

Blackwell to discontinue its investment in its derivatives trading operation

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The Board of Blackwell has resolved to discontinue its ongoing investment in developing a derivatives trading operation through its wholly owned subsidiary, Blackwell Global Investments (NZ) Limited (BGINZ).

BGINZ has been in the process of preparing an application to the Financial Markets Authority for a derivatives trading licence. Following the Board's decision, this application will no longer proceed, and all employees associated with this operation will cease working for the business.

The Board expects that the discontinuation of the operations of BGINZ will be completed within two months.

The Board notes that:

- The regulatory landscape for derivative trading operations in New Zealand has become increasing complex and expensive to comply with;
- The sector appears to also be highly competitive and under some strain having regard to at least one high profile failure of a trans-Tasman derivatives operation recently;
- The quantum of investment required to launch the derivatives operation has increased significantly beyond that original forecast during the course of the last financial year;
- The timeframe for the derivatives operation to become cashflow positive were also anticipated to take longer than originally forecast.

The Board considers that the most appropriate direction for the Company to take is to concentrate on the ongoing development of its finance company operation.

To date the finance company operation has:

- Deployed its funds towards good quality, moderate margin loan receivables.
- Deployed funds of \$7,375,770 into a number of loans structured across a mix of capitalised interest arrangements, and interest only loans.
- Only provided loans that are 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.

The Company will concentrate on developing a bespoke investment/funding structure whereby the Company can facilitate investment by third party investors into loan facilities procured and managed by the Company.

Ends

For more information please contact:

Mark Thornton

Chief Executive Officer

+64 9 302 2618