

# **Blackwell Global Holdings Limited**

## **Annual Report**

**For the year ended 31 March 2019**

### **CONTENTS**

	Page
Chairman's Report	2
Corporate Governance Statement	4
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Cash Flows	9
Reconciliation of Net Operating Cash Flows to Net Loss After Tax	10
Notes to the Consolidated Financial Statements	11
Additional Information	35
Company Directory	38

# CHAIRMAN'S REPORT

## BLACKWELL GLOBAL HOLDINGS LIMITED

For the year ended 31 March 2019

Dear Shareholders

### **Lending Operation a Focus for the Company**

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

The Company'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 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.

### **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;

# CHAIRMAN'S REPORT

## BLACKWELL GLOBAL HOLDINGS LIMITED

For the year ended 31 March 2019

- The timeframe for the derivatives operation to become cashflow positive was anticipated to take longer than originally forecast.

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.

Yours sincerely  
Sean Joyce  
Chairman



**Sean Joyce**  
**Chairman**

24 June 2019



# Corporate Governance Statement

Blackwell Global Holdings Limited

For the year ended 31 March 2019

The Board of the Group is committed to acting with integrity and expects high standards of behaviour and accountability from all its officers and staff. The Board recognises the need to continue to enhance its governance standards in line with developing best practice. In doing so, the Board has considered standards, guidelines and principles published by a range of interested parties in New Zealand and internationally. The governance principles adopted by the Board are designed to meet best practice. Generally, the Group follows the NZX corporate governance best practice code, except that there is no Nominations Committee. The Board has reviewed those rules, principles and guidelines and is taking progressive steps to improve the governance systems and processes by reference to them.

## Role of the Board

The Board's primary objective is the enhancement of shareholder value by following appropriate strategies and ensuring effective and innovative use of available Group resources. The Board is responsible for the management, supervision and direction of the Group. Day-to-day management of the company is delegated to the Group Chief Executive Officer.

## Board meetings

The Board normally meets quarterly each year for scheduled meetings. Additional meetings are held where specific matters require attention between scheduled meetings. Board meetings are used to monitor, challenge, develop and fully understand business and operational issues.

## Composition of the Board

The Constitution provides that there will be no less than three and not more than nine directors. NZX requirements are that at least two directors, or one-third, are independent directors. The Board currently consists of two independent directors.

## Criteria for Board membership

When a vacancy arises, the Board will identify candidates with a mix of capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. A director appointed by the Board must stand for election at the next annual meeting. At each annual meeting one-third of directors (excluding the Managing Director) must retire by rotation. Retiring directors are eligible for re-election.

## Board committees

The Board has established an Audit & Risk Committee and a Remuneration Committee.

The Audit & Risk Committee operates under a charter approved by the Board and is accountable to the Board for: the business relationship with, and the independence of, external auditors; the reliability and appropriateness of the disclosure of the consolidated financial statements and external financial communication; and the maintenance of an effective business risk management framework including compliance and internal controls. The Audit & Risk Committee is comprised of independent and executive directors. The Chairman of the Committee is Craig Irving Alexander. Sean Joyce is also a member of the Audit and Risk Committee.

The Remuneration Committee operates under a charter approved by the Board and is accountable to the Board for: obtaining assurance that the Group's human resources policies and practices support achievement of the Group's goals; overseeing appointments of the Group Chief Executive Officer, roles reporting to the Group Chief Executive Officer, and key professional advisors in the area of legal, tax and public relations, and overseeing the development of key employees.



# Corporate Governance Statement

Blackwell Global Holdings Limited

For the year ended 31 March 2019

The Remuneration Committee recommends to the Board the level of the Group Chief Executive Officer's remuneration package. The Remuneration Committee is comprised of independent directors. The Chairman of the committee is Craig Irving Alexander. Sean Joyce is also a member of the Remuneration Committee.

## Trading in shares

The Group has a detailed insider trading policy applying to all directors and employees. A procedure must be followed to obtain consent to trade in the Group's shares at all times. Generally trading is permitted from the release of interim results until 28 February and from the release of the final results until 31 August. Directors and employees are not able to trade in Group shares, if they are in possession of unpublished price sensitive information.

The Group reinforces these measures by requiring that anyone designated as having the opportunity to access price sensitive information can transact in the Group's securities only with the prior approval of the Group Secretary and Chairman.

## Timely and balanced disclosure

The Group has in place procedures designed to ensure compliance with the NZX listing rules such that all investors have equal and timely access to material information concerning the Group, including its financial situation, performance, ownership and governance.

Group announcements are factual and presented in a clear and balanced way.

Accountability for compliance with disclosure obligations is with the Group Chief Executive Officer, Mark Thornton. Significant market announcements, including the preliminary announcement of the half year and full year results, and the consolidated financial statements for those periods, require review by the Audit & Risk Committee and the Board.

## Corporate governance best practice code

The Group does not consider that the corporate governance principles adopted or followed by the Group materially differ from the corporate governance best practice code.

## Diversity policy

The Group does not have a formal diversity policy. However, it recognises the wide-ranging benefits that diversity brings to an organisation and its workplaces. The Group endeavours to ensure diversity at all levels of the organisation to ensure a balance of skills and perspectives are available in the service of our shareholders and customers.

As at 31 March, the gender balance of the Group's directors, officers and all employees were as follows:

	Directors		Officers		Employees	
	2019	2018	2019	2018	2019	2018
Female	0	0	0	0	0	0
Male	5	5	1	1	1	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>

# Consolidated Statement of Comprehensive Income

Blackwell Global Holdings Limited

For the year ended 31 March 2019

	Notes	2019 \$	2018 \$
<b>Revenue</b>			
Interest and fee income	5	822,430	76,462
Other income	5	431,707	82,352
<b>Total Income</b>		<b>1,254,137</b>	<b>158,814</b>
<b>Expenses</b>			
Directors' fees	25	(281,250)	(284,481)
Employee expenses		(622,717)	(135,000)
Interest expense		(519,919)	(99,200)
Other operating expenses	6	(415,181)	(392,293)
<b>Total expenses</b>		<b>(1,839,067)</b>	<b>(910,974)</b>
<b>Loss before income tax</b>		<b>(584,930)</b>	<b>(752,160)</b>
Income tax benefit/(expense)	7	-	-
<b>Total comprehensive loss for the year</b>		<b>(584,930)</b>	<b>(752,160)</b>
<b>Attributable to:</b>			
Owners of the parent company		<b>(584,930)</b>	<b>(752,160)</b>
<b>Earnings/(loss) per share</b>			
Basic (loss) per share (cents per share):	10	(0.13)	(0.21)
Diluted (loss) per share (cents per share):	10	(0.13)	(0.21)

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

# Consolidated Statement of Changes in Equity

Blackwell Global Holdings Limited

For the year ended 31 March 2019

	Notes	Share capital	Contributed capital	Convertible note reserve	Accumulated losses	Total equity
		\$	\$	\$	\$	\$
<b>Balance at 1 April 2017</b>		<b>9,650,250</b>	<b>-</b>	<b>-</b>	<b>(10,041,222)</b>	<b>(390,972)</b>
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	20	2,460,496	-	-	-	2,460,496
Contributed capital on the bonds	17.1	-	102,013	-	-	102,013
Equity component recognised in convertible note reserve	17.2	-	-	114,716	-	114,716
<b>Balance at 31 March 2018</b>		<b>12,110,746</b>	<b>102,013</b>	<b>114,716</b>	<b>(10,793,382)</b>	<b>1,534,093</b>
<b>Balance at 1 April 2018</b>		<b>12,110,746</b>	<b>102,013</b>	<b>114,716</b>	<b>(10,793,382)</b>	<b>1,534,093</b>
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	17.1	-	25,503	-	-	25,503
<b>Balance at 31 March 2019</b>		<b>12,110,746</b>	<b>127,516</b>	<b>114,716</b>	<b>(11,378,312)</b>	<b>974,666</b>

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.



# Consolidated Statement of Financial Position

Blackwell Global Holdings Limited

As at 31 March 2019

	Notes	2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents	18	1,513,055	801,387
Prepayments and other receivables	12	26,399	9,648
Loan receivables	16	5,377,175	3,258,960
<b>Total current assets</b>		<b>6,916,629</b>	<b>4,069,995</b>
<b>Non-current assets</b>			
Prepayments and other receivables	12	75,500	75,000
Property, plant and equipment	13	3,780	1,668
<b>Total non-current assets</b>		<b>79,280</b>	<b>76,668</b>
<b>Total assets</b>		<b>6,995,909</b>	<b>4,146,663</b>
<b>Current liabilities</b>			
Trade and other payables	14	103,583	136,723
Accruals, provisions and other liabilities	15	103,765	134,169
Borrowings	17	2,955,904	-
<b>Total current liabilities</b>		<b>3,163,252</b>	<b>270,892</b>
<b>Non-current liabilities</b>			
Borrowings	17	2,857,991	2,341,678
<b>Total liabilities</b>		<b>6,021,243</b>	<b>2,612,570</b>
<b>Net assets</b>		<b>974,666</b>	<b>1,534,093</b>
<b>Equity</b>			
Share capital	20	12,110,746	12,110,746
Contributed capital	17.1	127,516	102,013
Convertible note reserve	17.2	114,716	114,716
Accumulated losses		(11,378,312)	(10,793,382)
<b>Total equity</b>		<b>974,666</b>	<b>1,534,093</b>
Net tangible assets per share (cents per share):	11	0.22	0.35

For and on behalf of the Board:



Director

Dated: 24 June 2019



Director

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

# Consolidated Statement of Cash Flows

Blackwell Global Holdings Limited

For the year ended 31 March 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Interest received		539,930	23,613
Lending, credit fees and other income received		208,659	74,310
<b>Operating inflows</b>		<b>748,589</b>	<b>97,923</b>
Net advances in loan receivables		(2,044,375)	(3,280,421)
Payments to suppliers and employees		(924,155)	(774,150)
Interest paid		(385,553)	(25,015)
Repayment of GST liability		(82,838)	(93,516)
Income taxes paid		-	-
<b>Operating outflows</b>		<b>(3,436,921)</b>	<b>(4,173,102)</b>
<b>Net cash used in operating activities</b>		<b>(2,688,332)</b>	<b>(4,075,179)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		-	(2,669)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(2,669)</b>
<b>Cash flows from financing activities</b>			
Increase in funding from bonds	17.1	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
<b>Net cash flow from financing activities</b>		<b>3,400,000</b>	<b>4,720,496</b>
<b>Net increase in cash and cash equivalents</b>		<b>711,668</b>	<b>642,648</b>
Cash and cash equivalents at the beginning of the period	24.3	801,387	158,739
<b>Cash and cash equivalents at the end of the year</b>		<b>1,513,055</b>	<b>801,387</b>

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

# Reconciliation of Net Operating Cash Flows to Net Loss After Tax

Blackwell Global Holdings Limited

For the year ended 31 March 2019

	Notes	2019 \$	2018 \$
<b>Net loss for the year</b>		<b>(584,930)</b>	<b>(752,160)</b>
<i>Adjustments for:</i>			
Depreciation	13	2,957	1,001
Capitalised & accrued interest expense		80,036	74,185
Capitalised interest income		-	(34,956)
Non operating items in sundry income		(5,069)	-
Other non-cash adjustments		-	-
		<b>(507,006)</b>	<b>(711,930)</b>
<i>Changes in net assets and liabilities:</i>			
(Increase) / decrease in loan receivables (excluding deferred revenue)	16	(2,094,415)	(3,280,421)
Increase / (decrease) in deferred revenue	16	(23,800)	56,417
(Increase) / decrease in prepayments and other receivables	12	(17,251)	(2,250)
Increase / (decrease) in trade and other payables	14	(33,142)	(136,995)
Increase / (decrease) in accruals, provisions and other liabilities	15	(30,404)	-
Increase / (decrease) in interest accrual on borrowings		17,686	-
<b>Net cash (used in)/generated by operating activities</b>		<b>(2,688,332)</b>	<b>(4,075,179)</b>

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 1. General information

These consolidated financial statements are for Blackwell Global Holdings Limited (the 'Company') and its subsidiaries (together the 'Group').

The Company and its subsidiaries are limited liability companies, domiciled and incorporated in New Zealand. The Company is listed by NZX Limited on the NZX Market ('NZX').

The Company is registered under the Companies Act 1993 and is a Financial Markets Conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The Group operates a financial services business focusing on mortgage lending. During the year the Group ended its assessment of the viability of a derivatives trading operation.

## 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and with the requirements of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. The Company is a for-profit entity for the purposes of NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRSs') and with International Financial Reporting Standards ('IFRSs').

The consolidated financial statements have been prepared on a historical cost basis except for any financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The consolidated financial statements for the Group have been prepared on a going concern basis.

The consolidated financial statements are presented in New Zealand dollars.

## 3. Summary of significant accounting policies

Apart from the changes noted below, the consolidated financial statements have been prepared using the same accounting policies detailed in the Group's audited consolidated financial statements for the year ended 31 March 2018.

### 3.1 Application of new and revised NZ IFRSs, 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.

The Group initially recognises loan receivables at their fair value on the date that they are originated and are subsequently carried at amortised cost using the effective interest method.

The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

In relation to the impairment of financial assets, NZ IFRS 9 requires an expected credit loss model ('ECL') 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



# Notes to the Consolidated Financial Statements

**Blackwell Global Holdings Limited**

**For the year ended 31 March 2019**

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 particular, NZ IFRS 9 requires at initial recognition, an allowance (or provision in the case of loan commitments) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12 month ECL'). In the event of a significant increase in credit risk, allowance (or provision), is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'Stage 1'. Financial assets which are considered to have experienced significant increase in credit risk are in 'Stage 2'. Financial assets for which there is objective evidence of impairment, are in default, or otherwise credit impaired are in 'Stage 3'.

The Group determines that a financial instrument is credit impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

- contractual payment of either principal or interest are past due for more than 90 days;
- there are other indicators that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; or
- the loan is otherwise considered to be in default.

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. However, unless identified at an earlier stage all financial assets are deemed to have suffered a significant increase in credit risk when past due.

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, where applicable. This represents a 'most likely outcome' (the 'Central' scenario) and two, less likely, 'Outer' scenarios on either side of the Central, referred to as an 'Upside' and a 'Downside' scenario respectively. The relationship between the Outer scenarios and Central scenario will generally be fixed with the Central scenario being assigned a weighting of 80% and the Upside and Downside scenarios 10% each, with the difference between the Central and Outer scenarios in terms of economic severity being informed by the spread of external forecast distributions among professional industry forecasts.

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.

Financial assets (and the related impairment allowances) are normally written off either partially or in full, when there is no realistic prospect of recovery. Where loans are secured this is generally after receipt of any proceeds from the realisation of security.

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above. Renegotiated loans will continue to be in Stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period and there are no other indicators of impairment. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the Group calculates ECL using three main components, a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD'). The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default, taking into account the



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The ECL for Stage 3 is determined on an individual basis using a discounted cash flow methodology. The expected future cash flows are based on management's estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under different scenarios which are probability-weighted by reference to economic scenarios. For less significant cases, the effect of different economic scenarios and work-out strategies is approximated and applied as an adjustment to the most likely outcome.

The assessment of credit risk, and the estimation of ECL incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

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

There were no financial assets or financial liabilities which the Group had previously designated as fair value through profit or loss ('FVTPL') or fair value through other comprehensive income ('FVTOCI') under NZ IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of NZ IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as FVTPL or FVTOCI at the date of initial application of NZ IFRS 9.

## *Application of NZ IFRS 15: Revenue from Contracts with Customers*

Apart from providing more extensive disclosures for the Group's revenue transactions, the application of NZ IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group. The consolidated financial statements provide disclosure about disaggregated revenue in accordance with the requirements of the new NZ IFRS (refer note 5).

## **3.2 New and revised NZ IFRSs in issued but not yet effective**

The Group has not applied the following new NZ IFRS that has been issued but is not yet effective.

### *NZ IFRS 16: Leases*

NZ IFRS 16 replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off-balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets. The standard is effective for accounting periods beginning on or after 1 January 2019. Application of the new NZ IFRS is not expected to have a material impact on the Group's financial performance or financial position because the Group has no material operating lease commitments.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 3.3 Basis of consolidation

The consolidated financial statements of the Group incorporate the assets, liabilities and results of all controlled entities. Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

All intercompany transactions, balances and any recognised income and expense (except for foreign currency transaction gains or losses) between controlled entities are eliminated in full on consolidation.

## 3.4 Revenue

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset, or a shorter period where appropriate, to the net carrying amount of the financial asset.

Loan fee revenue is recognised as each performance obligation is satisfied. Loan acceptance fees charged at the initiation of a loan are recognised as deferred income and amortised over the expected life of the loan. Fees for other services are recognised as the service is performed.

Sundry income represents the benefit received from Blackwell Global Investments Limited paying costs on behalf of the Group. It has been agreed that these costs will not be recovered from the Group. Refer to Note 25: Related Parties.

## 3.5 Interest income and similar expenses from financial instruments measured at amortised cost

For all financial instruments measured at amortised cost, interest income and expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

The interest expense includes the amortisation of bonds and convertible notes premiums.

## 3.6 Expense recognition

All expenses are recognised in the Consolidated Statement of Comprehensive Income on an accruals basis.

## 3.7 Employee expenses

Liabilities for wages and salaries, including non-monetary benefits, are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities and included in the accruals, provisions and other liabilities in the Consolidated Statement of Financial Position.

## 3.8 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit at the time of the transaction, and differences relating to investments in subsidiaries and joint operations to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In principle deferred tax liabilities are recognised from taxable temporary timing differences. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax losses and tax credits can be recognised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be recognised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

## 3.9 Goods and services tax (GST)

The Group is not registered for GST. Therefore, all amounts are stated inclusive of GST. The GST arrears recorded within Trade and Other Payables shown in the Consolidated Statement of Financial Position relates to GST arrears relating to prior years for which the Group is on instalment arrangement with Inland Revenue

## 3.10 Financial assets

The accounting policies prior to 1 April 2018, which relate to the comparative numbers, were as follows.

The Group classified its financial assets as 'loans and receivables' as they were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Group initially recognised loan receivables at their fair value on the date that they were originated, and they were subsequently carried at amortised cost using the effective interest method.

The Group de-recognised a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets were transferred. Any interest in transferred financial assets that was created or retained by the Group was recognised as a separate asset or liability.

### *Loans Receivables*

Past due but not impaired assets were any asset which had not been operated by the counterparty within their key terms but were not considered to be impaired by the Group.

Individually impaired assets were those loans for which the Group had evidence that it would be unable to collect all principal and interest due according to the contractual terms of the loan.

Credit impairment provisions were made where events had occurred leading to an expectation of reduced future cash flows from certain receivables. These provisions were made in some cases against an individual loan and in other cases on a collective basis. When all appropriate collection and legal action had been performed and the loan was known to be non-recoverable, it was written off against the related provision for impairment.

Bad debts provided for were written off against individual or collective provisions. Amounts required to bring the provisions to their assessed levels were recognised in profit or loss. Any future recoveries of amounts provided for were recognised in profit or loss.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## *Individual provisioning*

Specific impairment provisions were made where events have occurred leading to an expectation of reduced future cash flows from certain receivables. For individually significant loans for which the assessed risk grade was considered a 'Grade 5 - Some loss expected from forced sale of securities if full repayment cannot be done by refinance', an individual assessment was made of an appropriate provision for credit impairment.

Credit impairments were recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). All relevant considerations that had a bearing on the expected future cash flows were taken into account, including the business prospects for the customer, the likely recognised value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgement was made in this process. Furthermore, judgement could change with time as new information became available or as work-out strategies evolved, resulting in revisions to the impairment provision as individual decisions were taken. Changes in judgement could have a material impact on the consolidated financial statements.

Adequacy of individual provisions was assessed in respect of each loan depending on the size of the loan at the board meetings.

## **3.11 Property, plant and equipment and depreciation**

All property, plant and equipment are recorded at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of the assets has been calculated at the maximum rates permitted by the Income Tax Act 2007. The entity has assets classes as set out below:

Plant and equipment (IT Equipment):      depreciation rate of 50%

## **3.12 Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision resulting from the passage of time is recognised in finance costs. If economic resources required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received, and the amount of the receivable can be reliably measured.

## **3.13 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 3.14 Convertible notes

Compound financial instruments issued by the Group comprise convertible notes.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## 3.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 3.16 Share capital

### *Ordinary Shares*

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

## 3.17 Cash flows

The following are the definitions used in the Consolidated Statement of Cash Flows:

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

## 4. Critical estimates and judgements used in applying accounting policies

The Group prepares its consolidated financial statements in accordance with NZ IFRS, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under NZ IFRS, the Directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting a true and fair view of the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

Below are the critical accounting estimates and judgements.

## *Provisions for Impairment*

The implementation of NZ IFRS 9 resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial assets. In determining ECL, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions.

Furthermore, judgement has been applied in determining the lifetime and point of initial recognition of revolving facilities.

The calculated PD, LGD and EAD are reviewed regularly considering differences between loss estimates and actual loss experience, but given that NZ IFRS 9 requirements are new, there has been limited opportunities to make these comparisons. Therefore, these assumptions, including how they react to forward-looking economic conditions remain subject to review and refinement. Further information on these accounting estimates and judgements can be found in the section 3.1.

## *Special purpose lending vehicle*

The Group has recognised \$2,900,000 of short-term borrowings and \$2,900,000 of loans on the balance sheet with regards to the special purpose vehicle ('SPV'), Blackwell Global Funds Limited. The Board have reviewed the likely risk and rewards associated with the transactions through the subsidiary. The assessment concluded there is minimal risk to Blackwell Global Holdings in the event of non-payment by the borrower, however the Board have taken a conservative view and recognise the risk and rewards of the vehicle on the balance sheet. Refer to note 16 for further information on the SPV.

## 5. Revenue

The Group recognises revenue from the following major sources:

- Interest from loan receivables
- Loan fee income
- Interest income from deposits and bank accounts

	2019	2018
	\$	\$
Interest income from loan receivables	588,998	34,956
Loan fee income	232,459	17,893
Interest income from term deposits and bank accounts	973	23,613
	<b>822,430</b>	<b>76,462</b>
 Sundry income	 431,707	 82,352
	<b>1,254,137</b>	<b>158,814</b>

Sundry income represents the benefit received from Blackwell Global Investments Limited paying costs on behalf of the Group. It has been agreed that these costs will not be recovered from the Group. Refer to Note 25: Related Parties.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 6. Other operating expenses

	2019 \$	2018 \$
Audit fees - for the audit of the financial statements	109,250	61,643
Accounting, consulting and legal	196,546	204,526
NZX fees and list charges	29,882	66,993
Insurance expenses	24,079	15,606
Depreciation expenses	2,957	1,001
Other operating expenses	52,467	42,524
	<b>415,181</b>	<b>392,293</b>

Audit fees comprises:

	2019 \$	2018 \$
Audit of the current year financial statements	69,000	61,643
Audit of the prior year financial statements	40,250	-
	<b>109,250</b>	<b>61,643</b>

## 7. Income tax

This note provides an analysis of the Group's income tax expense, shows how the tax expense is affected by non-assessable and non-deductible items.

### *Reconciliation of income tax expense to prima facie tax payable*

	2019 \$	2018 \$
Loss before income tax	(584,930)	(752,160)
Current year tax at the tax rate of 28%	(163,780)	(210,605)
Prior period tax adjustment	15,973	-
	(147,807)	(210,605)
Tax effect of amounts which are not deductible in calculating taxable income/(loss):		
Non deductible expenses	1,013	1,863
Current tax losses not recognised	151,267	208,742
Adjustment to prior period tax losses not recognised	(4,472)	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

In view of the current financial position of the Group, the directors have decided not to recognise the deferred tax asset and accordingly no income tax has been recognised within equity in respect of the convertible note – equity component or the contributed equity.

# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 7.1 Tax losses

	2019 \$	2018 \$
Tax losses for which no deferred tax asset as been recognised	(1,280,043)	(752,160)
<b>Potential tax benefit @ 28%</b>	<b>(358,412)</b>	<b>(210,605)</b>

In view of the current financial position and loss position of the Group, the directors have decided not to recognise any tax benefit on tax losses carried forward by the Group. The availability of tax losses carried forward are subject to continuity of shareholders requirements being met in order to be utilised by the Group.

## 8. Imputation credit account

	2019 \$	2018 \$
Imputation credits available for use in subsequent periods	-	-

## 9. Dividends declared and paid

No dividends were declared or paid relating to the Group results for the year ended 31 March 2019 (2018: \$nil)

## 10. Earnings per share

	2019	2018
Basic earnings/(loss) per share (cents):	(0.13)	(0.21)
Diluted earnings/(loss) per share (cents):	(0.13)	(0.21)

The losses and weighted average number of ordinary shares used in the calculation of loss per share are as follows:

	2019	2018
Loss for the period attributable to owners of the parent company (\$)	(584,930)	(752,160)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	439,830,488	355,557,773

At 31 March 2019, there were no financial instruments that carried any shareholder dilution rights that were considered to be dilutive (2018: nil). Accordingly, basic and diluted earnings per share are identical for the accounting periods being reported on.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 11. Net tangible assets per share

	2019	2018
Net tangible assets (\$)	974,666	1,534,093
Issued shares at balance date	439,830,488	439,830,488
Net tangible assets per share (cents)	0.22	0.35

## 12. Prepayments and other receivables

	2019 \$	2018 \$
Prepayments	101,624	84,438
Other receivables	276	210
	<b>101,899</b>	<b>84,648</b>
Current	26,399	9,648
Non-current	75,500	75,000
	<b>101,899</b>	<b>84,648</b>

## 13. Property, plant and equipment

	2019 \$	2018 \$
<b>Cost</b>		
Balance at 1 April	2,669	-
Additions	5,069	2,669
<b>Balance at 31 March</b>	<b>7,738</b>	<b>2,669</b>
<b>Accumulated depreciation</b>		
Balance at 1 April	(1,001)	-
Depreciation	(2,957)	(1,001)
<b>Balance at 31 March</b>	<b>(3,958)</b>	<b>(1,001)</b>
<b>Carrying value</b>	<b>3,780</b>	<b>1,668</b>

## 14. Trade and other payables

	2019 \$	2018 \$
Trade payables	45,569	44,829
GST arrears	18,076	91,894
Non residents withholding tax	39,938	-
	<b>103,583</b>	<b>136,723</b>

# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 15. Accruals, provisions and other liabilities

	2019 \$	2018 \$
Accrued expenses	71,855	127,523
Employee benefits	31,910	6,646
	<b>103,765</b>	<b>134,169</b>

## 16. Loan receivables

	2019 \$	2018 \$
Short term loan receivables	5,399,070	3,303,983
Accrued interest	10,722	11,394
Deferred revenue	(32,617)	(56,417)
Expected credit loss allowance (2018: credit provision for loan losses)	-	-
	<b>5,377,175</b>	<b>3,258,960</b>

\$2,900,000 of loan receivables have been lent through a special purpose funding arrangement that was established to facilitate the funding and borrowing of funds between a funder and two borrowers. The funder and borrowers are not related parties to the Group.

Under this arrangement the Group provides loan management and trustee services. The Group facilitates the payments of moneys and effects the security arrangements between the parties. Blackwell Global Funds Limited, as custodian of the loan agreements, holds mortgage securities over the loans. The funder has a general security agreement with Blackwell Global Funds Limited which provides them with the ability to enforce the mortgage securities on default by the borrowers.

The funder carries the significant majority of the credit risk on this special purpose funding arrangement. The Group's exposure to credit risk is in relation to any unpaid fees or interest margin due to the Group. The Group has recognised a corresponding current borrowing liability of \$2,900,000 in relation to this funding arrangement.

### 16.1 Credit risk grading

The Group's receivables are monitored by regular assessment of their credit risk grade based on an objective review of defined risk characteristics. The portfolio risk is regularly refreshed based on current information.

The loan receivables consist mainly of lending for:

- residential construction
- land purchase
- refinancing

Loans are individually risk graded based on loan status, financial information, security and debt servicing ability. Exposures in the portfolio are credit risk graded by an internal risk grading mechanism and is part of the loan application and approval process. All loans are secured on the assets and the portfolio LVR is 58.93%

# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

	2019 \$	2018 \$
Neither at least 90 days past due nor impaired	5,377,175	3,258,960
At least 90 days past due	-	-
Individually impaired	-	-
	<b>5,377,175</b>	<b>3,258,960</b>
Expected credit loss allowance (2018: credit provision for loan losses)	-	-
	<b>5,377,175</b>	<b>3,258,960</b>

## Loan receivables by expected credit loss allowance

	Stage 1 \$	Stage 2 \$	Stage 3 \$
<b>As at 1 April 2018</b>	3,258,960	-	-
Transfer from Stage 1 to Stage 2	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-
Transfer to Stage 3	-	-	-
Transfer from Stage 3	-	-	-
Net further lending/(repayments)	175,881	-	-
Asset derecognised (including final repayments)	(4,818,701)	-	-
New financial assets originated	6,761,036	-	-
Asset write off	-	-	-
<b>As at 31 March 2019</b>	<b>5,377,175</b>	<b>-</b>	<b>-</b>
Expected credit loss on loan receivables	-	-	-
<b>Total expected credit loss profit/(loss) charge for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2018: Asset quality disclosure under NZ IAS 39

In the portfolio, Grade 1 is the strongest risk grade for undoubted risk and Grade 5 represented the weakest risk grade where a loss is probable and needs to be written off. In the portfolio as at 31 March 2018, the loans had been secured and guaranteed personally and therefore the total balance of \$3,258,960 was categorised as Grade 1.

	Residential construction		Land purchase, refinancing and other matters		Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
The concentration of credit risk by loan type	1,298,948	650,746	4,078,227	2,608,214	5,377,175	3,258,960



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 17. Borrowings

	2019 \$	2018 \$
<b>Current borrowings</b>		
Short term liability for special purpose lending (refer notes 4.1 and 16)	2,900,000	-
Bonds	46,644	-
Convertible notes	9,260	-
	<b>2,955,904</b>	<b>-</b>
<b>Non-current borrowings</b>		
Bonds	2,423,783	1,942,536
Convertible notes	434,208	399,142
	<b>2,857,991</b>	<b>2,341,678</b>

### 17.1 Bonds

The Group issued \$2,000,000 bonds on 18 December 2017 at a fixed interest rate of 6%. The bonds mature three years from the issue date at their nominal value of \$2,000,000.

The Group issued a further \$500,000 bonds to Blackwell Global Group Limited on 27 April 2018 at a fixed interest rate of 6%. The interest is payable six monthly. The bonds mature three years from the issue date at their nominal value of \$500,000.

The bonds are secured by a first ranking general security deed over all the present and after acquired property of Blackwell Global Holdings Limited.

The contributed capital component of the bonds represents the difference in fair value between the current fixed interest rate and the estimated interest rate of a similar bond issued to a third party.

The values of the bonds are recognised in the Consolidated Statement of Financial Position is calculated as follows:

	2019 \$	2018 \$
<b>Balance at beginning of year</b>	1,942,536	-
Value of bonds issued on 18 December 2017	-	2,000,000
Value of bonds issued on 27 April 2018	500,000	-
Contributed capital on bonds issued	(25,503)	(102,013)
<b>Liability component carried forward</b>	<b>2,417,033</b>	<b>1,897,987</b>
Interest accrual	147,781	33,863
Payment of interest on bonds	(135,000)	-
Amortisation of the premium on the bonds	40,613	10,686
<b>Bond liability</b>	<b>2,470,427</b>	<b>1,942,536</b>
<b>Bond liability</b>		
- in current borrowings	46,644	-
- in non-current borrowings	2,423,783	1,942,536
	<b>2,470,427</b>	<b>1,942,536</b>



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 17.2 Convertible notes

The Group issued \$500,000 convertible notes as part of the restructure on 22 June 2017 at a fixed interest rate of 8% payable. The convertible notes mature three years from the issue date at their nominal value of \$500,000 or can be converted into shares at the holder's option anytime from the time of issue to the maturity date at the rate \$0.008 per share per \$1 of convertible notes held.

The convertible notes are unsecured.

No new convertible notes have been issued in the period. The value of the convertible notes are recognised in the Consolidated Statement of Financial Position is calculated as follows:

	2019 \$	2018 \$
<b>Balance at beginning of year</b>	399,142	-
Value of convertible notes issued on 22 June 2017	-	500,000
Equity component recognised in convertible notes reserve	-	(114,716)
<b>Liability component carried forward</b>	<b>399,142</b>	<b>385,284</b>
Interest accrual	39,905	4,355
Payment of interest on convertible notes	(35,000)	-
Amortisation of premium	39,422	9,503
<b>Convertible notes liability</b>	<b>443,469</b>	<b>399,142</b>
<b>Convertible note liability</b>		
- in current borrowings	9,260	-
- in non-current borrowings	434,208	399,142
	<b>443,469</b>	<b>399,142</b>

## 18. Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank and on hand	1,513,055	801,387
	<b>1,513,055</b>	<b>801,387</b>

The current floating interest rate on cash in bank accounts is 0.10% per annum. The current overdraft interest rate on any unarranged overdraft is 22.5% per annum and is subject to change.

## 19. Net debt

This section sets out an analysis of net debt for the periods presented for the Group.

	2019 \$	2018 \$
Cash and cash equivalents	1,513,055	801,387
Borrowings - current	(2,955,904)	-
Borrowings - non-current	(2,857,991)	(2,341,678)
	<b>(4,300,841)</b>	<b>(1,540,291)</b>

The movements in net debt for the periods have been disclosed elsewhere in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 20. Share capital

	No. of Shares	\$
<b>Ordinary shares at 1 April 2017</b>	125,957,622	9,650,250
Ordinary shares issued during the year	313,872,866	2,460,496
<b>Ordinary shares as at 31 March 2018</b>	<b>439,830,488</b>	<b>12,110,746</b>
<b>Ordinary Shares as at 1 April 2018</b>	439,830,488	12,110,746
Ordinary shares issued during the year	-	-
<b>Ordinary shares as at 31 March 2019</b>	<b>439,830,488</b>	<b>12,110,746</b>

All Ordinary Shares are issued and fully paid, have an equal right to vote, to dividends and to any surplus on winding up. The Group does not have a total number of authorised shares. The Board may issue shares or other equity securities to any person in any number it thinks fit provided that while the Group is Listed, the issue is made in accordance with the NZX listing rules.

## 21. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Proportion of interest and voting power held by the Group	
		2019	2018
Blackwell Global Finance Limited	Diversified financial services	100%	100%
Blackwell Global Investments (NZ) Limited	Diversified financial services	100%	100%
NZF Money Limited (in receivership)	In receivership	100%	100%
Blackwell Global Funds Limited	Special purpose vehicle established as custodian for funding arrangement	100%	-

The place of incorporation and operation for all subsidiaries is New Zealand. The balance date of all companies in the Group is 31 March.

Blackwell Global Funds Limited was incorporated on 4 April 2018. The company was established to act as a custodian of a new special purpose funding arrangement by the Group (refer note 16).

## 22. Fair values

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

No assets or liabilities were recognised at fair value at balance date (2018: nil).



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

As at 31 March 2019 and 31 March 2018, cash and cash equivalents, trade and other receivables (excluding prepayments), trade and other payables and accruals approximated their fair value due to being short term.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate for similar liabilities. These are classified as level 2 in the fair value hierarchy as this better reflects the nature of the inputs.

The fair values of loan receivables are based on discounted cash flows using a current interest rates per the loan agreements. They are classified as level 3 fair values in the fair value hierarchy due to the use of un-observable inputs.

The fair value hierarchy of the Group's financial assets and liabilities not measured at fair value is presented over the page.

2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Loan receivables	-	-	5,377,175	5,377,175
Cash and cash equivalents	1,513,055	-	-	1,513,055
Other receivables	276	-	-	276
<b>Total financial assets</b>	<b>1,513,331</b>	<b>-</b>	<b>5,377,175</b>	<b>6,890,506</b>
Borrowings	-	5,813,896	-	5,813,896
Trade and other payables	103,583	-	-	103,583
Accruals and other liabilities	71,855	-	-	71,855
<b>Total financial liabilities</b>	<b>175,438</b>	<b>5,813,896</b>	<b>-</b>	<b>5,989,334</b>

2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Loan receivables	-	-	3,258,960	3,258,960
Cash and cash equivalents	801,387	-	-	801,387
Other receivables	210	-	-	210
<b>Total financial assets</b>	<b>801,597</b>	<b>-</b>	<b>3,258,960</b>	<b>4,060,557</b>
Borrowings	-	2,341,678	-	2,341,678
Trade and other payables	136,723	-	-	136,723
Accruals and other liabilities	127,523	-	-	127,523
<b>Total financial liabilities</b>	<b>264,246</b>	<b>2,341,678</b>	<b>-</b>	<b>2,605,924</b>

# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 23. Financial instruments by category

<b>Financial Assets</b>	<b>At amortised cost \$</b>	<b>Total \$</b>
<b>2019</b>		
Loan receivables	5,377,175	5,373,639
Cash and cash equivalents	1,513,055	1,513,055
Other receivables	276	276
	<b>6,890,506</b>	<b>6,886,970</b>
	<b>Loans and receivables \$</b>	<b>Total \$</b>
<b>2018</b>		
Loan receivables	3,258,960	3,258,960
Cash and cash equivalents	801,387	801,387
Other receivables	210	210
	<b>4,060,557</b>	<b>4,060,557</b>
	<b>At amortised cost \$</b>	<b>Total \$</b>
<b>Financial Liabilities</b>		
<b>2019</b>		
Trade and other payables	103,583	103,583
Borrowings	5,813,896	5,813,896
Accruals and other liabilities	71,855	71,855
	<b>5,989,334</b>	<b>5,989,334</b>
<b>2018</b>		
Trade and other payables	136,723	136,723
Borrowings	2,341,678	2,341,678
Accruals and other liabilities	127,523	127,523
	<b>2,605,924</b>	<b>2,605,924</b>

## 24. Risk management

### 24.1 Market risk

Market risk is the risk that market interest rate risks or foreign exchange rates will change and impact on the Group's earnings due to either mismatches between repricing dates of interest-bearing assets and liabilities. Refer to note on Interest rate risk for further details regarding interest rate risk. The Group has no exposure to pricing or foreign exchange risks.

### 24.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due. The timing mismatch of cash flows and the related liquidity risk is inherent in all financial operations and is closely monitored by the Group.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

Management of liquidity risk is designed to ensure that the Group has the ability to generate or obtain sufficient cash in a timely manner and at a reasonable price to meet its financial commitments on a daily basis.

The objective of the Group is to derive the most appropriate strategy in terms of the mix of assets and liabilities given its expectations of future cash flows, liquidity constraints and capital adequacy.

Although the Group is not bound by any restrictive lending limit restrictions, current strategies include minimum loan no less than \$50,000 and maximum lending limit of \$2,000,000. Any loans exceeding \$1,000,000 requires sign off by the board members.

The Group holds the following financial assets for the purpose of managing liquidity risk:

- Cash and cash equivalents \$1,513,055 (2018: \$801,352).

## Liquidity table

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts are disclosed in the table are the contractual undiscounted cash flows.

2019	0-6 Months	7-12 Months	1-2 Years	2-5 Years	5+ Years	Total
	\$	\$	\$	\$	\$	\$
Borrowings	2,980,000	95,000	2,670,000	515,000	-	6,260,000
Trade and other payables	103,083	-	-	-	-	103,083
Accruals, provisions and other liabilities	71,855	-	-	-	-	71,855
	<b>3,154,938</b>	<b>95,000</b>	<b>2,670,000</b>	<b>515,000</b>	<b>-</b>	<b>6,434,938</b>

2018	0-6 Months	7-12 Months	1-2 Years	2-5 Years	5+ Years	Total
	\$	\$	\$	\$	\$	\$
Borrowings	80,219	79,781	160,000	2,596,000	-	2,916,000
Trade and other payables	81,586	55,137	-	-	-	136,723
Accruals, provisions and other liabilities	127,523	-	-	-	-	127,523
	<b>289,328</b>	<b>134,918</b>	<b>160,000</b>	<b>2,596,000</b>	<b>-</b>	<b>3,180,246</b>

## 24.3 Interest rate risk

Currently the Group has only one interest bearing cash and cash equivalents bank account. This relates to the bank account with floating interest rates. The impact on loss after tax and equity would be as follows if the interest rates deviated by 1% from the current interest rates:

	2019	2018
	\$	\$
Cash and cash equivalents	1,513,055	801,387
Rate (+/-1%)	15,131/(15,131)	8,014/(8,014)

All other interest-bearing financial assets and liabilities are at fixed interest rates.

# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 24.4 Credit risk

Credit risk is the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to make. The risk is primarily that of the lender and includes loss of principal and interest, disruption to cash flows and increased collection costs.

The Group's exposure to credit risk is governed by a credit risk policy approved by the Board by special resolution on 22 June 2017. This policy sets out the nature of risk which may be taken and aggregate risk limits, and the Group must conform to this.

Credit risk is managed to achieve sustainable risk-reward performance whilst maintaining exposures within acceptable risk parameters. This is achieved through the combination of governance, policies, systems and controls, underpinned by commercial judgement as described below.

Formal credit risk management strategies are in place to oversee and manage the Group's credit risk exposures typically on six monthly basis to ensure consistency with the Group's credit policies to manage all aspects of credit risk. The credit risk management strategies ensure that:

- Credit origination meets agreed levels of credit quality at point of approval.
- Maximum total exposure to any one debtor is actively managed.
- Changes to credit risk are actively monitored with regular credit reviews.

The loan recommendation aims to cover the following in order to achieve the overall objective to evaluate the firm's or individual's financial capabilities and determine if they are able to settle their loan obligations with the Group in the long run:

- Background
- Purpose
- Ownership and management
- Security
- Market information
- Financial information
- Value of security and guarantee(s)
- Cashflow and financial strength of the borrower, owner and guarantor(s).

	2019 \$	2018 \$
<b>Loans receivable</b>		
Secured by mortgage or caveat over property	5,377,175	3,258,960
	<b>5,377,175</b>	<b>3,258,960</b>

Principal and interest loans are secured loans where the debtor repays capital and interest on a regular basis. Current year loans are ranging from \$300,000 - \$1,300,000 with 12-month terms. Generally, these loans are to finance transactions relating to property, refinancing or personal matters. These are generally secured loans over property or caveats and debtor repays interest on a regular basis.

In some instances, interest may be capitalised or partially capitalised during the term of the loan and the debtor repays the full capital plus any capitalised interest at the end of the loan. Loans may be rolled over or extended at the end of their initial term if approved by the board.

	2019 \$	2018 \$
<b>Capitalising interest loans</b>		
Balance of loans with full/partial capitalising interest	2,498,509	2,456,671
Accrued interest capitalised	64,724	23,562
	<b>2,563,233</b>	<b>2,480,233</b>



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## Cash Management

Any cash on hand is held by the ASB Bank which is a registered bank and has an AA- rating with Standard and Poor's.

## Loan to value ratio (LVR) range

Loan to value ratios are reviewed prior to any lending approvals and are subject to the approved credit policy. The maximum LVR varies by region:

Location	LVR
Prime - Auckland	75%
Metropolitan - Auckland	65%
Metropolitan - Other	65%
Regional	50%
National	50%

The Board approve any lending not within the credit policy. In 2019 there was no lending outside of the scope of the credit policy (2018: nil).

## 25. Related parties

The Group is controlled by Blackwell Global Group Limited (incorporated in Singapore) which owns 56.61% (2018: 56.61%) of the Company's shares. The Group's ultimate controlling party is Mr Kaw Sing Chai, who also owns 12.7% (2018: 12.7%) of the Company's shares in his own name. The remaining 30.69% of the Company's shares are widely held.

## Related party transactions

The following expenses were paid by Blackwell Global Investments Limited on behalf of the Group. It has been agreed that these costs will not be recovered from the Group. The benefit of these transactions is recognised in other income (note 5) with the corresponding expenses included in operating expenses.

	2019 \$	2018 \$
Asset purchase	5,069	-
Consultants	48,130	-
Legal fees	427	-
Employee expenses	378,081	82,352
	<b>431,707</b>	<b>82,352</b>

# Notes to the Consolidated Financial Statements

## Blackwell Global Holdings Limited

For the year ended 31 March 2019

Blackwell Global Investments Limited also provided the Group with premises and paid the premises related costs at no charge to the Group. It has been agreed that these costs will not be recovered from the Group. The following are the costs incurred by Blackwell Global Investments Limited from which the Group received benefit.

	2019 \$	2018 \$
Rent	134,240	119,428
Recruitment fees	-	55,091
Computer and IT expenses	-	1,249
	<b>134,240</b>	<b>175,768</b>

If the Group were to lease its own premises it is expected that the cost would be significantly less than the premises cost incurred by Blackwell Global Investments Limited.

### Other related party transactions

Invoices issued by:	Related party	2019 \$	2018 \$
Corporate Counsel	Sean Joyce	-	21,539
Boston Kiwi Corporation	Craig Alexander	16,773	-
Anthony Harper	Ewe Leong Lim	20,864	658

Anthony Harper, where director Ewe Leong Lim is a partner, provided legal services to the Group. Boston Kiwi, where director Craig Alexander is a partner, provided consulting and legal services to the Group.

### 25.1 Remuneration of directors

	2019 \$	2018 \$
Sean Joyce	86,250	86,140
Craig Alexander	51,750	60,265
Say Chan Law (James)	51,750	38,812
Ewe Leong Lim	51,750	38,812
Kaw Sing Chai (Michael)	39,750	39,000
Mark Thornton (resigned as a director 7 July 2017)	-	21,452
	<b>281,250</b>	<b>284,481</b>

All directors are common to all the subsidiary companies in the Group.

### 25.2 Key management personnel remuneration

Key management personnel include directors and senior management. The total remuneration and benefits paid or payable to key management is show below.

	2019 \$	2018 \$
Salaries and fees	530,085	404,481

# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 25.3 Directors shareholdings

Director	Holder(s)	Number of Shares	
		2019	2018
Kaw Sing Chai (Michael)	Kaw Sing Chai (Michael)	55,871,557	55,871,557
Say Chan Law (James)	Say Chan Law (James)	25,000,000	25,000,000
Mark Hume Thornton	Dennis Michael Graham, Lynton Ross Campbell and Mark Hume Thornton	9,095,514	9,095,514

All directors are common to all the subsidiary companies in the Group.

As at 31 March 2019, Kaw Sing Chai also has 100% shareholding in Blackwell Global Group Limited (2018: 100%) which holds 249,001,199 shares in the Group.

During 2019 and 2018, bonds were issued to Blackwell Global Group Limited based in Singapore in which Kaw Sing Chai has shareholding interests. Refer to Note 17 for further details.

## 25.4 Interested transactions

During the year consultancy services were also obtained from Anthony Harper where Ewe Leong Lim is a partner totalling \$20,864 (2018: \$658).

During the year ended 31 March 2018, Corporate Counsel, of which Blackwell Global Holdings Limited director Sean Joyce is a partner, provided services totalling \$21,539.

### *Directors' Remuneration*

Remuneration details of Directors are provided above.

### *Indemnification and Insurance of Officers and Directors*

The Group indemnifies Directors and Executive Officers of the Group against all liabilities which arise out of the performance of their normal duties as Directors or Executive Officers, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance. The total cost of this insurance expensed in the Group during the financial year was \$18,975 (2018: \$17,840).

### *Share Transactions*

No Directors acquired or disposed of any Ordinary Shares in the Group during the year. (2018: Nil).

### *Directors' Loans*

There were no loans made by the Group to the Directors or by the Directors to the Group during the year.

### *Use of Group Information*

The Board received no notices during the year from Directors requesting to use Group information received in their capacity as Directors which would not otherwise have been available to them.

## 26. Segment reporting

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 operating decision-maker.



# Notes to the Consolidated Financial Statements

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## 27. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust issue of new shares or borrowings to reduce debt.

## 28. Operating lease commitments

As at 31 March 2019, the Group had no material operating lease commitments (2018: nil)

## 29. Capital commitments

There were no capital commitments at 31 March 2019 (2018: nil).

The Group had the following drawdown commitments to extend credit to borrowers:

	2019	2018
	\$	\$
Drawdown commitments to extend credit to borrowers	715,119	522,119

## 30. Contingent assets and liabilities

There are no material contingencies as at 31 March 2019 (2018: nil).

## 31. Subsequent events

There have been no significant events after balance date.

## 32. Approval of consolidated financial statements

The consolidated financial statements were approved by the directors and authorised for issue on 24 June 2019.

## Additional Information

Blackwell Global Holdings Limited

For the year ended 31 March 2019

The names of the Directors of the Company in office at the date of this Report are:

### Directors

Sean Joyce (Chair)  
Craig Alexander  
Kaw Sing Chai  
Say Chan Law (James)  
Ewe Leong Lim

### Auditors

Fees due to PricewaterhouseCoopers in the 2019 year are \$69,000 (including GST) in relation to the audit of the current financial year and \$40,000 (including GST) in relation to the audit of the previous financial year.

### Employees

The number of employees not being directors, within the Group receiving annual remuneration and benefits above \$100,000 are as show in the following table.

	2019	2018
\$140,000 - \$149,999	-	1
\$180,000 - \$189,999	1	-

### Donations

There were no donations paid during the year (2018: \$nil).

### Shareholders

As at 30 April 2019 there were 440 shareholders.

### Share Issues

During the year ended 31 March 2019, no new shares were issued (2018: 313,872,866 ordinary shares).

### Shareholder Details

The ordinary shares of Blackwell Global Holdings Limited are listed on the NZSX Market operated by NZX Limited.

## Additional Information

Blackwell Global Holdings Limited

For the year ended 31 March 2019

### Largest shareholders

Shareholder data in Additional Information is as at 30 April 2019, unless otherwise stated.

Name	Fully Paid Ordinary Shares Number Held	% Held
Blackwell Global Group Limited	249,001,199	56.61%
Chai Kaw Sing	55,871,667	12.70%
James Law	25,000,000	5.68%
Pat Redpath O'Connor & Kay O'Connor & Robert Norman Burnes	17,010,002	3.87%
Lynton Ross Campbell & Dennis Michale Graham & Mark Hume Thonton	9,095,514	2.07%
Bin Zheng & Robert Bruce Alderton Costain	8,497,426	1.93%
Barbara Charlotte Thornton & SW Trust Services Limited	7,834,488	1.78%
Best Investments Limited	5,768,622	1.31%
Minhua Chen	4,675,528	1.06%
PKB Trustees Limited	4,001,596	0.91%
David Burton Gibson	3,469,040	0.79%
FNZ Custodians Limited	3,121,251	0.71%
Fiona Patrica Lyons & Kim Nigel Lyons & Wyndham Trustees Limited	3,001,915	0.68%
Say Chan Law	2,826,000	0.64%
W Custodians Limited	2,642,622	0.60%
Walter Mick George Yovich & Jeanette Julia Yovich	2,193,409	0.50%
New Zealand Central Securities Depository Limited	2,142,710	0.49%
Ted Burak	1,890,000	0.43%
Land Securities Limited	1,689,752	0.38%
Gadbrook Limited	1,455,738	0.33%

### Distribution of equity securities

Size of Holding	Number of Security		Number of Securities	
	Number	%	Number	%
1-1,000	25	5.68%	18,275	0.01%
1,001-5,000	128	29.09%	444,709	0.10%
5,001-10,000	65	14.77%	544,176	0.12%
10,001-50,000	105	23.86%	2,381,116	0.54%
50,001-100,000	35	7.95%	2,656,896	0.60%
100,001 or more	82	18.64%	433,785,316	98.63%
	<u>440</u>	<u>100.00%</u>	<u>439,830,488</u>	<u>100.00%</u>



## Additional Information

Blackwell Global Holdings Limited

For the year ended 31 March 2019

### Substantial security holders

The total number of shares on issue as at 31 March 2019 was 439,830,488 (2018: 439,830,488).

Pursuant to Section 35F of the Securities Markets Act 1988, details of substantial security holders and their total relevant interests as at 31 March 2019:

	<b>Number of Shares</b>
Blackwell Global Group Limited	249,001,199
Chai Kaw Sing	55,871,667

### Shareholder enquiries

Shareholders should send changes of address to Link Market Services Limited at the address noted in the Company Directory. Notification must be in writing. Questions relating to shareholdings should also be addressed to Link Market Services Limited. For information about the Company please contact the Company at the Registered Office by sending an e-mail to [info@bggholdings.co.nz](mailto:info@bggholdings.co.nz) or visit the website [www.bggholdings.co.nz](http://www.bggholdings.co.nz).

### Announcement and reporting to shareholders

The Company has established an e-mail list of Shareholders that want to receive announcements and reports made by Blackwell Global Holdings Limited to the NZX. Announcements and reports are e-mailed to Shareholders who wish to receive them shortly after they are released. This will include the Annual Meeting addresses, Annual Reports and Interim Reports. If you want to be added to this listing, please e-mail [registry@bggholdings.co.nz](mailto:registry@bggholdings.co.nz) and advise us of your preferred e-mail address. Your e-mail details will be kept confidential.

### Waivers

During the course of the financial year ended 31 March 2019 the Company obtained no waivers from NZX Limited.

# Company Directory

Blackwell Global Holdings Limited

For the year ended 31 March 2019

## COMPANY DIRECTORY

As at 31 March 2019

### Independent Directors

Sean Joyce

Craig Alexander

### Non-executive Directors

Kaw Sing Chai

Say Chan Law

Ewe Leong Lim

### Registered Office

Level 17, 191 Queen Street, Auckland

Tel: 0800 379 9090

### Company Number

1474151

### Incorporated

22 January 2004

### Shares Issued

439,830,488 Ordinary

### Share Registrar

Link Market Services Limited

Deloitte Centre, 80 Queen Street, Auckland

Tel: 09 375 5998

### Solicitors

Anthony Harper

Chorus House, 66 Wyndham Street

Auckland

### Bankers

ASB Bank Limited

ASB, North Wharf, 12 Jellicoe Street, Auckland

### Auditor

PricewaterhouseCoopers

PwC Tower

188 Quay Street

Auckland 1010



## ***Independent auditor's report***

To the shareholders of Blackwell Global Holdings Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the reconciliation of net operating cash flows to net loss after tax; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### ***Our opinion***

In our opinion, the accompanying consolidated financial statements of Blackwell Global Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.



## Our audit approach

### Overview



An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall Group materiality: \$29,000, which represents approximately 5% of the loss before tax.

We chose loss before tax as the benchmark because, in our view, it best reflects the performance of the Group.

We have determined that there is one key audit matter:

- Impairment of loans to borrowers

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. We have one key audit matter: impairment of loans to borrowers. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of loans to borrowers</i>	
<p>As disclosed in Note 16 of the consolidated financial statements, the Group's loan receivables totalled \$5.4 million as at 31 March 2019 with an expected credit loss allowance (ECL) of nil.</p> <p>As this is the first year of adoption of NZ IFRS 9 <i>Financial Instruments</i> and IFRS 9 <i>Financial Instruments</i>, there is limited experience available to back-test the ECL against actual results due to the limited history of actual impairment losses.</p> <p>There has been an increase in the number of data inputs required for the impairment calculation. This increases the risk around completeness and accuracy of certain data used to create assumptions and operate this model.</p> <p>The global and New Zealand credit environments have remained relatively benign for an extended period of time, in part due to the low interest rate environment, and the relative strength of the global and New Zealand economies. However, there are a number of headwinds to the global economy as well as New Zealand specific risks.</p> <p>As a result, whilst the current levels of delinquencies and defaults remains low, the audit risk in relation to the impairment of advances to customers remains significant.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Examining management's calculations to assess Stage 1 ECL, including considering borrowers' circumstances based on the detailed loan and counterparty information known by the Group;</li> <li>• Assessing the value of collateral held by agreeing to independent valuation reports (where available), rateable valuations, or other market evidence; and</li> <li>• Challenging management's assessments by examining loan-to-value ratios and performing sensitivity analysis over possible changes in the value of the underlying securities.</li> </ul> <p>We have no material matters to report from the results of our procedures.</p>

### *Information other than the consolidated financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



---

### *Responsibilities of the Directors for the consolidated financial statements*

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

---

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

---

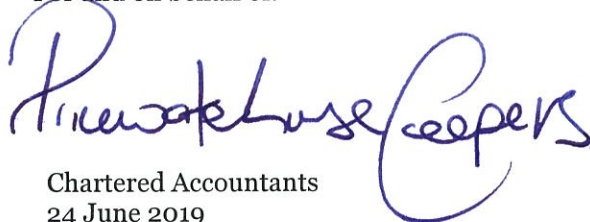
### *Who we report to*

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

---

The engagement partner on the audit resulting in this independent auditor's report is Samuel Shuttleworth.

For and on behalf of:

  
Chartered Accountants  
24 June 2019

Auckland