

Blackwell Global Holdings Limited (NZX: BGI)

Half year preliminary unaudited announcement for the 6 months ended 30 September 2018

Commentary

AUCKLAND, New Zealand, 29 November 2018 – The Board of Blackwell Global Holdings Limited (NZX: BGI) is pleased to announce the preliminary unaudited half year results of the business for the six months ended 30 September 2018.

Results for Announcement to the Market

Reporting Period	6 months to 30 September 2018
Previous reporting period	6 months to 30 September 2017

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ602	Nil revenue in comparative period
Loss from ordinary activities after tax attributable to security holder	\$NZ(309)	(12.2)%
Net profit attributable to shareholders	\$NZ(309)	(12.2)%

Interim/Final Dividend	Amount per share	Imputed amount per share
The company does not propose to pay a dividend at this time.	Not applicable	Not applicable

Record Date	Not applicable
Dividend Payment Date	Not applicable

Comments:	See below
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Results

During the course of the first 6 months of the financial year the Group's focus has been on:

- continuing to develop its internal operational infrastructure to provide a platform for growing its finance company operations;
- deploying its funds towards good quality, moderate margin loan receivables. To this end, the Group has to date:
 - funded ten separate loan facilities;
 - deployed total funds to date of \$7,375,770 with loans structured across a mix of capitalised interest arrangements, and interest only loans. The loans have all been secured by first ranking mortgage securities over quality real estate assets. There have been no defaults of any description in terms of the loans deployed;
- developing a bespoke investment/funding structure whereby the Group can facilitate investment by third party investors into loan facilities procured and managed by the Group;
- continued investment in the progression of the development of a derivatives trading operation. The Group has been able to offset much of the costs associated with the development of the derivatives trading operation via the contribution towards those costs by the Group's major shareholder.

The Group's revenue comprises interest and fee income from mortgage lending activities.

Special purpose vehicle and new subsidiary

During the last 6 months a new funding mechanism has been established by creating a Special Purpose Vehicle (SPV). In April 2018 Blackwell Global Funds Limited was incorporated as a wholly owned subsidiary to act as a custodian for an SPV loan origination and lending service. The subsidiary has raised \$2.9 million of borrowings through the SPV arrangement and holds the Group's interest in \$2.9 million of loan receivables. Blackwell Global Finance Limited manages all aspects of the loan. The Group derives interest and fee income from this arrangement with a corresponding interest expense.

The SPV is a risk sharing mechanism which mitigates almost all of the Group's credit risk on the related loan receivables that were funded through the SPV arrangement.

The group is seeking additional SPV/Investor relationships as this method of funding has significant advantages for BGI and will allow expansion of lending activities into the non-bank sector, which is seen as a growth area given the main trading bank restrictive lending policies.

While the SPV arrangement is profitable for the Group, the net profit of the new subsidiary, Blackwell Global Funds Limited, is not material to the Group's results for the period.

New funding

In addition to the SPV funding arrangement noted above, and to assist the Group with funding its ongoing working capital requirements and loan receivables, the Group has drawn down a further \$500,000 of secured bonds issued to the Group's major shareholder.

The ongoing challenge for the Group in respect of growing its finance company operation is the ability to continue to raise debt finance from third party investors which can then be deployed towards funding loan receivables, and generating a profit margin for the Group. The Group is continuing to explore innovative new initiatives to secure more funding with a view to aggressively growing the finance company operation in the future.

Loan book

The loan book as at 30 September 2018 was \$5.7 million. All loans were secured by first mortgages over residential properties. The average lending to value ratio (LVR) was very low at an average of 58%. All loans are current with no past-due assets.

Other matters

Employee expenses include wages for two employees in the derivative trading subsidiary, Blackwell Global Investments (NZ) Limited. There is an agreement with the 56.6% shareholding company, Blackwell Global Group Limited, to reimburse these expenses.

BGINZ is currently assessing the opportunity to apply for a full derivatives trading licence from the Financial Markets Authority although at the date of this announcement, no formal application has been submitted.

The group has adequate cash reserves to meet ongoing needs for the foreseeable future, but lending growth is required to increase revenue, and this requires additional funding from the major shareholder and attracting new investors in the new SPV model.

Earnings per Share and Net Tangible Asset per security

The earnings per share are shown below the Consolidated Statement of Profit & Loss and Other Comprehensive Income below. The net tangible asset backing per security is shown below the Consolidated Statement of Position below.

Audit

The consolidated financial statements shown below have not been audited nor reviewed by the Group's auditor.

Future Events

Event	Date
Interim report due	31 December 2018

ENDS

Authority for this announcement

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Date of release: 29 November 2018

Consolidated Statement of Comprehensive Income

Blackwell Global Holdings Limited

For the six months ended 30 September 2018

	6 mths ended 30 Sep 2018 (unaudited) \$	6 mths ended 30 Sep 2017 (unaudited) \$	12 mths ended 31 Mar 2018 (audited) \$
Revenue			
Interest and fee income	424,169	9,055	76,462
Other income	177,915	-	82,352
Total Income	602,084	9,055	158,814
Expenses			
Directors' fees	(146,625)	(129,044)	(284,481)
Employee expenses	(299,516)	(30,000)	(135,000)
Interest expense	(222,153)	(11,781)	(99,200)
Other operating expenses	(242,594)	(113,536)	(392,293)
Total expenses	(910,888)	(284,361)	(910,974)
Loss before income tax	(308,804)	(275,306)	(752,160)
Income tax benefit/(expense)	-	-	-
Total comprehensive loss for the period	(308,804)	(275,306)	(752,160)
Attributable to:			
Owners of the parent company	(308,804)	(275,306)	(752,160)
Earnings/(loss) per share			
Basic (loss) per share (cents per share):	(0.07)	(0.10)	(0.21)
Diluted (loss) per share (cents per share):	(0.07)	(0.10)	(0.21)

Statement of Changes in Equity
Blackwell Global Holdings Limited
For the six months ended 30 September 2018

	Share Capital	Convertible Note Reserve	Contributed Capital	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 April 2017 (audited)	9,650,250	-	-	(10,041,222)	(390,972)
Loss for the period	-	-	-	(275,306)	(275,306)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(275,306)	(275,306)
Issue of ordinary shares, net of transaction costs	2,460,496	-	-	-	2,460,496
Equity component recognised in convertible note reserve	-	-	-	-	-
Contributed capital on the bond	-	-	-	-	-
Balance at 30 September 2017 (unaudited)	12,110,746	-	-	(10,316,528)	1,794,218
Balance at 1 April 2017 (audited)	9,650,250	-	-	(10,041,222)	(390,972)
Loss for the period	-	-	-	(752,160)	(752,160)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(752,160)	(752,160)
Issue of ordinary shares, net of transaction costs	2,460,496	-	-	-	2,460,496
Equity component recognised in convertible note reserve	-	114,716	-	-	114,716
Contributed capital on the bond	-	-	102,013	-	102,013
Balance at 31 March 2018 (audited)	12,110,746	114,716	102,013	(10,793,382)	1,534,093
Balance at 1 April 2018 (audited)	12,110,746	114,716	102,013	(10,793,382)	1,534,093
Loss for the period	-	-	-	(308,804)	(308,804)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(308,804)	(308,804)
Contributed capital on the bond	-	-	25,503	-	25,503
Balance at 30 September 2018 (unaudited)	12,110,746	114,716	127,516	(11,102,186)	1,250,792

Consolidated Statement of Financial Position

Blackwell Global Holdings Limited

As at 30 September 2018

	30 Sep 2018 (unaudited) \$	30 Sep 2017 (unaudited) \$	31 Mar 2018 (audited) \$
Current assets			
Cash and cash equivalents	1,535,897	2,364,057	801,387
Prepayments and other receivables	5,693	-	9,648
Loan receivables	5,721,940	105,020	3,315,377
Total current assets	7,263,530	2,469,077	4,126,412
Non-current assets			
Prepayments and other receivables	75,000	-	75,000
Property and equipment	1,251	-	1,668
Total non-current assets	76,251	-	76,668
Total assets	7,339,781	2,469,077	4,203,080
Current liabilities			
Trade payables and other liabilities	234,017	174,859	270,892
Deferred revenue	81,187	-	56,417
Borrowings	2,900,000	-	-
Total current liabilities	3,215,204	174,859	327,309
Non-current liabilities			
Borrowings	2,873,785	500,000	2,341,678
Total non-current liabilities	2,873,785	500,000	2,341,678
Total liabilities	6,088,989	674,859	2,668,987
Net assets	1,250,792	1,794,218	1,534,093
Equity			
Share capital	12,110,746	12,110,746	12,110,746
Convertible note reserve	114,716	-	114,716
Contributed capital	127,516	-	102,013
Accumulated losses	(11,102,186)	(10,316,528)	(10,793,382)
Total equity	1,250,792	1,794,218	1,534,093
Net tangible assets per share (cents per share):	0.28	0.66	0.43

Consolidated Statement of Cash Flows

Blackwell Global Holdings Limited

For the six months ended 30 September 2018

	6 mths ended 30 Sep 2018 (unaudited) \$	6 mths ended 30 Sep 2017 (unaudited) \$	12 mths ended 31 Mar 2018 (audited) \$
Cash flows from operating activities			
Receipts of loan receivables	1,781,957	-	-
Interest received	233,829	9,055	23,613
Lending, credit fees and other income received	115,435	-	74,310
Net movement in funds held on trust	19,333	-	-
Operating inflows	2,150,554	9,055	97,923
Advances in loan receivables	(4,088,846)	-	(3,280,421)
Payments to suppliers and employees	(534,370)	(524,233)	(774,150)
Interest paid	(164,541)	-	(25,015)
Repayment of GST liability	(28,287)	-	(93,516)
Operating outflows	(4,816,044)	(524,233)	(4,173,102)
Net cash (used in)/generated by operating activities	(2,665,490)	(515,178)	(4,075,179)
Cash flows used in investing activities			
Purchase of property, plant and equipment	-	-	(2,669)
Net cash used in investing activities	-	-	(2,669)
Cash flows from financing activities			
Increase in funding from bonds	500,000	-	2,000,000
Proceeds from borrowings	2,900,000	-	-
Proceeds from convertible notes	-	500,000	500,000
Proceeds from issue of share capital	-	2,220,496	2,220,496
Net cash flow from financing activities	3,400,000	2,720,496	4,720,496
Net increase/(decrease) in cash and cash equivalents	734,510	2,205,318	642,648
Cash and cash equivalents at the beginning of the period	801,387	158,739	158,739
Cash and cash equivalents at the end of the year	1,535,897	2,364,057	801,387

Reporting of Segments

Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker is identified as the Board of Directors. The Group internally reported as a single operating segment to the chief decision-maker.