP GP. At 31 December 2016, the amount receivable from AEP GP was £2.0 million (31 December 2015: £1.5 million, 30 June 2016: £1.8 million). General advances accrue interest at 9%. Total interest recognised during the period was £0.1 million (31 December 2015: £0.1 million, 30 June 2016: £0.1 million).

(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 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Key management personnel compensation from Parent Company is as follows:			
Short-term employee benefits	56	80	115
Total	56	80	115
	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Key management personnel and Group employee compensation from Group companies is as follows:			
Short-term employee benefits	1,115	785	1,995
Total	1,115	785	1,995

The Group companies’ short-term employee benefits were borne by the RCL Group of subsidiaries.

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
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19. 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.

Investments - Loans and receivables

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

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 listed equity securities and listed Australian equity securities, which are measured at fair value, based on unadjusted quoted prices in active markets for identical assets.

Investment – Available for sale financial asset

Available for sale financial assets are measured at fair value. The fair value of the Available for sale financial asset is determined by an external valuer and has been based on the probability weighted Net Present Values of a receivable under two separate scenarios. The Directors consider the assessment of the fair value of the Available for Sale Financial Asset to be best represented by the valuation assessment provided by the external valuer.

Derivative financial instruments

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

The external valuer applied a stochastic discounted cash flow ("DCF") analysis over an assumed development period for the 75 lots. The primary assumptions used in the valuation were average sale price estimated to be NZD 300,000 per lot, average lot size of 600 square metres, the section development cost being NZD 121,439, each section will be pre-sold off plan subject to title and the overall develop and sell period of 6 years.

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

Number of sections released in future tranches

The developer is to develop and market at least 25 sections in each of the remaining three tranches, meaning the Group will have the option to purchase at least 75 properties at the conclusion of the options life. The valuer has applied a broad spectrum of possibilities in case these tranches are not completed in line with the agreed timeline for whatever reason.

The escalation or reduction in sale price of the sections

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

The escalation in the exercise price

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

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
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19. Fair value, continued

Derivative financial instruments, continued

Valuation results

The external valuer has modelled a range of possible outcomes using a stochastic DCF analysis varying assumptions as detailed above. The maximum assessed value of the option was NZD 16.9 million and the minimum result was zero. The external valuer estimated that the most likely outcome would be between the 25th and 75th percentiles, being between NZD 9.7 million and NZD 14.8 million respectively. The Directors therefore concluded that the central estimate of the residual option of NZD 11.6 million (£6.5 million) at 31 December 2016 was appropriate for the period end valuation.

Other financial assets and liabilities

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

	UNAUDITED 31 December 2016		UNAUDITED 31 December 2015		AUDITED 30 June 2016	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Assets						
Cash and cash equivalents	16,419	16,419	31,580	31,580	8,593	8,593
Finance receivables – other	1,223	1,223	1,007	1,007	1,151	1,151
Advances to related parties	2,021	2,021	1,521	1,521	1,796	1,796
Investments – Loans and receivables	18,638	18,638	22,811	22,623	43,612	41,452
Investments – Fair value through profit or loss	21,307	21,307	32,881	32,881	20,794	20,794
Investments – Derivative financial instruments	6,490	6,490			6,112	6,112
Investments – Available for sale financial assets	11,718	11,718	9,801	9,801	11,036	11,036
Trade and other receivables	632	632	1,128	1,128	1,025	1,025
Total assets	78,448	78,448	100,729	100,541	94,119	91,959
Liabilities						
Borrowings	43,845	43,845	52,332	50,985	42,198	44,664
Other financial liabilities	7,205	7,205	4,177	4,177	5,414	5,414
Total liabilities	51,050	51,050	56,509	55,162	47,612	50,078

Fair Value Hierarchy

The following tables provides 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
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19. Fair value, continued

Fair Value Hierarchy, continued

	NOTE	UNAUDITED 31 December 2016			Total £000
		Level 1	Level 2	Level 3	
		£000	£000	£000	
Assets					
Investments – Available for sale financial asset	13	-	-	11,718	11,718
Listed equity securities	14	1,339	-	-	1,339
Listed Australian equity securities	14	19,968	-	-	19,968
Investments – Derivative financial instruments	15	-	-	6,490	6,490
Investment property	11	-	-	3,667	3,667
Total Assets		21,307	-	21,875	43,182

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

	NOTE	UNAUDITED 31 December 2015			Total £000
		Level 1	Level 2	Level 3	
		£000	£000	£000	
Assets					
Investments – Available for sale financial asset	13	-	-	9,801	9,801
Listed equity securities	14	5,479	-	-	5,479
Listed Australian equity securities	14	-	-	16,596	16,596
Loans and receivables		-	-	10,806	10,806
Investment property	11	-	-	3,409	3,409
Total Assets		5,479	-	40,612	46,091

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

	NOTE	AUDITED 30 June 2016			Total £000
		Level 1	Level 2	Level 3	
		£000	£000	£000	
Assets					
Investments – Available for sale financial asset	13	-	-	11,036	11,036
Listed equity securities	14	1,520	-	-	1,520
Listed Australian equity securities	14	19,274	-	-	19,274
Investments – Derivative financial instruments	15	-	-	6,112	6,112
Investment property	11	-	-	3,454	3,454
Total Assets		20,794	-	20,602	41,396

There were no transfers into or out of 2 in the year. During the year the listed Australian equity securities were transferred from Level 3 to Level 1.

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

19. Fair value, continued

Reconciliation of Level 3 fair value measurements of assets

	UNAUDITED 31 December 2016			Total £000
	Investment property £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>	3,454	11,036	6,112	20,602
Foreign exchange on translation	213	682	378	1,273
<i>Balance at the end of the period</i>	3,667	11,718	6,490	21,875

	UNAUDITED 31 December 2015				Total £000
	Investment property £000	Available for sale financial assets £000	Listed Australian equity securities £000	Loans and receivables £000	
Investments held at fair value					
<i>Balance at the beginning of the period</i>	2,995	9,104	15,584	8,976	36,659
Acquisitions	-	-	82	-	82
Change in fair value through profit or loss	173	-	737	1,533	2,443
Repayment of loans and receivables	-	-	-	(270)	(270)
Foreign exchange on translation	241	697	193	567	1,698
<i>Balance at the end of the period</i>	3,409	9,801	16,596	10,806	40,612

	AUDITED 30 June 2016					Total £000
	Investment property £000	Available for sale financial assets £000	Derivative financial instruments £000	Listed Australian equity securities £000	Loans and receivables £000	
Investments held at fair value						
<i>Balance at the beginning of the period</i>	2,995	9,104	-	15,584	8,976	36,659
Transfers out of level 3 into Investment - Loans and receivables	-	-	-	-	(7,687)	(7,687)
Transfers out of level 3 into level 1	-	-	-	(15,584)	-	(15,584)
Transfers on reclassification	-	-	1,289	-	(1,289)	-
Change in fair value through profit or loss within investment income	202	-	4,247	-	-	4,449
Change in fair value through other comprehensive income	-	(138)	-	-	-	(138)
Foreign exchange on translation	257	2,070	576	-	-	2,903
<i>Balance at the end of the year</i>	3,454	11,036	6,112	-	-	20,602

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

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
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19. Fair value, continued

Valuation process

Investment property

At 31 December 2016, £3.3 million of residential development investment property is held within the Property Group segment (31 December 2015: £2.7 million, 30 June 2016: £3.1 million). The fair value of the investment property held within the Property Group segment at 31 December 2016 has been arrived at on the basis of valuations carried out in April 2016 by independent registered valuers. The independent valuers, are members of the Property Institute of New Zealand, and have the appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation complies with the New Zealand Institute of Valuers Code of Ethics and International Valuation Standards.

The valuation was completed on two sites in the Tauranga District, a suburban residential area and a rural residential area, which have been valued on a single entity basis. The valuation has been arrived at by using the Market Comparison Approach and supported by the Hypothetical Subdivision Approach.

The market comparison approach was based on evidence of transaction prices for similar development properties in the Tauranga area, less estimated development costs, GST, selling and legal expenses and profit margins. For the Suburban Residential Land area a rate of NZD 1.4 million per hectare has been applied. Key assumptions of this rate are that for the similar suburban residential land sites sales a rate range between NZD 0.3 million to NZD 2.4 million per hectare has been noted based on recent sale evidence with considerations to some complexities with the development of access routes to the sites. For the rural residential land site area based on recorded sales which range between NZD 0.3 million to NZD 1.1 million a rate was assessed to be NZD 0.5 million per hectare. A total improvement and land value using this approach amounted to NZD5.8 million or £3.3 million (31 December 2015: NZD 5.8 million or £2.7 million, 30 June 2016: NZD 5.8 million or £3.1 million) as presented in these consolidated financial statements.

The Hypothetical Subdivision Approach supporting the market comparison approach was based on the development of 107 residential sections and 6 rural sections and a realisation period of 6 years. Key assumptions with this valuation are that the 113 sites will achieve a gross sale price of NZD 35.8 million with total development costs of NZD 16.3 million.

Investment property valued at £0.4 million is held within the Torchlight Group segment at 31 December 2016 (31 December 2015: £0.7 million, 30 June 2016: £0.4 million). This investment property was purchased during August 2014 and has been valued based on sale evidence within the Central Otago Lakes District, Queenstown in the last calendar year.

Listed Australian equity securities

At 31 December 2016 and 30 June 2016, the Directors have valued the listed Australian equity securities based on the quoted market price. As at 31 December 2015 they were valued based on a valuation prepared by the management of the General Partner of Torchlight Fund LP.

PYNE GOULD CORPORATION LIMITED

Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

19. Fair value, continued

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

Description	UNAUDITED Fair value at 31 December 2016	UNAUDITED Fair value at 31 December 2015	AUDITED Fair value at 30 June 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment property	£000 3,667	£000 3,409	£000 3,454	Internal desktop based on 30 June 2016 valuation and using comparable sales	Estimated future sales price Estimated future development costs	-5% / +5%	The estimated fair value would increase/(decrease) if: - the estimated sales price was higher/(lower) - the estimated development costs were higher/(lower)
Listed Australian equity security	-	16,596	-	Adjusted Net Assets due to thinly traded nature of shares	Net assets 31 Dec 2015 Minority discount	6%	The estimated fair value would increase/(decrease) if the minority discount rate applied was higher/(lower)
Derivative financial instruments	6,490	-	6,112	Stochastic discounted cash flow analysis	See pages 22 to 23	See pages 22 to 23	See pages 22 to 23
Available for sale financial asset	11,718	-	11,036	Internal desktop present value based on 2016 valuation and using probability weighted scenarios	Percentage probability weightings Discount rate	See pages 28 to 31	See pages 28 to 31
Loans and receivables	-	10,806	-	Discounted cash flow analysis	Discount rate	15%	The estimated fair value would increase/(decrease) if the discount rate applied was higher/(lower).
	21,875	30,811	20,602				

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Notes to the Interim Condensed Consolidated Financial Statements, continued
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19. Fair value, continued

Available for sale financial asset

In order to ascertain the fair value of the Perpetual Trust Limited ("PTL") receivable, the Directors engaged an external valuer (see note 13) who assessed the receivable to have a fair value of NZD 20.9 million (£11.7 million) (31 December 2015: NZD 21.2 million or £9.8 million, 30 June 2016: NZD 20.9 million or £11.0 million). While the valuer considered a number of possible probability-weighted scenarios in arriving at the fair value of the PTL receivable, there are in fact an infinite number of possible outcomes that could cause the fair value of the receivable to differ materially to the balance recorded within the consolidated financial statements. 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 two primary scenarios that could occur in the future:

1. The litigation scenario in which PGC would pursue payment of the PTL receivable through litigation; and
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.

The valuer has assigned an 80% likelihood that the receivable will be recovered through an IPO between 31 December 2016 and 31 December 2017. In the event that the IPO does not occur the valuer has assigned a 19% likelihood that the receivable will be recovered through a subsequent 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, however, they consider this likelihood as negligible and have applied a 1% probability of a no return scenario.

Under the IPO scenario, the valuer assumed three sub-scenarios in which the IPO could take place with the earliest being at 31 December 2016 with subsequent cash flow scenarios assuming recovery intervals of 6 months after this date (i.e. finishing 31 December 2017). In addition, the valuer has assessed the likelihood of the Newco not achieving a prospective EBITDA multiple of 8.5x to be negligible. All cash flows under the IPO scenario have been discounted using a pre-tax discount rate of 8%.

As at 31 December 2016, the IPO has not yet taken place, however in the view of the Directors, any variation to the valuation of the PTL receivable that might result from amending the most likely timing of the IPO process would not be material to these interim financial statements.

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

	Litigation scenario	IPO – three sub-scenarios			No return scenario
	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
Gross Value	22,000	22,000	22,000	22,000	-
Date received	31 Dec 2017	31 Dec 2016	30 June 2017	31 Dec 2017	N/A
Discount rate – pre tax	0.00%	8.00%	8.00%	8.00%	N/A
Present value – 31 December 2016	22,000	21,170	20,370	19,601	N/A
Probability	19.0%	60.0%	10.0%	10.0%	1.0%
Fair Value – 31 December 2016	20,879				
	£000				
Fair Value in £ – 31 December 2016	11,718				
Fair Value in £ – 30 June 2016	11,036				

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Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

19. Fair value, continued

Available for sale financial asset, continued

At 31 December 2015, using the above valuation assumptions the fair value of the PTL receivable was calculated as follows:

	Litigation scenario		IPO – four sub-scenarios		
	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
Gross Value	22,000	22,000	22,000	22,000	22,000
Date received	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2017	31 Dec 2017
Discount rate – post tax	0.00%	5.76%	5.76%	5.76%	5.76%
Present value – 30 June 2015	22,000	20,802	20,227	19,669	19,126
Probability	60.0%	10.0%	10.0%	10.0%	10.0%
Fair Value – 31 December 2015	21,182				
	£000				
Fair Value in £ – 31 December 2015	9,801				

Sensitivity Analysis

As stated above there are an infinite number of possible outcomes that could cause the fair value of the PTL receivable to differ materially. The sensitivity impact of some of the key assumptions within each of the two primary scenarios, referred to above, on the estimated fair value of the PTL receivable can be summarised as follows:

- A decrease/increase in the probability weighting of the litigation scenario would result in a decrease/increase in the fair value;
- Delays to the earliest IPO sub-scenario would result in a decrease in the fair value;
- An additional IPO sub-scenario extending the latest IPO date would result in a decrease in the fair value;
- A decrease in the prospective EBITDA multiple of the Newco on listing would result in a decrease in the fair value;
- An increase in the discount rate applied to the valuation would result in a decrease in the fair value.

The above summary of the sensitivity analysis assumes all other factors remain the same in each case.

The detailed sensitivity analysis on the PTL receivable can be found in the last annual report and the audited consolidated financial statements for the year ended 30 June 2016.

20. Contingent liabilities and commitments

Torchlight Fund No. 1 and the Wilaci liability

Subsequent to repayment of the principal balance of the Wilaci liability, litigation commenced in respect of additional amounts claimed by Wilaci, who appointed Receivers to Torchlight Fund No. 1 LP (“TF1LP”) during the year ended 30 June 2014 (the “Receivership”). The proceeding was filed in the High Court at Auckland in August 2014 by the Receivers. The principal balance has been repaid along with interest and non-disputed fees. However Wilaci alleges further amounts are payable in respect of late payment fees.

This claim has been vigorously defended and, in a separate proceeding, TF1LP sought an order that the late payment fee claimed by Wilaci was an unlawful penalty and could not be recovered. This proceeding was tried in August 2015 in the High Court at Auckland and, on 19 October 2015, a favourable judgement was delivered by the High Court of New Zealand confirming that the late penalty fee claimed by Wilaci from TF1LP was unenforceable and not payable. Following the High Court judgement, Wilaci had the right to appeal and subsequently, on 13 November 2015, lodged an appeal against the High Court decision. The Appeal was heard on 4 October 2016, however no judgement has been issued.

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Notes to the Interim Condensed Consolidated Financial Statements, continued
For the period ended 31 December 2016

20. Contingent liabilities and commitments, continued

Torchlight Fund No. 1 and the Wilaci liability, continued

As a step towards recovering the alleged late payment fees, the Receivers have sought a declaration that various assets held by Torchlight Fund LP ("TFLP") and its subsidiaries are subject to Wilaci's security. The declaration is sought on the basis that the assets of TF1LP and its subsidiaries were acquired by TFLP in 2012. The proceeding was opposed and was scheduled for trial in April 2016. That trial date was vacated following the favourable judgement confirming that the late payment fees are not payable.

TFLP has always vigorously defended this claim. There remains a risk that the receivers of TF1LP may lay claim to some of the assets of TFLP (a subsidiary of the Company).

Perpetual Trust Limited/Bath Street receivable

In September 2015, the Company commenced High Court proceedings against Bath Street Capital Ltd ("BSC") and Mr Andrew Barnes. The proceedings in the Auckland High Court against BSC and Mr Andrew Barnes were seeking damages of not less than NZD 22.0 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 Perpetual Trust Limited. The amount claimed represents unpaid consideration in respect of carry rights pursuant to the share sale agreement as subsequently varied.

In November 2015, Bath Street Capital filed a counter claim in the Auckland High Court against the Company seeking damages due to the protracted proceedings detailed above.

Subsequently, on 26 September 2016, PGC announced that it had come to an agreement with BSC to discontinue their respective High Court claims without costs with immediate, and unconditional, effect. Following this agreement, BSC will proceed towards an IPO of the Newco and the parties are in the process of finalising the terms of settlement of the receivable. See note 19 for further details.

Torchlight Fund LP and its subsidiaries

The Group had the following commitments within the RCL group:

	UNAUDITED 31 December 2016 £000	UNAUDITED 31 December 2015 £000	AUDITED 30 June 2016 £000
Contracted work to complete			
<i>Expenditure contracted for at the reporting date but not recognised as liabilities</i>			
Within one year	7,293	1,201	3,979

Torchlight Fund LP and its subsidiaries – Contingent assets

The Group has financial guarantees in respect of completion of development works and maintenance bonds to relevant authorities. The value of these guarantees at 31 December 2016 was £0.8 million (31 December 2015: £1.3 million; 30 June 2016: £1.2 million).

21. Going concern

On 18 June 2015, a Winding Up Petition (the "Petition") was issued by certain Limited Partners of Torchlight Fund LP ("TFLP") in the Grand Court of The Cayman Islands. The Petition, which seeks an order to wind up TFLP, was served at the registered office of TFLP on 26 June 2015. On 22 January 2016 an injunction was also granted by the Grand Court to prevent payment to parties related to the General Partner without the consent of the petitioners or the Grand Court. The hearing date for the Petition was listed for an initial three week period commencing on 20 February 2017, with a subsequent hearing listed for the week commencing 8 May 2017. The first part of the trial has now been heard before Mr Justice McMillan and the trial will resume again in May 2017. It is anticipated that further hearings will be needed in 2017 to complete the trial. Torchlight (GP) Limited, a subsidiary of the Company and the General Partner to TFLP, has been robustly defending the Petition since June 2015, and has provided a detailed defence on 24 June 2016 and extensive responsive evidence which rebuts each allegation raised in the Petition. On 21 July 2016, the General Partner issued a Writ of Summons alleging that the Petition was being brought as part of an unlawful means conspiracy (such matters also forming part of its defence to the Petition) and seeking damages and full cost recovery. This was followed by the filing of Summary of Claim on 26 July 2016. A date for hearing of this matter is yet to be set.

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21. Going concern, continued

On 22 January 2016 the Court dismissed a general application for a validation order without prejudice to the General Partner's ability to re-apply post release of the 2015 audited accounts and granted an injunction limited to preventing payment to persons related to the General Partner without the consent of the petitioners or an order by the Court made on application, supported by evidence, for prospective validation.

On 26 April 2016, the Court approved an application by the General Partner for a validation order to enable a non-pro rata exit payment of AUD 10,937,797 to a Limited Partner.

On 8 September 2016, the General Partner issued a general application for past and prospective payments and in the alternative sought validation of a series of ordinary course of business payments that have been made since 26 June 2015. As part of this application, the General Partner also sought validation for the payment of its management fees. The application was considered at hearings on 5 October 2016 and 3 November 2016. On 6 December 2016, the Court delivered judgment validating the payments sought. The effect of validation was to allow identified payments (including management fees) to be paid to related parties notwithstanding the injunction in force. The Petitioners have subsequently sought leave to appeal, which was granted to the Petitioners by the Court of Appeal on 3 February 2017. The hearing of the appeal is to be heard at a date to be fixed in 2017.

In accordance with the foregoing, the Directors acknowledge that the filing of the Petition and related litigation indicates the existence of a material uncertainty that may cast significant doubt about TFLP's, and potentially the Group's, ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Whilst the Directors cannot be certain of what the results of the Grand Court hearing will be, the Group has considerable financial resources and the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors deem it appropriate to continue to adopt the going concern basis in preparing these interim condensed consolidated financial statements.

22. Subsequent events

The following material events have occurred subsequent to 31 December 2016 to the date when these interim condensed consolidated financial statements were authorised for issue:

On 9 January 2017, the Group received AUD 6.510 million in relation to a 2 cents per share capital distribution from the Lantern Hotel Group.

In late January 2017, the Petitioners appealed the validation order granted 6 December 2016 in respect of past and future payments (including to related parties) made by TFLP. A hearing date for the Appeal is yet to be set.

On 3 February 2017, the President of the Court of Appeal granted leave to the Petitioners to appeal the judgment delivered on 6 December 2016 in respect of the General Partner's application seeking past and prospective payments and in the alternative to seek validation of a series of ordinary course of business payments that the General Partner has made and proposes to make. The hearing of the appeal is to be heard at a date to be fixed in 2017.

On 20 February 2017, the hearing of a Winding Up Petition brought by certain Limited Partners of TFLP commenced in the Grand Court of The Cayman Islands. The hearing ran to 10 March 2017, when it was adjourned until the week commencing 8 May 2017. The General Partner of TFLP continues to robustly defend the Petition.

On 8 March 2017, the Group received AUD 16.276 million in relation to a 5 cents per share capital distribution from the Lantern Hotel Group.

There were no other material events subsequent to 31 December 2016 that require disclosure in these interim financial statements.