Pyne Gould Corporation Limited

INTERIM REPORT AND UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

PYNE GOULD CORPORATION LIMITED

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For the period ended 31 December 2022

PYNE GOULD CORPORATION LIMITED

COMPANY REPORT

Directors' Report

The half year to 31 December 2022 has seen a strong improvement in financial performance driven predominantly by increased settlement activity within the RCL business.

Whilst the operating environment has been challenging for PGC and its subsidiaries (together "the Group") with ongoing interest rate increases, cost of living pressure and supply chain disruption, the Group remains well positioned with strong sales activity continuing during the half year.

New sales exceeded settlement volume during the half year resulting in further growth in pre-sales which will underpin settlement activity over the next 18 months.

As outlined in the Annual Report, RCL is actively focusing on delivering its pre-sales as expediently as possible and will continue to release stock subject to market conditions.

As at 31 December 2022, RCL had pre-sales in place of approximately AUD 180 million (up from AUD 150 million as at 30 June 2022) across the portfolio. Subsequent to this additional sales release have continued to occur which have been quickly absorbed at asking prices, with pre-sale volume currently approximately AUD 200 million.

Operating Performance

Pyne Gould Corporation ("PGC" or "the Company") recorded an unaudited Net profit attributable to security holders of £5.16 million for the half year to 31 December 2022 (compared with a Net Loss attributable to security holders of £2.98 million in the half year to 31 December 2021).

PGC recorded a Total Comprehensive Profit for the half year to 31 December 2022 of £5.11 million (compared to a Total Comprehensive Loss of £2.69 million in the half year to 31 December 2021).

Total Comprehensive Profit attributable to PGC shareholders was £4.79 million (compared with a Total Comprehensive Loss of £2.02 million for the half year to 31 December 2021).

Profit for the half year was driven predominantly by increased settlement activity within the RCL residential property business.

Statement of Financial Position

After allowing for non-controlling interests of £9.07 million (30 June 2022: £8.75 million), Net Assets attributable to PGC shareholders increased by 21.3% to £27.18 million in the half year to 31 December 2022 (up from £22.39 million at 30 June 2022). Net assets per share increased by 21.3% to 14.00 pence per share at 31 December 2022 (up from 11.54 pence per share at 30 June 2022).

On a consolidated basis PGC held Total Assets of £145.13 million at 31 December 2022 (up from £142.28 million at 30 June 2022). This was made up of current assets of £61.05 million (30 June 2022: £53.32 million) and long-term assets of £84.08 million (30 June 2022: £88.97 million). PGC had Total Liabilities of £108.89 million at 31 December 2022 (30 June 2022: £111.15 million).

Commentary

As outlined above, the operating environment during the half year remained challenging with ongoing interest rate increases, cost of living pressure and supply chain disruption.

Notwithstanding the negative commentary in the media around falling house prices and the negative impact of interest rate increases and cost of living pressure on consumer outlook, RCL continued to release product and achieve sales at asking prices.

New sales activity exceeded settlements during the half year resulting in further growth in the size of the pre-sale book. This is considered a strong outcome given market conditions and leaves the Group well placed to withstand an expected slow down in residential property activity level over the remainder of calendar 2023.

RCL remains focused on delivering product as expediently as possible. The current level of pre-sales will support enhanced revenue levels over both the second half of the current financial year and into the 2024 financial year.

Progress continues to be made to progress an outcome for Torchlight Fund LP ("TFLP"), which is the most significant Group asset.

As we have previously outlined, PGC sees significant upside in TFLP's underlying assets and intends to continue its participation in the investments held by TFLP.

Commentary (continued)

The small equity investment in 4B Mining Corp, a Brazilian iron ore project, has been revalued to reflect subsequent capital raisings at higher pricing completed during the half year to December 2022. The Group remains of the view that the outlook for this investment remains very promising and it is expected to generate strong returns for shareholders over the next few years.

RCL

TFLP's largest investment is 100% of land developer and home builder RCL. RCL has a series of substantial residential land development projects located across Australia (Victoria, New South Wales and Queensland) and New Zealand (Queenstown). RCL's approach is to effectively manage its portfolio through the successful, timely and efficient re-zoning, construction, development and sale of each project.

RCL's largest project is Hanley's Farm in Queenstown, where it is developing in excess of 1,700 sites. This project continues to progress well and as at 31 December 2022, approximately 1,360 sites had been sold in a series of progressive releases, with approximately 930 sites completed and settled.

Market conditions in Queenstown remain sound, with all sales releases continuing to be quickly absorbed. Ongoing sales releases resulted in total pre-sales exceeding settlements during the half year. Sales releases will continue to occur subject to market demand. RCL focus remains on delivering the stock which has been sold with the next round of settlements expected to commence in May 2023.

As outlined in the Annual Report, during the half year to 31 December 2022 RCL entered into a conditional agreement to acquire another substantial project in Queenstown and continues to progress this opportunity.

In the Australian portfolio RCL continues to focus on delivery of its own built form product (turn-key apartments and townhouses), enhancing margins and returns from the existing medium density sites within the portfolio. RCL also intends to progressively introduce a component of turn-key, free-standing houses as part of the sales mix within the existing residential estates, to both provide access to buyers looking for completed product and capture incremental development margins from construction.

Additional sales releases have also occurred in the Sunbury project, which now has pre-sales of around AUD 44 million in place. No further releases are planned at this project for the time being as the focus is on delivering the stock that is currently pre-sold over multiple stages.

RCL continues to actively look for additional re-stocking opportunities in tandem with progressing planning outcomes across a number of sites and has acquired two small medium density in fill sites that will be developed during the course of the next financial year.

KCR Investment

KCR operates in the private rented residential market in London and surrounds. KCR also owns and operates a portfolio of retirement living accommodation.

KCR is continuing with the transition of its business and, whilst not yet generating positive operating cashflow, good progress continues to be made with revenue growth of 30% achieved for the half year.

KCR's near term strategy is to:

- Improve the rental revenue from its existing properties;
- Continue to enhance the overall portfolio quality with ongoing refurbishment works;
- Explore development opportunities within the portfolio; and
- Focus on reducing costs.

KCR has an active focus on both enhancing returns from its existing assets and reducing operating costs within the business. Whilst KCR remains cash negative it is making good progress towards reducing the cash burn from a combination of enhanced operational returns from the existing assets and cost management.

KCR is part way through its transition process to create a stable platform that can be successfully scaled-up.

Directors' Report (continued)

Share buyback

As we have consistently outlined, capital management remains an ongoing focus for the Board. PGC shares continue to trade at a considerable discount to the underlying value of Group assets. Share buybacks continue to offer attractive returns for shareholders and is consistent with our value creation strategy.

As previously announced, post 31 December 2022 PGC entered into an agreement to buyback 2,000,000 shares at NZD 0.29 on deferred settlement terms.

Final comment

We are well advanced with our strategy of building a long-term, sustainable business from distressed assets and expect to reward our shareholders for their patience as this strategy reaches maturity.

Successfully achieving an outcome for TFLP enabling the Group to continue to participate in the underlying assets it holds is the primary near-term focus.

George Kerr
Managing Director

14 April 2023

PYNE GOULD CORPORATION LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2022

	Note	Unaudited 6 months to 31 December 2022 £000	Unaudited 6 months to 31 December 2021 £000
Revenue from land development and resale		32,974	5,790
Cost of land development sales		(20,011)	(2,882)
Net revenue from land development and resale		**12,963**	**2,908**
Interest revenue		309	162
Interest expense		(6,638)	(5,269)
Net finance expense		**(6,329)**	**(5,107)**
Other investment gains	5	2,455	3,373
Other revenue	5	2,025	984
Total investment and other revenue		**4,480**	**4,357**
Gross operating revenue		**11,114**	**2,158**
Selling and administration expenses	6	(6,264)	(4,847)
Foreign exchange gains/(losses)		704	(786)
Net operating profit/(loss) before income tax		**5,554**	**(3,475)**
Income tax		-	-
Profit/(loss) for the period after tax		**5,554**	**(3,475)**
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Foreign currency adjustment on translation to presentation currency		(449)	783
Total other comprehensive (loss)/income		**(449)**	**783**
Total comprehensive income/(loss) for the period		**5,105**	**(2,692)**
Profit/(loss) attributable to:			
Owners of the Parent Company		5,157	(2,982)
Non-controlling interests		397	(493)
Profit/(loss) for the period		**5,554**	**(3,475)**
Total comprehensive income/(loss) attributable to:			
Owners of the Parent Company		4,788	(2,021)
Non-controlling interests		317	(671)
Total comprehensive income/(loss) for the period		**5,105**	**(2,692)**
Earnings/(loss) per share		**Pence**	**Pence**
Basic and diluted earnings/(loss) per share attributable to owners of the Parent Company	8	2.66	(1.48)

The notes on pages 11 to 27 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 2022

31 December 2022 - Unaudited	Share Capital (note 9)	Foreign Currency Translation Reserve	Accumulated Losses	Non-controlling interests acquisition reserve	Non-controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000
Balance at 1 July 2022	**150,097**	**22,933**	**(141,290)**	**(9,350)**	**8,749**	**31,139**
Total comprehensive income for the period						
Profit for the period	-	-	5,157	-	397	5,554
Other comprehensive income						
Foreign currency adjustment on translation to presentation currency	-	(369)	-	-	(80)	(449)
Total comprehensive income for the period	**-**	**(369)**	**5,157**	**-**	**317**	**5,105**
Balance at 31 December 2022	**150,097**	**22,564**	**(136,133)**	**(9,350)**	**9,066**	**36,244**

The notes on pages 11 to 27 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 2021

31 December 2021 - Unaudited	Share Capital (note 9)	Foreign Currency Translation Reserve	Accumulated Losses	Share Capital	Non-controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000
Balance at 1 July 2021	**151,178**	**20,319**	**(144,757)**	**4,285**	**8,296**	**39,321**
Total comprehensive loss for the period						
Loss for the period	-	-	(2,991)	-	(484)	(3,475)
Other comprehensive income						
Foreign currency adjustment on translation to presentation currency	-	961	-	-	(178)	783
Total comprehensive loss for the period	**-**	**961**	**(2,991)**	**-**	**(662)**	**(2,692)**
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**6,114**	**6,114**
Transactions with owners						
Share buy-back	(147)	-	-	-	-	(147)
Balance at 31 December 2021	**151,031**	**21,280**	**(147,748)**	**4,285**	**13,748**	**42,596**

The notes on pages 11 to 27 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 2022

	Note	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
ASSETS			
Current assets			
Cash and cash equivalents		9,883	7,275
Finance receivables	10	2,185	2,126
Trade and other receivables		9,570	3,865
Investments – Fair value through profit or loss	13	-	42
Investments – Loans and receivables at amortised cost	15	1,338	1,308
Inventories	11	36,612	37,609
Prepayments		1,462	1,094
Total current assets		**61,050**	**53,319**
Non-current assets			
Inventories	11	48,846	56,749
Investment properties	12	24,605	24,605
Investments – Fair value through profit or loss	13	4,274	1,825
Advances to related parties	17	4,225	3,853
Property, plant and equipment		2,130	1,933
Total non-current assets		**84,080**	**88,965**
Total assets		**145,130**	**142,284**
LIABILITIES			
Current liabilities			
Trade and other payables		2,237	3,387
Total current liabilities		**2,237**	**3,387**
Non-current liabilities			
Borrowings	16	105,642	106,743
Deferred tax liability		1,007	1,015
Total non-current liabilities		**106,649**	**107,758**
Total liabilities		**108,886**	**111,145**
EQUITY			
Share capital	9	150,097	150,097
Foreign currency translation reserve	9	22,564	22,933
Accumulated losses		(136,133)	(141,290)
Non-controlling interests acquisition reserve	9	(9,350)	(9,350)
Total equity – attributable to the owners of the Company		**27,178**	**22,390**
Non-controlling interests	9	**9,066**	**8,749**
Total equity		**36,244**	**31,139**
Total equity and liabilities		**145,130**	**142,284**
Net assets per share (pence)		14.00	11.54

The Board of Directors of Pyne Gould Corporation Limited authorised the interim condensed consolidated financial statements set out on pages 6 to 27 for issue on 14 April 2023.

Russell Naylor – Director **George Kerr – Director**

The notes on pages 11 to 27 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 2022

	Note	Unaudited 6 months to 31 December 2022 £000	Unaudited 6 months to 31 December 2021 £000
Cash flows from operating activities			
Interest received		120	4
Rental revenue		680	195
Proceeds from sale of inventories		32,974	5,791
Fees and other revenue received		1,345	789
		35,119	**6,779**
Cash flows used in operating activities			
Payments to suppliers and employees		(6,570)	(9,358)
Development costs of inventories		(17,445)	(12,516)
		(24,015)	**(21,874)**
Net cash flows from/(used in) operating activities	7	**11,104**	**(15,095)**
Cash flows from investing activities			
Disposal of investments	13	-	6,804
Net cash acquired on acquisition of KCR		-	312
		-	**7,116**
Cash flows used in investing activities			
Increase in finance receivables		(46)	-
Acquisition of property, plant and equipment		(471)	(186)
Increase in advances to other related parties		(77)	(92)
Increase in other investments		-	(809)
		(594)	**(1,087)**
Net cash flows (used in)/from investing activities		**(594)**	**6,029**
Cash flows from financing activities			
Increase in borrowings		-	15,772
		-	**15,772**
Cash flows used in financing activities			
Decrease in borrowings		(7,226)	(2,026)
Interest paid		(268)	(89)
		(7,494)	**(2,115)**
Net cash flows from financing activities		**(7,494)**	**13,657**
Net increase in cash and cash equivalents		**3,016**	**4,591**
Foreign currency adjustment on translation of cash balances to presentation currency		(408)	807
Opening cash and cash equivalents		7,275	10,323
Closing cash and cash equivalents		**9,883**	**15,721**
Represented by:			
Cash and cash equivalents		9,883	15,721
		9,883	**15,721**

The notes on pages 11 to 27 are an integral part of these interim condensed consolidated financial statements.

1. Reporting entity

Pyne Gould Corporation Limited is a Guernsey-domiciled company. The financial statements presented are the condensed 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.

The Company listed on the Official List of The International Stock Exchange (“TISE”) on 21 November 2018. The registered office address of the Company is 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL.

These unaudited interim condensed consolidated financial statements (the “Interim Financial Statements”) were authorised by the Directors for issue on 14 April 2023.

2. Basis of preparation

(a) Statement of compliance

These 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 consolidated financial statements and should be read in conjunction with the Group’s last annual audited consolidated financial statements for the year ended 30 June 2022.

The accounting policies applied in these Interim Financial Statements are consistent with those applied in the last annual audited consolidated financial statements for the year ended 30 June 2022, 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 Group’s financial position as at 31 December 2022 and the factors that may impact its performance in the forthcoming year, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing these Interim Financial Statements.

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

(b) Accounting judgements and major sources of estimation uncertainty

The estimates and judgements made by the Board of Directors are consistent with those made in the audited consolidated financial statements for the year ended 30 June 2022.

Going concern

In January 2021, the Group successfully closed a restructuring of its financing arrangements, providing an increase in funding and an extension of a further 3 years to the financing term. It is anticipated that a further extension will be negotiated on similar terms prior to expiry of the current financing term.

On 31 May 2022, the life of Torchlight Fund LP (“TFLP”), the most significant component of the Group, expired, and has not been further extended. The Group facilitated non-pro rata exits for a number of limited partners in June 2022. TFLP’s audited financial statements for the year ended 31 March 2022 were prepared on a non-going concern basis, however the Group has committed to rolling its investment in RCL into a new structure to enable ongoing participation in the RCL investment, as a result of which it is not anticipated that the winding up of TFLP will impact the viability of the Group.

As a result, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for at least twelve months from the date of approval of these Interim Financial Statements.

In reaching this conclusion, the Directors have considered the risks detailed above that could impact on the Group’s liquidity over the next twelve months from the date of approval of these Interim Financial Statements, and are of the opinion that it is appropriate to present these Interim Financial Statements on a going concern basis.

3. Significant accounting policies

There have been no new standards or amendments applied during the period which have had a material impact on 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 on the following pages. Performance is measured based on segment profit/(loss) for the period, as included in the internal management reports that are reviewed by the Board, which is the Chief Operating Decision Maker (“CODM”). Segment profit is used to measure performance, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

4. Segmental analysis (continued)

Group's reportable segments

Revenue and expenditure	Continuing Operations				
For the period ended 31 December 2022 - Unaudited	**Torchlight Segment**	**Property Group**	**Parent Company**	**Inter-segment eliminations**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
External revenue					
Interest revenue	309	-	-	-	**309**
Other revenue	2,019	6	-	-	**2,025**
Gross revenue from land development and resale	32,974	-	-	-	**32,974**
Cost of land development sales	(20,011)	-	-	-	**(20,011)**
Other investment gains	2,455	-	-	-	**2,455**
	17,746	**6**	-	-	**17,752**
Internal revenue					
Foreign exchange gains/(losses)	726	-	(22)	-	**704**
Total segment revenue	**18,472**	**6**	**(22)**	**-**	**18,456**
Expenses					
Interest expense	(6,638)	-	-	-	**(6,638)**
Selling and administration expenses	(5,968)	(61)	(235)	-	**(6,264)**
Total operating expenses	**(12,606)**	**(61)**	**(235)**	**-**	**(12,902)**
Profit/loss before tax	**5,866**	**(55)**	**(257)**	-	**5,554**
Income tax	-	-	-	-	**-**
Profit/loss after tax	**5,866**	**(55)**	**(257)**	-	**5,554**
Non-controlling interests	(397)	-	-	-	**(397)**
Profit/(loss) for the period attributable to owners of the Company	**5,469**	**(55)**	**(257)**	-	**5,157**

Assets and liabilities	Continuing operations				
As at 31 December 2022 - Unaudited	**Torchlight Group**	**Property Group**	**Parent Company**	**Inter-segment eliminations**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Total assets	**190,388**	**1,990**	**64,891**	**(112,139)**	**145,130**
Total liabilities	**138,875**	**12,114**	**68**	**(42,171)**	**108,886**

4. Segmental analysis (continued)

Group's reportable segments (continued)

Revenue and expenditure For the period ended 31 December 2021 - Unaudited	Continuing Operations Torchlight Group	Property Group	Parent Company	Inter-segment eliminations	Total
	£000	£000	£000	£000	£000
External revenue					
Interest revenue	162	-	-	-	**162**
Other revenue	978	6	-	-	**984**
Gross revenue from land development and resale	5,790	-	-	-	**5,790**
Cost of land development sales	(2,882)	-	-	-	**(2,882)**
Other investment gains	3,373	-	-	-	**3,373**
	7,421	**6**	**-**	-	**7,427**
Internal revenue					
Foreign exchange (losses)/gains	(778)	5	(13)	-	**(786)**
Total segment revenue	**6,643**	**11**	**(13)**	-	**6,641**
Expenses					
Interest expense	(5,269)	-	-	-	**(5,269)**
Selling and administration expenses	(4,436)	(57)	(354)	-	**(4,847)**
Total operating expenses	**(9,705)**	**(57)**	**(354)**	-	**(10,116)**
Loss before tax	**(3,062)**	**(46)**	**(367)**	-	**(3,475)**
Income tax	-	-	-	-	**-**
Loss after tax	**(3,062)**	**(46)**	**(367)**	-	**(3,475)**
Non-controlling interests	493	-	-	-	**493**
Loss for the period attributable to owners of the Company	**(2,569)**	**(46)**	**(367)**	-	**(2,982)**

Assets and liabilities As at 30 June 2022 - Audited	Continuing operations Torchlight Group	Property Group	Parent Company	Inter-segment eliminations	Total
	£000	£000	£000	£000	£000
Total assets	**186,398**	**1,947**	**64,611**	**(110,672)**	**142,284**
Total liabilities	**141,424**	**11,820**	**156**	**(42,255)**	**111,145**

5. Investment and other revenue

	Unaudited 6 months to 31 December 2022 £000	Unaudited 6 months to 31 December 2021 £000
Investment gain		
Movement in fair value of unlisted investments at fair value through profit or loss	2,497	-
Loss on disposal of investment at fair value through profit or loss	(42)	-
Movement in fair value of listed equity securities	-	624
Bargain gain on acquisition of controlling interest in listed equity investment (note 14)	-	2,604
Gain on revaluation of investment properties (note 12)	-	145
Net investment gain	**2,455**	**3,373**
Other revenue		
Golf revenue	1,197	752
Rental revenue	680	222
Miscellaneous revenue	148	10
Total other revenue	**2,025**	**984**

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 2022 £000	Unaudited 6 months to 31 December 2021 £000
Directors' fees	60	70
Personnel expenses *	1,621	1,010
Legal and consultancy fees	1,375	1,408
Other operating expenses **	3,208	2,359
Selling and administration expenses	**6,264**	**4,847**

** Personnel expenses have been generated from within the RCL Group and, with effect from 27 October 2021, from KCR.*
*** 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.*

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

	Unaudited 6 months to 31 December 2022 £000	Unaudited 6 months to 31 December 2021 £000
Profit/loss for the period	**5,554**	**(3,475)**
Adjustments for non-cash items:		
Foreign exchange (gains)/losses	(437)	786
Depreciation and amortisation of non-current assets	274	101
Unrealised gains on investments	(2,455)	(3,373)
Interest revenue	(189)	(157)
Interest paid	6,369	5,180
Other non-cash items	267	-
Total non-cash items	**3,829**	**2,537**
Adjustments for movements in working capital:		
Trade and other receivables	(6,069)	(186)
Trade and other payables	(1,152)	(4,427)
Movement in development costs	8,942	(9,633)
Total movements in working capital	**1,721**	**(14,246)**
Net cash flows from/(applied to) operating activities	**11,104**	**(15,184)**

8. Earnings/(loss) per share

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

	Unaudited 6 months to 31 December 2022	Unaudited 6 months to 31 December 2021
Profit/(loss) after tax attributable to owners of the Company (£000)	5,157	(2,982)
Weighted average number of ordinary shares in issue (000)	194,100	202,316
Basic and diluted earnings/(loss) (pence per share)	**2.66p**	**(1.48)p**

	Unaudited 31 December 2022	Audited 30 June 2022
Net tangible assets per share (pence per share)*	**14.00p**	**11.54p**

** 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 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 2022 Shares 000s	Audited 30 June 2022 Shares 000s
Number of issued shares		
Opening balance	194,100	202,319
Share buy-backs	-	(8,219)
Closing balance	**194,100**	**194,100**

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

	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
Share premium		
Opening balance	150,097	151,178
Share buy-backs	-	(1,081)
Closing balance	**150,097**	**150,097**

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

Non-controlling interests ("NCI") reserve
NCI reserve represents the accumulated profits attributable to the NCIs.

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

10. Finance receivables

	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
Current		
Gross finance receivables	2,185	2,126
Total finance receivables	**2,185**	**2,126**

Finance receivables are loans with various terms and interest rates.

11. Inventories

	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
Land held for resale		
Current assets		
Cost of acquisition	19,296	18,235
Development costs	17,316	19,374
	36,612	**37,609**
Non-current assets		
Cost of acquisition	36,600	40,930
Development costs	12,923	16,481
Less: impairment	(677)	(662)
	48,846	**56,749**
Total inventories	**85,458**	**94,358**

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, with a small amount held through the Real Estate Southern Holdings Limited ("RESHL") subsidiary. These inventories consist of residential land subdivisions and property development in the geographical areas of Australia and New Zealand. 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 2022, the RCL inventories are pledged as security to a third party corporate debt facility as detailed further in note 16.

The remaining inventories were held in the Property Group segment of the business through Land House Limited ("LHL"). There is no security held over these properties.

During the period, AUD 21.3 million (£12.2 million) (31 December 2021: Nil) and NZD 15.2 million (£7.8 million) (31 December 2021: NZD 4.8 million (£2.6 million)) of inventories in respect of the RCL subsidiaries were recognised as expenses in the condensed 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 2021: £Nil).

12. Investment properties

	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
Brought forward	24,605	-
Acquisition on assuming control of KCR (note 14)	-	24,262
Revaluation	-	343
Total investment properties	**24,605**	**24,605**

Investment properties were valued by professionally qualified independent external valuers at or within three months of 30 June 2022, and at acquisition were recorded at the values that were attributed to the properties at the acquisition date. The Directors have further considered the values as at 31 December 2022 and concluded that the valuations determined as at 30 June 2022 remain appropriate.

For further details of the methods and assumptions used to estimate the fair value of the investment properties see note 18.

13. Investments – Fair value through profit or loss

	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
Current assets		
Loans and receivables	-	42
	-	42
Non-current assets		
4B Mining Corp	4,274	1,825
	4,274	1,825
Total Investments – Fair value through profit or loss	**4,274**	**1,867**

4B Mining Corp
On 21 October 2021, the Group, through its subsidiary Torchlight Group Limited, acquired an investment in 4B Mining Corp ("4B"), a company incorporated in Canada, for a total consideration of US$2.35 million (£1.8 million).

The investment comprises a holding in the common shares of 4B and a 1% royalty interest in the gross revenue of a project to be pursued by Mineracao Piramide Participacoes Ltda, a Brazilian subsidiary of 4B. The investment is classified as an investment at fair value through profit or loss.

Loans and receivables
Loans and receivables comprised a loan to an Australian borrower group that is in default, which was disposed of during the period for nil consideration. As at 30 June 2022, the loan was valued at AUD 73,000 (£42,000) based on the future discounted cash flows expected to be received.

For further details of the methods and assumptions used to estimate the fair value of the above assets see note 18.

14. Acquisition of subsidiary

On 27 October 2021, the Company announced that it had exercised options in respect of an additional 13,500,000 shares in KCR Residential REIT plc ("KCR") through its investment in its subsidiary, TFLP. As a result, with effect from 27 October 2021, the Group held 55.44% of KCR's issued share capital and thus acquired control of KCR. KCR therefore became a subsidiary of the Group and the Group is required to consolidate the balances and results of KCR, and no longer account for its investment as an investment at fair value through profit or loss.

In the prior period, prior to acquiring control, the Group recognised a fair value gain of £624,000 on its shareholding in KCR, and subsequently recognised a bargain gain of £2,604,000 on acquisition of its controlling interest in KCR (see note 5).

15. Investments – Loans and receivables at amortised cost

	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
Current assets		
Loans receivable – gross	2,361	2,309
Impairment of loans receivable	(2,361)	(2,309)
Other Receivables	1,338	1,308
Total current loans and receivables at amortised cost	**1,338**	**1,308**
Non-current assets		
Loans receivable – gross	35,526	35,825
Impairment of loans receivable	(35,526)	(35,825)
Total non-current loans at amortised cost	**-**	**-**
Total loans and receivables at amortised cost	**1,338**	**1,308**

Loans receivable
Loans receivable have been impaired based on expected recoveries from underlying projects. These loans have been valued and assessed for impairment based on discount cash flow (DCF) analysis of the underlying projects. The discount rates applied within these DCF analyses range from 9% to 20% (30 June 2022: 9% to 20%).

Other receivables
Other receivables comprises an amount of NZD 2.6 million (£1.3 million) paid as a deposit towards 50% of development costs on an initial exercise of a call option in respect of 42 residential lots (30 June 2022: NZD 2.6 million (£1.3 million) on an initial exercise of a call option in respect of 50 residential lots).

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

	Unaudited 31 December 2022			
	£000	£000	£000	£000
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	1,338	-	-	1,338
Total	**1,338**	**-**	**-**	**1,338**

	Audited 30 June 2022			
	£000	£000	£000	£000
	Not yet due	Past due and impaired	Past due and not impaired	Total
Not yet due	1,308	-	-	1,308
Total	**1,308**	**-**	**-**	**1,308**

16. Borrowings

	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
Non-current		
Bank and third party corporate debt facilities – secured	105,642	106,743
Total borrowings	**105,642**	**106,743**

RCL borrowing
The AUD borrowing facility within the RCL Group was refinanced in January 2021. The facility was increased to AUD 82.4 million (£44.3 million) and extended to January 2024. Interest is payable on the facility of 13.75% per annum (30 June 2022: 13.75% per annum) and is capitalised quarterly.

The NZD borrowing facility was refinanced at the same time, with the facility being increased to NZD 60.6 million (£30.7 million), reducing to NZD 37.0 million (£18.7 million) in July 2021. On 31 August 2021, RCL entered into a new facility with a 3 year term providing an additional NZD 30 million (£15.2 million) in working capital to support accelerated development activity across the portfolio. Interest is payable on the facility of 13.75% per annum (30 June 2022: 13.75% per annum) and is capitalised quarterly.

These facilities are cross-collateralised, secured on the RCL Group's inventories (see note 11) and mature in January 2024.

KCR borrowing
The KCR borrowings comprise four separate facilities with three separate lenders (two banks and one third party corporate lender). The expiries of the facilities range between August 2026 and February 2045, and interest is chargeable at rates between 3.5% and 3.7% per annum, payable monthly.

Each facility is secured on a specific investment property within the KCR portfolio.

17. Related party transactions

(a) Transactions with related parties

Parent and its associated entity

Chase Nominees Limited ("Chase")
Chase is the parent of PGC, holding 51.63% of the Company's shares as at 31 December 2022 (30 June 2022:51.63%). Entities associated with George Kerr are the ultimate beneficial owners of the shares held by Chase, which is acting as custodian.

Australasian Equity Partners (GP) No. 1 Limited ("AEP GP")
AEP GP is the general partner of Australasian Equity Partners Fund No.1 LP ("AEP LP"), of which George Kerr is the ultimate controlling party.

During the period ended 31 December 2022, the Group made additional unsecured loan advances of £77,000 (year ended 30 June 2022: £106,000) to AEP GP. As at 31 December 2022, the amount receivable from AEP GP was £4.2 million (30 June 2022: £3.9 million). The amount is repayable by AEP GP on demand, or by the loan expiry date of 30 November 2023, whichever is the earlier. General advances accrue interest at 9%. Total interest recognised during the period was £189,000 (31 December 2021: £158,000).

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 2022 £000	Unaudited 31 December 2021 £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	506	517
Total	**566**	**577**

Directors' fees of £10,000 were outstanding at 31 December 2022 (30 June 2022: £10,000). Consultancy fees of £32,000 were outstanding at 31 December 2022 (30 June 2022: £51,000).

Personnel compensation within the Group is as follows:

	Unaudited 31 December 2022 £000	Unaudited 31 December 2021 £000
RCL Group short-term employee benefits	1,382	976
KCR short-term employee benefits	239	34
Total	**1,621**	**1,010**

There were no employee benefits outstanding at 31 December 2022 or 30 June 2022.

18. Fair value

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

<u>Fair value measurement of financial instruments</u>

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

Loans and receivables at amortised cost
Loans and receivables are measured at amortised cost. For purposes of fair value disclosures, the carrying amount of short-term loans and receivables approximates fair value. For long term loans and receivables, fair value is determined based on discounted cash flows using the current market interest rate of a similar instrument and based on this the amortised cost approximates the fair value.

Borrowings
Borrowings are measured at amortised cost. For purposes of fair value disclosures, the carrying amount of short-term borrowings approximates fair value. For long term borrowings, fair value is determined based on discounted cash flows using the current market interest rate of a similar instrument and based on this the amortised cost approximates the fair value.

18. Fair value (continued)

Fair value measurement of financial instruments (continued)

Investments - Fair value through profit or loss
Unlisted investments
On 21 October 2021, the Group, through its subsidiary Torchlight Group Limited, acquired an investment in 4B Mining Corp (“4B”), a company incorporated in Canada. The investment comprises a holding in the common shares of 4B and a 1% royalty interest in the gross revenue of a project to be pursued by Mineracao Piramide Participacoes Ltda, a Brazilian subsidiary of 4B. The investment is classified as an investment at fair value through profit or loss. As at 31 December 2022, the Group has determined that the fair value of the equity investment should be determined on the basis of the latest capital raising price less a discount of 20% to allow for minority position, unlisted nature and liquidity risk (30 June 2022: at cost). The royalty interest continues to be held at cost pending the completion of a formal third party valuation for the purposes of the Group’s annual financial statements for the year ended 30 June 2023.

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

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.

Fair value measurement of investment properties
Investment properties are valued by the directors of KCR with reference to valuations carried out by professionally qualified independent external valuers in accordance with the Royal Institution of Chartered Surveyors' Valuation - Global Standards, 2020 (Red Book). Fair value is based on current prices in an active market for similar properties in the same location and condition. The current price is the estimated amount for which a property could be exchanged between a willing buyer and willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuations are based on a market approach which provides an indicative value by comparing the property with other similar properties for which price information is available. Comparisons have been adjusted to reflect differences in age, size, condition, location and any other relevant factors.

18. Fair value (continued)

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:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Note	Unaudited 31 December 2022			
		Level 1	Level 2	Level 3	Total
Assets		£000	£000	£000	£000
Investment properties	12	-	-	24,605	24,605
Unlisted equity securities	13	-	-	4,274	4,274
Total Assets		**-**	**-**	**28,879**	**28,879**

There were no transfers between Levels 1, 2 and 3 in the period (31 December 2021: no transfers).

	Note	Audited 30 June 2022			
		Level 1	Level 2	Level 3	Total
Assets		£000	£000	£000	£000
Investment properties	13	-	-	24,605	24,605
Loans and receivables	13	-	-	42	42
Unlisted equity securities	13	-	-	1,825	1,825
Total Assets		**-**	**-**	**26,472**	**26,472**

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

18. Fair value (continued)

Reconciliation of Level 3 fair value measurements of assets

Foreign exchange translation movements are recognised in other comprehensive income.

	Unaudited 31 December 2022			
	Loans and receivables at fair value through profit or loss £000	**Investment properties £000**	**Unlisted investments £000**	**Total £000**
Investments held at fair value				
Balance at the beginning of the period	42	24,605	1,825	26,472
Disposal	(42)	-	-	(42)
Revaluation	-	-	2,497	2,497
Foreign exchange on translation	-	-	(48)	(48)
Balance at the end of the period	**-**	**24,605**	**4,274**	**28,879**

	Audited 30 June 2022				
	PTL receivable £000	**Loans and receivables at fair value through profit or loss £000**	**Investment properties £000**	**Unlisted investments £000**	**Total £000**
Investments held at fair value					
Balance at the beginning of the year	6,804	3,885	-	-	10,689
Acquisition	-	-	24,262	1,825	26,089
Disposal	(6,804)	(1,617)	-	-	(8,421)
Change in fair value through profit or loss within investment revenue	-	(2,146)	343	-	(1,803)
Foreign exchange on translation	-	(80)	-	-	(80)
Balance at the end of the year	**-**	**42**	**24,605**	**1,825**	**26,472**

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

PYNE GOULD CORPORATION LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2022

18. Fair value (continued)

Valuation process (continued)

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

Description	Unaudited Fair value at 31 December 2022 £000	Audited Fair value at 30 June 2022 £000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	24,605	24,605	Income capitalisation and or capital value on a per square foot basis	Adopted gross yield	3.00% - 5.76%	If the yield had been higher/lower, the fair value would decrease/increase.
				Adopted rate per square foot	£303 - £982	If the rate per square foot were higher/lower, the fair value would increase/decrease.
Unlisted investments – equity component	3,344	951	31 December 2022: Based on latest capital raising price less discount	Capital raising price	US$0.5417/share	31 December 2022: If the latest capital raising price had been higher/lower, the fair value would increase/decrease.
				Discount rate	20%	If the discount applied were higher/lower, the fair value would be lower/higher.
			30 June 2022: Cost	Acquisition price	US$0.1311/share	30 June 2022: If the acquisition price had been higher/lower, the fair value would increase/decrease.
Unlisted investments – royalty component	930	874	Cost	Acquisition price	See page 23	If the acquisition price had been higher/lower, the fair value would increase/decrease.
Loan at fair value through profit or loss	-	42	30 June 2022: Based on NPV of future cash flows and cash balance	Discount rate	10% discount rate 30% entitlement	If the discount rate used was higher/lower, the fair value would decrease/increase. The effect of any such decreases/increases would be immaterial.
	28,879	**26,472**				

19. Contingent liabilities and commitments

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

	Unaudited 31 December 2022 £000	Audited 30 June 2022 £000
Contracted work to complete		
Expenditure contracted for at the reporting date but not recognised as liabilities		
Within one year	22,348	15,752

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 2022 was £0.3 million (30 June 2022: £1.0 million).

20. Subsequent events

The following material events have occurred subsequent to 31 December 2022 to the date when these interim condensed consolidated financial statements were authorised for issue:

Following the approval of shareholders of the Company on 3 February 2023, on 8 February 2023, the Company announced that it had entered into a share purchase agreement in respect of 2 million of its own ordinary shares at a price per share of NZD 0.29 per share.