

Blackwell Global Holdings Limited (NZX: BGI)

Full Year preliminary unaudited announcement for the 12 months ended 31 March 2019

Commentary

AUCKLAND, New Zealand, 30 May 2019 - The Board of Blackwell Global Holdings Limited (NZX: BGI) provides the market with their full year update for the 12 months ended 31 March 2019.

Results for Announcement to the Market

Reporting Period	12 months to 31 March 2019
Previous reporting period	12 months to 31 March 2018

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$1,254	690%
Loss from ordinary activities after tax attributable to security holder	NZ\$(585)	(22%)
Net profit attributable to shareholders	NZ\$(585)	(22%)

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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Blackwell Global Holdings Limited (NZX: BGI)

Full year preliminary unaudited announcement for the 12 months ended 31 March 2019

Lending Operation a Focus for the Company

During the course of the financial year Blackwell Global Holdings Limited (“BGI” and “the Company”) has been concentrating on the ongoing development of its finance company operation.

The Company’s focus has, in particular 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 10 separate loan facilities;
 - The total amount of funds deployed to date has been \$5,420,729;
 - The loans have been 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;
 - Developing a bespoke investment/funding structure whereby the Company can facilitate investment by third party wholesale investors into loan facilities procured and managed by the Company.

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

To assist the Group with funding its ongoing working capital requirements and loan receivables, the Group has drawn down a further \$500,000 of bonds issued to the Group’s major shareholder in April 2018.

Discontinuation of Derivatives Trading Licence Application

In December 2018, the Board announced that it had resolved to discontinue its ongoing investment in developing a derivatives trading operation through its wholly owned subsidiary, Blackwell Global Investments (NZ) Limited (BGINZ). BGINZ had been in the process of preparing an application to the Financial Markets Authority for a derivatives trading licence. Following the Board’s decision, the application did not proceed, and all employees associated with this operation ceased working for the business.

In resolving to discontinue its investment in the derivatives trading initiative, the Board noted that:

- The regulatory landscape for derivative trading operations in New Zealand had become increasingly complex and expensive to comply with;

- The sector has developed to become highly competitive;
- The quantum of investment required to launch the derivatives operation had increased significantly beyond that original forecast during the course of the last financial year;
- The timeframe for the derivatives operation to become cashflow positive was anticipated to take longer than originally forecast.

The Group has been able to offset much of the costs associated with the investment in the derivatives trading operation via the contribution towards those costs by the Group's major shareholder. The major shareholders contributions are recognised as Other Income with the corresponding expenses included in Operating Expenses.

The Board believes that if the Company is able to secure additional debt funding (which can in turn be deployed towards funding the Company's finance company operation), there is a genuine opportunity for the Company to generate meaningful revenues and profits.

The Board is committed to explore all avenues available to it to raise further debt funding to this end. The Board will report back to shareholders with any meaningful developments in this regard should they eventuate.

Changes in Accounting Policy

Apart from the changes noted below, the unaudited financial statements have been prepared using the same accounting policies and methods of computation detailed in the company's Annual Report for the year ended 31 March 2018.

Application of new and revised standards, amendments and interpretations

The Group has applied NZ IFRS 9: *Financial Instruments* and NZ IFRS 15: *Revenue from Contracts with Customers* for the first time in the current financial year. Details of the impact of the application of these new NZ IFRSs are described below.

Application of NZ IFRS 9: Financial Instruments

Financial assets classified as loans and receivables under NZ IAS 39 that were measured at amortised cost continue to be measured at amortised cost under NZ IFRS 9, and classified as such, as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

In relation to the impairment of financial assets, NZ IFRS 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under NZ IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In assessing whether the credit risk of the loan receivables has increased significantly since initial recognition, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the domestic housing market and similar overseas markets, as well as economic expert reports, financial analysis and government data.

The Group recognises any impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

No impairment losses have been recognised in these unaudited results, as there has been no significant change in the risk profile of the loan receivables.

Further details about the application of this new standard will be provided in the Annual Report, when it is released.

Application of NZ IFRS 15: Revenue from Contracts

This new standard requires the Group to provide additional disclosures about revenues in its Annual Report. The new standard does not have a material impact of the amounts recognised in the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Financial Position.

Earnings per Share and Net Tangible Asset per security

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

New Subsidiary

In April 2018 Blackwell Global Funds Limited was incorporated as a wholly owned subsidiary. The company was established to act as a custodian for a special purpose loan origination and lending service. The subsidiary holds the Group's interest in the \$2.9 million of loan receivables and the \$2.9 million of borrowings through the SPV arrangement. The net profit of this subsidiary is not material to the Group's results for the period.

Audit

The consolidated financial statements are in the process of being audited.

Future Events

Event	Date
Annual Report due	30 June 2019

ENDS

Authority for this announcement

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Date of release: 30 May 2019

Consolidated Statement of Comprehensive Income

Blackwell Global Holdings Limited

For the year ended 31 March 2019

	2019 \$	2018 \$
Revenue		
Interest and fee income	822,430	76,462
Other income	431,707	82,352
Total Income	1,254,137	158,814
Expenses		
Directors' fees	(281,250)	(284,481)
Employee expenses	(622,717)	(135,000)
Interest expense	(519,919)	(99,200)
Other operating expenses	(415,181)	(392,293)
Total expenses	(1,839,067)	(910,974)
Loss before income tax	(584,930)	(752,160)
Income tax benefit/(expense)	-	-
Total comprehensive loss for the year	(584,930)	(752,160)
Attributable to:		
Owners of the parent company	(584,930)	(752,160)
Earnings/(loss) per share		
Basic (loss) per share (cents per share):	(0.13)	(0.21)
Diluted (loss) per share (cents per share):	(0.13)	(0.21)

Statement of Changes in Equity

Blackwell Global Holdings Limited

For the year ended 31 March 2019

	Share Capital	Convertible Note Reserve	Contributed Capital	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 April 2017	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
Contributed capital on the bonds	-	-	102,013	-	102,013
Equity component recognised in convertible note reserve	-	114,716	-	-	114,716
Balance at 31 March 2018	12,110,746	114,716	102,013	(10,793,382)	1,534,093
Balance at 1 April 2018	12,110,746	114,716	102,013	(10,793,382)	1,534,093
Loss for the year	-	-	-	(584,930)	(584,930)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(584,930)	(584,930)
Contributed capital on the bonds	-	-	25,503	-	25,503
Balance at 31 March 2019	12,110,746	114,716	127,516	(11,378,312)	974,666

Consolidated Statement of Financial Position

Blackwell Global Holdings Limited

As at 31 March 2019

	2019 \$	2018 \$
Current assets		
Cash and cash equivalents	1,513,055	801,387
Prepayments and other receivables	26,399	9,648
Loan receivables	5,377,175	3,258,960
Total current assets	6,916,629	4,069,995
Non-current assets		
Prepayments and other receivables	75,500	75,000
Property, plant and equipment	3,780	1,668
Total non-current assets	79,280	76,668
Total assets	6,995,909	4,146,663
Current liabilities		
Trade and other payables	103,583	146,733
Accruals, provisions and other liabilities	103,765	124,159
Borrowings	2,955,904	38,218
Total current liabilities	3,163,252	309,110
Non-current liabilities		
Borrowings	2,857,991	2,303,460
Total liabilities	6,021,243	2,612,570
Net assets	974,666	1,534,093
Equity		
Share capital	12,110,746	12,110,746
Contributed capital	127,516	102,013
Convertible note reserve	114,716	114,716
Accumulated losses	(11,378,312)	(10,793,382)
Total equity	974,666	1,534,093
Net tangible assets per share (cents per share):	0.22	0.35

Consolidated Statement of Cash Flows

Blackwell Global Holdings Limited

For the year ended 31 March 2019

	2019 \$	2018 \$
Cash flows from operating activities		
Interest received	710,578	23,613
Lending, credit fees and other income received	234,238	74,310
Operating inflows	944,816	97,923
Net advances in loan receivables	(2,240,600)	(3,280,421)
Payments to suppliers and employees	(924,157)	(774,150)
Interest paid	(385,553)	(25,015)
Repayment of GST liability	(82,838)	(93,516)
Income taxes paid	-	-
Operating outflows	(3,633,148)	(4,173,102)
Net cash used in operating activities	(2,688,332)	(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
Proceeds from issue of share capital	-	2,220,496
Net cash flow from financing activities	3,400,000	4,720,496
Net increase in cash and cash equivalents	711,668	642,648
Cash and cash equivalents at the beginning of the period	801,387	158,739
Cash and cash equivalents at the end of the year	1,513,055	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.