

12 March 2020

Preliminary Half Year Results to 31 December 2019

Profit and Loss

Pyne Gould Corporation (“PGC”) Managing Director George Kerr said today PGC recorded an unaudited Net Profit attributable to security holders of £ 1.31 million for the half year to 31 December 2019 (compared with a Net loss after Tax of £0.86 million in the half year to 31 December 2018).

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

Balance Sheet

Mr Kerr said Net Tangible Assets (“NTA”) decreased by 1.06% to £43.66 million in the half year to 31 December 2019 (down from £44.36 million as at 30 June 2019). NTA per share increased by .01% to 21.56 pence per share at 31 December 2019 (up from 21.38 pence per share).

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

On a consolidated basis PGC held Total Assets of £140.63 million at 31 December 2019 (up from £131.69 million at last balance date). This was made up of current assets of £46.30 million and long-term assets of £94.33 million. PGC had Total Liabilities of £84.87 million at 31 December 2019 and Total Equity of £55.76 million.

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

Commentary

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

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

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

This matter remains ongoing and consistent with our approach we will only comment on this as outcomes occur.

Following the successful delivery of the first stage of our residential project located within the Bethlehem suburb of Tauranga City, we are continuing to explore development options for the balance of this site.

Torchlight

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

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

RCL is very long-term in nature and value is only realised as blocks of land are converted to actual cash sales over time. RCL is continuing to unlock value in the underlying real estate portfolio.

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

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

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

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

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

KCR Investment

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

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

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

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

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

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

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

Share buyback

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

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

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

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

Final comment

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

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

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

Ends

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Name of Listed Issuer:

Pyne Gould Corporation Limited

Preliminary unaudited results for announcement to the market

Reporting Period

6 months to 31 December 2019

Previous Reporting Period

6 months to 31 December 2018

	Amount £'000	Percentage change favourable / (unfavourable)
Revenue from ordinary activities (including interest revenue)	1,189	2%
Profit from ordinary activities after tax attributable to security holders	1,308	252%
Net profit attributable to security holders	1,308	252%

Final Dividend - The Company does not propose to pay a final dividend.	Nil
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These results are unaudited.

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited* 6 months to 31 December 2019 £'000	Unaudited* 6 months to 31 December 2018 £'000	Percentage change favourable / (unfavourable)
Continuing operations			
Other revenue	1,012	974	4%
Total fees and other revenue	1,012	974	4%
Interest revenue	177	193	(8)%
Interest expense	(2,667)	(3,206)	17%
Net interest expense	(2,490)	(3,013)	17%
Revenue from land development and resale	27,605	21,445	29%
Cost of land development sales	(19,654)	(16,256)	(21)%
Net revenue from land development and resale	7,951	5,189	53%
Other investment gain	268	-	0%
Net investment gain	268	-	0%
Net operating revenue	6,741	3,150	114%
Selling and administration expenses	(4,888)	(4,357)	(12)%
Foreign exchange gains	31	269	(88)%
Profit/(loss) before tax	1,884	(938)	301%
Income tax benefit	-	-	0%
Profit/(loss) for the period	1,884	(938)	301%
Other comprehensive (loss)/income			
Foreign currency translation movement	(1,650)	575	(387)%
	(1,650)	575	(387)%
Total comprehensive income/(loss) for the period	234	(363)	164%
Profit/(loss) attributable to:			
Owners of the Company	1,308	(860)	252%
Non-controlling interests	576	(78)	838%
Profit/(loss) for the period	1,884	(938)	301%
Total comprehensive income/(loss) attributable to:			
Owners of the Company	38	(300)	113%
Non-controlling interests	196	(63)	411%
Total comprehensive income/(loss) for the period	234	(363)	164%
Earnings/(loss) per share attributable to owners of the Company			
	Pence	Pence	
Basic & diluted earnings/(loss) per share	0.65	(0.41)	256%

*Preliminary results are unaudited and may differ from the final results due to be released by the end of March 2020.

STATEMENT OF FINANCIAL POSITION

	Unaudited*	Audited
	At 31 December 2019	At 30 June 2019
	£'000	£'000
ASSETS		
Current assets		
Cash and cash equivalents	11,434	15,096
Inventories	30,180	37,588
Investments - Fair value through profit and loss	104	144
Investments - Loans and receivables at amortised cost	908	937
Finance receivables - Other	680	672
Trade and other receivables	2,805	5,378
Prepayments	196	147
Total current assets	46,307	59,962
Non-current assets		
Inventories	69,794	51,051
Investments - Fair value through profit and loss	17,938	14,020
Property, plant and equipment	122	145
Advances to other related parties	2,864	2,795
Investments - Loans and receivables at amortised cost	1,556	1,606
Investments - Derivative financial instruments	2,053	2,119
Total non-current assets	94,327	71,736
Total assets	140,634	131,698
LIABILITIES		
Current liabilities		
Borrowings	5,239	617
Trade and other payables	4,358	5,962
Total current liabilities	9,597	6,579
Non-current liabilities		
Borrowings	59,752	52,758
Settlement payable re acquisition of non-controlling interests	13,606	14,103
Deferred tax liability	1,916	1,986
Total non-current liabilities	75,274	68,847
Total liabilities	84,871	75,426
EQUITY		
Share capital	151,197	151,940
Foreign current translation reserve	19,938	22,060
Retained earnings and reserves	(127,475)	(129,636)
Total equity - attributable to owners of the Company	43,660	44,364
Non-controlling interests	12,103	11,908
Total equity	55,763	56,272
Total equity and liabilities	140,634	131,698
	Pence	Pence
Net tangible assets per share attributable to owners of the Company (pence)	21.56	21.38

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STATEMENT OF CHANGES IN EQUITY

	Unaudited* 6 months to 31 December 2019 £'000	Unaudited* 6 months to 31 December 2018 £'000
Equity at the beginning of the period	56,272	74,220
Profit/(loss) for the period	1,884	(938)
Other comprehensive (loss)/income	(1,650)	575
NCI acquisition during the period	-	(14,328)
Share buy-back	(743)	-
Equity at the end of the period	<u>55,763</u>	<u>59,529</u>

STATEMENT OF CASH FLOWS

	Unaudited* 6 months to 31 December 2019 £'000	Unaudited* 6 months to 31 December 2018 £'000
Cash at the beginning of the period	15,096	13,554
Net cash applied to operating activities	(7,287)	(22,572)
Net cash (applied to)/from investing activities	(5,685)	9,658
Net cash from financing activities	9,292	4,018
Effect of foreign exchange on cashflows	18	773
Total cash outflow for the period	<u>(3,662)</u>	<u>(8,123)</u>
Cash at the end of the period	<u>11,434</u>	<u>5,431</u>

On 18 December 2019, Khyber Pass Limited and Willis Limited were removed from the New Zealand Companies Register and liquidated. There were no other entities over which control has been gained or lost during the period.

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