



# Annual Report

For the year ended 31 March 2019



**G3 GROUP**

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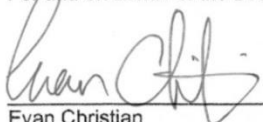


## Directors' Report

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Attached are the unaudited consolidated financial statements of G3 Group Limited and its subsidiaries for the year ended 31 March 2019, together with certain statutory disclosures.

For and on behalf of the board this

  
\_\_\_\_\_  
Evan Christian

22 October 2020  
Date

  
\_\_\_\_\_  
Stephen Phillips

22/10/2020  
Date

# G3 GROUP LIMITED AND SUBSIDIARIES

## Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2019

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	Note	2019 \$'000	2018 \$'000
Revenue	1	39,202	45,464
Other income	1	1,283	21
Expenditure	2	(36,348)	(42,282)
Finance income	3	186	174
Finance expenses	3	(573)	(498)
<b>Profit (Loss) before income tax</b>		<b>3,750</b>	<b>2,879</b>
Income tax expense	5	(553)	(550)
<b>Profit (Loss) for the year after taxation</b>		<b>3,197</b>	<b>2,329</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Translation of foreign operations		945	61
<b>Other comprehensive income for the year, net of income tax</b>		<b>945</b>	<b>61</b>
<b>Total comprehensive income for the year</b>		<b>4,142</b>	<b>2,390</b>

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The above statements should be read in conjunction with the notes to and forming part of the financial statements

# G3 GROUP LIMITED AND SUBSIDIARIES

## Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2019

Note	Share capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 April 2017	6,255	750	(1,270)	(2,992)	2,743
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	2,329	2,329
- Translation of foreign operations	-	-	61	-	61
<i>Total comprehensive income for the year</i>	-	-	61	2,329	2,390
<b>Transactions with owners of the company in their capacity as owners</b>					
Share based payments	-	194	-	-	194
Shares repurchased/cancelled on termination	(200)	-	-	-	(200)
Dividends Paid					-
<i>Total transactions with owners of the company in their capacity as owners</i>	(200)	194	-	-	(6)
<b>Balance at 31 March 2018</b>	<b>6,055</b>	<b>944</b>	<b>(1,209)</b>	<b>(663)</b>	<b>5,127</b>

The above statements should be read in conjunction with the notes to and forming part of the financial statements

# G3 GROUP LIMITED AND SUBSIDIARIES

## Consolidated Statement of Changes in Equity (continued)

For the Year Ended 31 March 2019

	Note	Share capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 April 2018		6,055	944	(1,209)	(663)	5,127
<b>Total comprehensive income for the year</b>						
Profit for the year		-	-	-	3,197	3,197
- Translation of foreign operations			-	945	-	945
<i>Total comprehensive income for the year</i>		-	-	945	3,197	4,142
<b>Transactions with owners of the company in their capacity as owners</b>						
Privatisation Costs		-	-	-	(210)	(210)
Share based payments		-	180	-	-	180
Opening Adjustment for disposal of UMUK Holdings Shares	8		-	-	(953)	(945)
repurchased/cancelled on termination		(1,865)	-	-	-	(1,865)
Dividends Paid		-	-	-	-	-
<i>Total transactions with owners of the company in their capacity as owners</i>		(1,857)	180	-	(1,163)	(2,840)
<b>Balance at 31 March 2019</b>		<b>4,198</b>	<b>1,124</b>	<b>(264)</b>	<b>1,371</b>	<b>6,429</b>

The above statements should be read in conjunction with the notes to and forming part of the financial statements

# G3 GROUP LIMITED AND SUBSIDIARIES

## Consolidated Statement of Financial Position

As at 31 March 2019

	Note	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	5,200	1,720
Intangible assets	11	6,124	9,765
<i>Total non-current assets</i>		<u>11,324</u>	<u>11,485</u>
<b>Current assets</b>			
Inventories	7	5,280	1,608
Receivables and prepayments	8	3,942	5,757
Cash and cash equivalents	9	1,688	4,314
<i>Total current assets</i>		<u>10,911</u>	<u>11,679</u>
<b>Total assets</b>		<u><u>22,235</u></u>	<u><u>23,164</u></u>
<b>EQUITY</b>			
Share capital	6	4,198	6,055
Foreign Currency Translation Reserve		(264)	(1,208)
ESOP Reserve		1,124	944
Retained earnings		1,371	(663)
<b>Total equity</b>		<u><u>6,429</u></u>	<u><u>5,127</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	15	-	6,549
Deferred Tax	5	354	571
<i>Total non-current liabilities</i>		<u>354</u>	<u>7,120</u>
<b>Current liabilities</b>			
Trade and other payables	13	3,260	7,786
Taxation payable	5	1,221	1,639
Employee benefits	14	331	507
Interest-bearing loans and borrowings	15	10,640	984
<i>Total current liabilities</i>		<u>15,452</u>	<u>10,916</u>
<b>Total liabilities</b>		<u><u>15,806</u></u>	<u><u>18,036</u></u>
<b>Total equity and liabilities</b>		<u><u>22,235</u></u>	<u><u>23,164</u></u>

The above statements should be read in conjunction with the notes to and forming part of the financial statements

# G3 GROUP LIMITED AND SUBSIDIARIES

## Consolidated Statement of Cash Flows

For the Year Ended 31 March 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		40,769	45,415
Cash paid to suppliers and employees		(43,085)	(38,340)
Income taxes paid		(799)	(293)
<b>Net cash inflow from operating activities</b>	19	<b>(3,115)</b>	<b>6,782</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary/business unit, net of cash acquired		-	(100)
Purchase of property, plant and equipment		(4,776)	(200)
Sale of property, plant and equipment		4,402	22
Purchase of other intangibles		-	(250)
Interest and foreign exchange gain received		186	23
<b>Net cash outflow from investing activities</b>		<b>(188)</b>	<b>(528)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	-
Redemption of Shares		(1,857)	(20)
Borrowings		10,640	453
Repayment of borrowings - bank		(7,533)	(2,736)
Interest paid		(573)	(347)
<b>Net cash outflow from financing activities</b>		<b>677</b>	<b>(2,650)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,626)</b>	<b>3,604</b>
Cash and cash equivalents at beginning of year		4,314	710
<b>Cash and cash equivalents at end of year</b>	9	<b>1,688</b>	<b>4,314</b>

The above statements should be read in conjunction with the notes to and forming part of the financial statements



# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### Reporting Entity

Financial Statements for G3 Group Limited, the “Company” and its subsidiaries, together referred to as the “Group” and the Group’s interests in associates are presented. All entities within the Group, except for Universal Mail United Kingdom Limited and the entities associated with the investment in the Formfile Records Management Group Unit Trust (the “Formfile entities”), are companies incorporated and domiciled in New Zealand, registered under the Companies Act 1993. Universal Mail United Kingdom Limited is a company incorporated and domiciled in the United Kingdom. The Formfile entities are incorporated in Australia. These consolidated financial statements of the Group have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 2013. The Group is designated as a for-profit entity for financial reporting purposes.

The Group is primarily involved in providing postal services and document management services in New Zealand. It has disposed of its United Kingdom subsidiary and tourist collateral business effective 1 April 2018. It disposed of its Australian document management services business effective 6 July 2018.

These financial statements were authorised for issue by the Board of Directors on \_\_\_\_\_ 2020.

#### Basis of Preparation

These financial statements have been prepared in accordance with NZ IFRS RDR.

#### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year. No new standards and amendments to standards were applied during the current reporting period.

#### Basis of consolidation

##### (i) *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The Group measures goodwill at the acquisition date as:

- The fair value of consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### **(ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### **(iii) Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprises its interest in associates. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognised initially at cost which includes transaction costs.

#### **(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **Basis of Measurement**

The financial statements are prepared on the historical cost basis except for the following assets and liabilities which are stated at their fair value:

- Non-derivative financial instruments designated at fair value through profit or loss
- Contingent consideration payable

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

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### **Presentation Currency**

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand dollars (unless otherwise stated) which is the functional currency of the Parent and its New Zealand subsidiaries. The functional currency of the Formfile entities is the Australian dollar.

### **Management Judgements and Estimates**

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### ***Critical accounting estimates and judgements***

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

### ***Judgements***

#### **Revenue recognition**

The Group recognises deferred revenue relating to stamps purchased by customers but not used as at reporting date on the statement of financial position. The valuation of this balance is based on historical information concerning redemption rates and estimated time to complete the transaction. The results are reviewed by management to estimate the deferral.

#### **Impairment assessment**

The carrying values of goodwill are assessed at least annually to ensure that they are not impaired. This assessment requires the directors to estimate future cash flows to be generated by cash generating units to which goodwill has been allocated. Estimating cash flows entails making judgements including the expected rate of growth in revenues and margin, expenses and market shares to be achieved, and an appropriate discount rate to apply to the cash flows. These judgements are further set out in Note 11 to the financial statements.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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#### Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### a) *Property, plant and equipment*

##### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

##### Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense when incurred.

##### Depreciation

Depreciation is charged on a straight-line basis at rates that will allocate the cost of items of property, plant and equipment, less any estimated residual values, over their estimated useful life.

Current estimated useful lives of the major classes of property, plant and equipment are as follows:

Plant, Machinery and Equipment	3-30 years
Office Furniture and Equipment	1-14 years
Motor Vehicles	4-5 years
Buildings	20-50 years

The depreciation method, rate and residual value of assets are reassessed annually.

##### Disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the assets. Gains and losses on disposals are included in profit or loss.

#### b) *Intangible assets and goodwill*

Intangible assets other than goodwill are recorded at cost less any accumulated amortisation and accumulated impairment losses. The cost of identifiable intangible assets acquired in a business combination is their fair value at date of acquisition. Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful life of the asset, with any amortisation charge being recognised in profit or loss. Useful lives are reviewed annually and adjusted, if appropriate. Assets with indefinite useful lives are not amortised, but are tested at least annually for impairment. Realised gains and losses arising from disposal of intangible assets are recognised in profit or loss in the period in which the transaction occurs.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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Current estimated useful lives are 5 – 10 years

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset. All other expenditure is expensed as incurred.

#### **Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing and is tested annually for impairment.

#### **c) Financial Instruments**

Financial instruments are recognised in the statement of financial position initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, bank overdrafts, loans and borrowings and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are measured at amortised cost, using the effective interest method, less impairment losses. Trade receivables of a short-term nature are not discounted.

An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss within 'other expenses'. When a trade receivable is uncollectible, it is written off against the impairment allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in profit or loss.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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#### *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### *Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### **Derivative financial instruments**

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

Derivative instruments comprise forward contracts.

#### **d) Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### **e) Impairment**

##### **Financial assets**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. The remaining financial assets are assessed collectively in groups that share similar risk characteristics.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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All impairment losses are recognised in profit or loss and reflected in an allowance account against receivables.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted. For trade receivables, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default in payments are considered indicators that the receivable is impaired.

When the receivable is uncollectible, it is written off against the allowance account for receivables.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

#### **Non-financial assets**

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually and whenever there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

The estimated recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A cash-generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the other assets or groups of assets.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All other impairment losses are reversed through profit or loss.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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**f) Foreign currency**

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based at historical cost are translated using the exchange rate at the date of the transaction.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand Dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented in the foreign currency translation reserve in equity.



# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

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**g) Share Capital**

**Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

**Redeemable preference shares**

The Group's redeemable preference shares are classified as equity if they do not include a contractual obligation to deliver cash or other financial assets.

**h) Employee benefits**

**Short-term employee benefits**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis.

**Defined contribution pension plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

**Share based payment transactions**

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

**i) Revenue**

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable, net of returns, Goods and Services Tax, volume rebates and trade discounts. Revenue is recognised as follows:

**(i) Goods sold**

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted, and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Transfer of the risks and rewards of ownership generally occur when the goods leave the warehouse.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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Revenue, to the extent that stamps purchased by customers have not been used at reporting date, is deferred in the statement of financial position.

#### **(ii) Services**

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction. The stage of completion is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### **(iii) Rental income**

Rental income from subleased property is recognised as other income.

#### **j) Income tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of 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:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- Temporary differences arising on the initial recognition of goodwill; and
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

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A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 realised.

**k) Goods and services tax**

With the exception of trade payables and trade receivables, all items are stated exclusive of goods and services tax.

**l) Leases**

**The Group as lessee**

*Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Lease incentives received are recognised in profit or loss in a straight-line basis over the lease term as an integral part of the total lease expense.

**The Group as lessor**

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**m) Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

**n) Dividends**

An accrual is made for the amount of any dividend declared on or before the end of the financial year but not distributed at reporting date.

A dividend distribution owing to the Group shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

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**o) *Standards or interpretations issued but not yet effective***

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for later periods and which the Group has not early adopted. These will be applied by the Group in the mandatory periods listed below. The key items applicable to the Group are:

*NZ IFRS 16: Leases* (effective for annual periods beginning on or after 1 January 2019)

This standard addresses the classification, measurement and recognition of lease assets and liabilities. In particular, this standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, NZ IFRS 16 introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. The standard includes optional lessee exemptions for short-term leases and small ticket leases.

The Group intends to apply this standard in the 2020 reporting period. Its impact on the Group's Consolidated Statement of Comprehensive Income is not expected to be material. Subject to future events, for example whether an option to renew the lease on the head office and New Zealand operations centre is exercised, it may have a material impact on the value of the assets and liabilities recorded on the Group's Consolidated Statement of Financial Position.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 1. INCOME

	2019 \$'000	2018 \$'000
<b>Operating revenue</b>		
Sales of mail products & services	35,418	34,751
Sales of other products & services	3,784	10,713
	<u>39,202</u>	<u>45,464</u>
<b>Other income</b>		
Gain on disposal of Formfile Records Management Group business	239	-
Gain on disposal of investment in UMUK Holdings Limited	1,028	-
Sundry income	16	21
	<u>1,283</u>	<u>21</u>

#### 2. EXPENDITURE

	Note	2019 \$'000	2018 \$'000
Purchases of finished goods, services and consumables		35,082	33,786
Change in inventories of finished goods, WIP and consumables	7	(3,672)	1,388
Amortisation of brands/trademarks	11	371	549
Depreciation	10	164	232
Share-based payment expense		180	194
Salaries and wages (includes directors' remuneration)		2,525	3,658
Superannuation - defined contribution plans		74	104
Property operating lease and rental costs		244	590
Other premises expenses		129	103
Auditor's fees for Statutory audits		-	5
Other expenses		1,251	1,673
		<u>36,348</u>	<u>42,282</u>

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 3. NET FINANCE COSTS

Recognised in Profit or Loss	2019 \$'000	2018 \$'000
<b>Finance income</b>		
Interest income from cash and deposits	132	23
Foreign exchange gain	54	151
	<u>186</u>	<u>174</u>
<b>Finance expenses</b>		
Interest expense on long-term debt:		
- Bank funding	(573)	(498)
	<u>(573)</u>	<u>(498)</u>
<b>Net finance costs</b>	<u>(386)</u>	<u>(324)</u>

#### 4. SEGMENT INFORMATION

##### Basis of segmentation

The Group's operating segments have primarily been determined with reference to differences in primary markets and reflect the structure and internal reporting used by the Board, as the major operating decision maker, and to assist strategic decision-making and allocation of resources.

Operating segments have been aggregated for reporting purposes where the following criteria have been met:

- (1) aggregation is consistent with the core principle of NZ IFRS 8 *Operating Segments*
- (2) segments have similar economic characteristics
- (3) segments are similar in each of the following respects:
  - a. nature of the products and services
  - b. nature of production process
  - c. type or class of customer for their products and services
  - d. methods used to distribution their products or provide their services
  - e. nature of the regulatory environment

The Group's reportable segments are:

Mail NZ	-	Provision of tailored postal services to New Zealand businesses
Tourist Collateral UK	-	Provision of tourism collateral in the United Kingdom
Documents NZ	-	Provision of document management services in New Zealand
Documents AU	-	Provision of document management services in Australia

The Mail NZ segment has one individual customer that represents \$7.795m of revenue, which is more than 10%, of external sales revenue.

The Group evaluates segmental performance based on profit and loss from operations calculated in accordance with IFRS but excluding non-recurring losses, such as goodwill impairment.

Inter-segment sales are priced along the same lines as sales to external customers.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 4. SEGMENT INFORMATION (continued)

Segment assets exclude deferred tax assets and assets primarily for corporate purposes. Segment liabilities exclude deferred tax liabilities and defined benefit liabilities. Loans and borrowings are not allocated directly to the segments as the Board assesses this separately on group funding requirements.

	New Zealand		Australia		UK	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
External revenue from operations	38,465	37,923	737	2,645		4,896
Non-current assets	11,324	7,059	0	4,069	-	357

Revenues are attributed to individual countries based on the country of residence of the entity earning the revenue.

2019	Mail NZ	Tourist Collateral UK	Documents NZ	Documents Australia	Property NZ	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue from external customers	35,418	-	3,046	737		39,202
Depreciation	53	-	18	23	10	103
Amortisation	110	-	201	57	-	368
Goodwill impairment	-	-	-	-	-	-
Segment profit	3,165	-	643	555	(110)	4,254
Net corporate expenditure						(1,256)
Finance expense						(164)
Finance income						130
Other						1,028
Group profit before tax						3,750

2018	Mail NZ	Tourist Collateral UK	Documents NZ	Documents Australia	Property NZ	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue from external customers	34,792	4,897	3,172	2,645	-	45,464
Depreciation	54	24	17	85	-	180
Amortisation	115	-	201	230	-	546
Goodwill impairment	-	-	-	-	-	-
Segment profit	2,458	926	649	27	-	4,060
Net corporate expenditure						(1,117)
Finance expense						(87)
Finance income						21
Other						2
Group profit before tax						2,879

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

### 4. SEGMENT INFORMATION (continued)

2019	Mail NZ	Tourist Collateral UK	Documents NZ	Documents Australia	Property NZ	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	9,177	-	1,561	449	4,583	15,771
Goodwill	2,332	-	2,280	-		4,612
Other non-current assets						1,852
Other corporate assets						-
Total group assets						22,235
Reportable segment liabilities	3,996	-	301	472	24	4,793
Deferred tax liability						354
Employee benefits						331
Loans and borrowings						10,640
Other corporate liabilities						(313)
Total group liabilities						15,806

2018	Mail NZ	Tourist Collateral UK	Documents NZ	Documents Australia	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	5,265	1,900	2,329	2,384	11,878
Goodwill	2,398	150	2,330	2,417	7,295
Other non-current assets					-
Other corporate assets					3,991
Total group assets					23,164
Reportable segment liabilities	6,884	461	100	748	8,193
Deferred tax liability					571
Employee benefits					507
Loans and borrowings					7,533
Other corporate liabilities					1,232
Total group liabilities					18,036



# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements For the Year Ended 31 March 2019

### 5. INCOME TAX

The reasons for the difference between the actual tax charge for the year and the standard rate of company tax in New Zealand applied to profits for the year are as follows:

	2019 \$'000	2018 \$'000
Profit before income taxes	3,750	2,879
Expected tax charge based on the standard rate of New Zealand company tax at the domestic rate of 28%	1,050	806
Non-deductible expenditure net of non-assessable income	(554)	79
Foreign tax rate difference	-	(88)
Prior year timing differences not previously recognised	-	(163)
Other	57	(84)
Total tax expense	553	550
<i>Comprising:</i>		
Current tax		
- In respect of current year	680	545
Deferred tax		
- In respect of current year	(126)	(158)
Prior year timing differences not previously recognised	-	163
	553	550

The New Zealand tax rate for the year ended 31 March 2019 is 28% (2018: 28%).

The United Kingdom tax rate for the year ended 31 March 2019 is 19% (2018: 19%).

The Australian tax rate for the year ended 31 March 2019 is 30% (2018: 30%).

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

### 5. INCOME TAX (continued)

	Note	2019 \$'000	2018 \$'000
<b>Income tax payable</b>			
Taxation payable - opening balance		1,644	1,480
Opening Balance Adjustment on disposal of subsidiary		(78)	
Income tax charge for the year		680	545
Income tax paid		(799)	(540)
Prior Year Tax Adjustments		(81)	121
Other Adjustments		(145)	38
Taxation payable - closing balance		<u>1,221</u>	<u>1,644</u>
<b>Deferred tax asset/(liability)</b>			
Balance at the beginning of the year		(571)	(726)
Opening Balance Adjustment on disposals		90	
Current year movement		126	158
Other adjustments		0	(3)
Deferred tax asset/(liability)		<u>(354)</u>	<u>(571)</u>
<b>Made up of:</b>			
Deferred tax liability		(431)	(732)
Deferred tax asset		77	161
Net balance as per above		<u>(354)</u>	<u>(571)</u>
<b>Deferred tax assets/ (liabilities) are attributable to the following:</b>			
Intangible assets		(423)	(732)
Employee benefits		42	65
Deferred Revenue		-	53
Accruals		13	5
Other		14	38
		<u>(354)</u>	<u>(571)</u>

There are no significant unrecognised income tax losses or temporary differences carried forward.

	2019 \$'000	2018 \$'000
<b>Imputation credits</b>		
Imputation credits at 31 March	<u>456</u>	<u>-</u>

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

### 6. EQUITY

#### *Share Capital*

	2019	2018	2019	2018
	Number of shares	Number of shares	\$	\$
<b>Ordinary shares</b>				
Balance brought forward	53,231,063	54,506,062	6,055,143	6,255,143
Opening Adjustment			8,000	
Shares repurchased/cancelled on termination	(10,183,896)	(1,399,999)	(1,865,373)	(200,000)
<b>Preference shares</b>				
Redeemable preference shares issued	-	125,000		
	<u>43,047,167</u>	<u>53,231,063</u>	<u>4,197,770</u>	<u>6,055,143</u>

At 31 March 2019, share capital comprised 43,047,167 authorised and issued ordinary shares (2018: 53,231,063) and Nil redeemable preference shares (2018: 125,000 redeemable preference shares). All issued shares are fully paid and have no par value.

All ordinary shares rank equally with regard to the company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

#### *Issue of Shares*

No shares were issued in the year ended 31 March 2019.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

### 7. INVENTORIES

	2019 \$'000	2018 \$'000
Finished goods	5,271	1,607
WIP	10	1
	<u>5,280</u>	<u>1,608</u>

In 2019, the write-down of inventories to net realisable value amounted to \$Nil (2018: \$Nil).

Inventory is secured by the ANZ Bank under a registered first ranking general security agreement over all the present and future assets and undertakings of all group entities (Note 15).

### 8. RECEIVABLES AND PREPAYMENTS

	Note	2019 \$'000	2018 \$'000
Trade receivables		3,885	5,475
Non trade receivables		1	208
Prepayments		57	55
Receivables from related parties	17	1	19
		<u>3,943</u>	<u>5,757</u>

The standard terms of trade are payment by the 20th of the following month. The Group reserves the right to charge interest at the directors' discretion for late payment.

### 9. CASH AND CASH EQUIVALENTS

	2019 \$'000	2018 \$'000
Bank balances	1,688	4,314
Total cash and cash equivalents	<u>1,688</u>	<u>4,314</u>

Bank balances do not earn interest. Call deposits, if any, mature within one month and earn interest at 1.60% p.a (2018: 0.35% p.a).

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 10. PROPERTY, PLANT & EQUIPMENT

	Note	Plant and machinery \$'000	Motor vehicles \$'000	Office furniture & equipment \$'000	Building & Land \$'000	Total \$'000
<b>Balance at 31 March 2019</b>						
Cost at 1 April 2018		1,486	145	1,181	-	2,812
Additions		228	-	138	4,396	4,762
Disposals		(771)	(85)	(38)		(894)
Disposals from selling businesses		(159)	0	(66)		(225)
Cost at 31 March 2019		785	60	1,215	4,396	6,456
Accumulated depreciation		(361)	(60)	(835)		(1,256)
Carrying value at 31 March 2019		424	0	380	4,396	5,200
Current year depreciation	2	54	-	110	-	164
<b>Balance at 31 March 2018</b>						
Cost at 1 April 2017		1,441	148	1,047		2,636
Additions		70	-	130		200
Foreign Currency Translation Reserve		(12)	(3)	5		(10)
Disposals		(13)	-	(1)		(14)
Cost at 31 March 2018		1,486	145	1,181		2,812
Accumulated depreciation		(307)	(60)	(725)		(1,092)
Carrying value at 31 March 2018		1,179	85	456		1,720
Current year depreciation	2	86	18	136		232

Property, plant and equipment is secured by the ANZ Bank under a registered first ranking general security agreement over all the present future assets and undertakings of all group entities (Note 15).

There are no contractual commitments for the acquisition of property, plant and equipment at 31 March 2019 (31 March 2018: \$Nil).

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 11. INTANGIBLE ASSETS AND GOODWILL

	Note	Goodwill \$'000	Other intangibles \$'000	Total \$'000
<b>Balance at 31 March 2019</b>				
Cost at 1 April 2018		20,757	4,062	24,819
Additions (Disposals)		(16,930)	(1,165)	(18,095)
Foreign Currency Translation Reserve		785	-	785
Acquisition and adjustment through business combinations		-	-	-
Change in Fair Value of net assets acquired		-	-	-
Cost at 31 March 2019		4,612	2,897	7,509
Accumulated amortisation and impairment losses		-	(1,385)	(1,385)
Carrying value		4,612	1,512	6,124
Current year amortisation	2	-	371	371
<b>Balance at 31 March 2018</b>				
Cost at 1 April 2017		20,419	4,079	24,498
Additions		241	9	250
Foreign Currency Translation Reserve		97	(26)	71
Cost at 31 March 2018		20,757	4,062	24,819
Accumulated amortisation and impairment losses		(13,462)	(1,593)	(15,055)
Carrying value		7,295	2,469	9,765
Current year amortisation	2	-	549	549

Other intangibles consist primarily of brand and customer relationships recognised on the acquisitions of Pete's Post, Fastway Post Limited, RocketMail, Simpsons Data, Formfile Records Management Group Unit Trust (2018 only) and G3 NZ Limited, including Filecorp NZ Limited. Other intangible assets are amortised over periods from 5 to 10 years.

#### Goodwill impairment testing

Cash generating units are the smallest groups of assets for which separately identifiable cash inflows can be attributed. Goodwill is allocated to the following cash generating units for the purpose of impairment testing.

	Note	2019 \$'000	2018 \$'000
New Zealand mail operations		2,332	2,398
United Kingdom tourist collateral		-	150
New Zealand document management services		2,280	2,330
Australian document management services		-	2,417
		4,612	7,295

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 11. INTANGIBLE ASSETS AND GOODWILL (continued)

On an annual basis, the recoverable amount of goodwill is tested for impairment based on its value-in-use. This was determined by discounting estimated future cash flows to be generated by the cash generating unit (CGU).

The board has reviewed impairment tests of all material goodwill balances and is comfortable no impairment is required.

#### 12. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of the G3 Group Limited, all of which have been included in these consolidated financial statements, are as follows:

Subsidiaries	Principal activity	Country	Acquisition date	Proportion of ownership interest at 31 March	
				2019	2018
UMUK Holdings Limited	Holding company	New Zealand	31-Mar-11	0%	100%
Send Group Limited	Non-active	New Zealand	8-Oct-08	100%	100%
Letter Box Channel Limited	Non-active	New Zealand	8-Oct-08	n/a	100%
Universal Mail United Kingdom Limited	UK Postal operator	United Kingdom	31-Mar-11	0%	100%
New Zealand Mail Limited	NZ Postal operator	New Zealand	5-May-04	100%	100%
Send New Zealand Limited	Non-active	New Zealand	1-Apr-11	100%	100%
Filecorp NZ Limited	Document management NZ	New Zealand	31-Mar-15	100%	100%
G3 Formfile Investments Pty Ltd	Holding company	Australia	27-Nov-15	100%	100%
G3 (Aust) Holdings Pty Ltd	Holding company	Australia	26-Nov-15	100%	100%
Formfile Records Management Group Pty Ltd	Trustee services	Australia	1-Jan-16	100%	100%
Formfile Records Management Group Unit Trust	Document management Australia	Australia	1-Jan-16	100%	100%
G3 Property Holdings Limited	Property Management	New Zealand	28-Sep-18	100%	0%

*Letter Box Channel Limited was amalgamated with G3 Group Limited during the year ended 31 March 2019 and renamed G3 Group Limited.*

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

### 13. TRADE AND OTHER PAYABLES

		2019	2018
	Note	Current \$'000	Current \$'000
Trade payables		1,903	4,791
Payables to related parties		-	-
Other payables		0	1,193
Contingent consideration on business combination		-	531
Accruals		1,194	797
Goods and services tax payable		162	198
Deferred Income		-	277
		<u>3,260</u>	<u>7,786</u>

### 14. EMPLOYEE BENEFITS

		2019	2018
		\$'000	\$'000
Current liability for:			
Salary Accrual		-	78
Bonus accrual		222	198
Annual leave		103	127
Long service leave			99
Employer deductions		6	5
		<u>331</u>	<u>507</u>



# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 14. EMPLOYEE BENEFITS (continued)

Grant date	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options were granted to key management personnel and senior employees on 13 May 2015 (Issue Date)	6,766	1/3 <sup>rd</sup> vest on 13 May 2017, 1/3 <sup>rd</sup> vest on 13 May 2019 and 1/3 <sup>rd</sup> vest on 13 May 2021 subject to the holder continuing to be employed by the Group (Service Condition only).	Six years from the Issue Date for the options that vest on 13 May 2017 and eight years from the Issue date for the options that vest on 13 May 2021.

All options were relinquished in the year ended 31 March 2019.

#### Measurement of fair value

The fair value of the employee share options has been measured using the Black-Scholes formula.

#### Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option programme were as follows:

	2019		2018	
	Number of options (in thousands of options)	Weighted-average exercise price	Number of options (in thousands of options)	Weighted-average exercise price
Outstanding at 1 April	5,322	\$0.75	6,766	\$0.75
Granted during the year	0	N/a	0	N/a
Forfeited during the year	(5,322)	N/a	(1,444)	N/a
Exercised during the year	0	N/a	0	N/a
Outstanding at 31 March	0	N/a	5,322	\$0.75
Exercisable at 31 March	0	N/a	1,774	\$0.75

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

### 15. INTEREST-BEARING LOANS AND BORROWINGS

	Note	2019 \$'000	2018 \$'000
<b>Current</b>			
Secured bank loans		0	968
Other secured loans		10,640	16
		<u>10,640</u>	<u>984</u>
<b>Non-current</b>			
	Note	2019 \$'000	2018 \$'000
<b>Non-Current</b>			
Secured bank loans		-	6,543
Other secured loans		-	6
		<u>-</u>	<u>6,549</u>
<b>Total interest-bearing loans and borrowings</b>		<u>10,640</u>	<u>7,533</u>

	Nominal interest rate	Year of maturity	2019 \$'000 Face value/ carrying amount	2018 \$'000 Face value/ carrying amount
<b>In New Zealand Dollars</b>				
Secured bank loans	4.175% to 8.500%	FY19 - FY20	0	7,511
Other secured loans	3.258% to 8.500%	N/A	10,640	22
<b>Total interest bearing liabilities</b>			<u>10,640</u>	<u>7,533</u>

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

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#### 15. INTEREST-BEARING LOANS AND BORROWINGS (continued)

The face values of loans and borrowings are not significantly different to their carrying amounts.

##### 2019

The other secured loans are secured by an agreement that a GSA may be registered by the lender over the borrower.

##### 2018

The bank loans are secured by the following:

- Cross guarantee and indemnity agreements between G3 Group Limited and both Filecorp NZ Limited and New Zealand Mail Limited.
- Guarantee and indemnity of all obligations of New Zealand Mail Limited and G3 Group Limited unlimited as to amount from Universal Mail United Kingdom Limited (2018 only).
- Guarantee and indemnity of all obligations of Filecorp NZ Limited unlimited as to amount from G3 Group Limited.
- Guarantee and indemnity of all obligations of G3 Group Limited unlimited as to amount from G3 Formfile Investments Pty Limited, G3 (Aust) Holdings Pty Limited (2018: also Letter Box Channel Limited, which in the year ended 31 March 2019 amalgamated with G3 Group Limited and was renamed G3 Group Limited).
- Guarantee and indemnity of the obligations of G3 Group Limited by one of its directors (2018: by two of its directors restricted to an amount of \$4.0 million plus interest, costs and other amounts each).
- Registered first ranking general security over all present and future assets and undertakings (including goodwill) of all group entities.

The secured bank loans were subject to interest cover and leverage financial covenants. These were repaid in full during the year ended 31 March 2019. G3 Group Limited was compliant with its covenants during the year ended 31 March 2019. G3 Group Limited was also compliant with its covenants during the year ended 31 March 2018.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 16. OPERATING LEASES

	Note	2019 \$'000	2018 \$'000
<b>Leases as lessee</b>			
Non-cancellable operating lease rentals are payable as follows:			
Less than one year		300	520
Between one and five years		1,500	1,421
		<u>1,800</u>	<u>1,941</u>

The Group leases various properties under non-cancellable operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights. The non-cancellable operating lease commitments referred to above are with G3 Property Holdings Limited, a member of the Group.

During the year ended 31 March 2019, \$0.24 million was recognised as an expense in respect of operating leases (2018: \$0.59 million).

#### 17. RELATED PARTIES

##### *Identity of related parties*

The Group has a related party relationship with its key management personnel. All members of the Group are considered to be related parties of the Parent (G3 Group Limited). This includes the subsidiaries identified in note 12.

The Group also has a related party relationship with Wilshire Treasury Limited.

##### *Transactions with related parties*

Transactions with related parties are to be either settled in cash, or other arrangements by the directors. There has been no impairment of related party balances during the year (2018: \$Nil) and there have been no write-offs of related party balances during the year (2018: \$Nil).

The Group and Wilshire Treasury have entered into security sharing arrangements with ANZ Bank in consideration for which Wilshire Treasury provides interest bearing funding to the Group. The Group has also agreed to allow Wilshire Treasury to secure its advances to the Group over the assets of G3 Group Limited.

All transactions with related parties are considered to be priced on an arm's length basis.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

### 17. RELATED PARTIES (continued)

	Note	2019 \$'000	2018 \$'000
<b>Directors</b>			
- Advances receivable	8		19
<i>Total balances for directors</i>		<u>-</u>	<u>19</u>
<b>Other related parties</b>			
- Advances receivable from staff and other related parties		1	-
- Advances payable to Wilshire Treasury Limited	15	(10,640)	-
<i>Total balances for Other related parties</i>		<u>(10,639)</u>	<u>-</u>

#### **Key Management Personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. Key management personnel are the Directors and Executive Team Members of the Group and Parent. Salaries and management fees were paid to directors and key management personnel in respect to their services rendered. These services were undertaken on normal commercial terms.

	2019 \$'000	2018 \$'000
Key management personnel		
- Short term employment benefits	414	558
- Share based payments	66	147
	<u>480</u>	<u>705</u>

Directors' remuneration is included in the salaries and wages in Note 2.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 18. FINANCIAL INSTRUMENTS

As at 31 March 2019, the Group had the following classes of financial instruments:

	Note	Loans and receivables \$'000	Other financial liabilities \$'000	Designated at Fair Value \$'000
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	8	3,885	-	-
Cash and cash equivalents	9	1,688	-	-
<b>Financial liabilities not measured at fair value</b>				
Trade and other payables	13	-	(3,097)	-
Interest bearing loans and borrowings	15	-	(10,640)	-
<b>Financial liabilities measured at fair value</b>				
Contingent consideration		-	-	-
		5,573	(13,737)	-

2018				
	Note	Loans and receivables \$'000	Other financial liabilities \$'000	Designated at Fair Value \$'000
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	8	5,702	-	-
Cash and cash equivalents	9	4,314	-	-
<b>Financial liabilities not measured at fair value</b>				
Trade and other payables	13	-	(6,781)	-
Interest bearing loans and borrowings	15	-	(7,533)	-
<b>Financial liabilities measured at fair value</b>				
Contingent consideration		-	-	(531)
		10,016	(14,314)	(531)

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2019

### 19. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES TO UPDATE

Cash flows from operating activities	Note	2019 \$'000	2018 \$'000
Profit for the year		3,197	2,329
<i>Adjustments for:</i>			
Privatisation Costs		(210)	
Opening Adjustment for disposal of UMUK Holdings Ltd		(953)	
Amortisation of brands/trademarks	11	371	549
Depreciation of property, plant and equipment	10	164	232
Share based payments to directors and staff	2	180	194
Finance income	3	(186)	(174)
Finance expense	3	573	498
Impairment of receivables	7	(204)	-
Impairment of goodwill		-	-
Contingent Consideration	13	(82)	
Effect of movements in foreign exchange rates		936	(16)
Income tax expense		553	550
		4,339	4,162
(Increase) / decrease in trade and other receivables		1,772	(131)
(Increase) / decrease in inventories		(3,672)	1,388
Increase / (decrease) in trade and other payables		(4,755)	1,903
<b>Cash generated from operations</b>		<b>(2,316)</b>	<b>7,322</b>
Income taxes paid	5	(799)	(540)
<b>Net cash flows from operating activities</b>		<b>(3,115)</b>	<b>6,782</b>

# G3 GROUP LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the Year Ended 31 March 2019

#### 20. CAPITAL COMMITMENTS

There are no capital commitments as at 31 March 2019 (2018: \$Nil).

#### 21. CONTINGENT LIABILITIES

During the year under review the Group has allowed its assets to be pledged as security and given a guarantee to support banking facilities provided to Wilshire Treasury Limited by ANZ Bank, refer Note 15.

An unconditional bank guarantee for \$0.78 million is outstanding in 2019 (2018: \$0.78 million), to secure the payment of charges from New Zealand Post in respect of certain mail services.

There are potential liabilities under the warranties in the agreement for the sale of the Formfile business. An unconditional bank bond for \$A430,000 was provided to the purchaser to secure these and is outstanding as at 31 March 2019. These warranties expire 6 January 2020 (2018:\$Nil).

Other than these exposures there are no contingent liabilities as at 31 March 2019 (2018: \$Nil).

#### 22. EVENTS OCCURRING AFTER THE REPORTING DATE

In December 2019, a new virus, COVID-19 was detected in Wuhan, China and on 11 March 2020 the World Health Organization declared that the outbreak should be considered a global pandemic.

In late March 2020, the New Zealand Government ordered a four-week lockdown, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. In late April 2020, the lockdown period ended and the New Zealand Government started gradually easing the restrictions that had been placed on businesses, organisations and individuals.

The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures in a bid to halt, or at least slow, transmission of the virus. At the time of signing the financial statements, there is uncertainty about how long the period of reduced economic activity will last or how deep the reduction will be.

The company has taken a number of steps to reduce the effect of COVID-19 on its businesses which appear to have been beneficial. The directors have assessed the likely future impact of COVID-19 on the Company and have concluded that, for the 12 months from the date of signing the financial statements, COVID-19 will not materially impact the ability of the Company to continue operating.

Other than this there are no material events after balance date (2018: None).



# G3 GROUP LIMITED AND SUBSIDIARIES

## Statutory Information

### For the Year Ended 31 March 2019

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#### PRINCIPAL ACTIVITIES

The Group provides document management products and services in New Zealand and in Australia, tourist collateral products in the United Kingdom and postal products and services in New Zealand.

#### DIRECTORS HOLDING OFFICE DURING THE YEAR

G3 Group Limited ( <i>previously Letter Box Channel Limited</i> ) ( <i>Letter Box Channel Limited amalgamated with G3 Group Limited on 31 July 2018 and was renamed G3 Group Limited</i> )	Robin Alker (removed on amalgamation) Stephen Phillips Jason Butler (Resigned 23 July 2018) Evan Christian (appointed on amalgamation)
G3 Group Limited ( <i>amalgamated with Letter Box Channel Limited on 31 July 2018 which was renamed G3 Group Limited</i> )	Evan Christian Stephen Phillips Jason Butler (Resigned 23 July 2018)
UMUK Holdings Limited	Leslie Harvey Stephen Phillips (resigned 25 January 2019)
Send Group Limited	Robin Alker Stephen Phillips
Universal Mail United Kingdom Limited	Leslie Harvey Jason Butler
New Zealand Mail Limited	Robin Alker Stephen Phillips
Send New Zealand Limited	Robin Alker Stephen Phillips
Filecorp NZ Limited	Robin Alker Stephen Phillips
G3 Formfile Investments Pty Ltd	Jane Storey Robin Alker
G3 (Aust) Holdings Pty Ltd	Jane Storey Robin Alker
Formfile Records Management Group Pty Ltd	Jane Storey Robin Alker

#### DONATIONS

No donations were made by the Group in the year ended 31 March 2019 (2018: \$Nil).

#### INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the company has provided insurance for, and indemnity to Directors and employees of the Group and its subsidiaries for losses from actions undertaken in the course of their duties.

# G3 GROUP LIMITED AND SUBSIDIARIES

## Company Directory

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<b>Company Name</b>	G3 Group Limited
<b>Nature of Business</b>	Providers of document and data management services and business mail services in New Zealand.
<b>Registered Office</b>	Level 2 BDO House 116 Harris Road East Tamaki Auckland
<b>Directors</b>	Stephen Phillips Evan Christian
<b>Bankers</b>	ANZ Bank New Zealand Limited 23 Albert Street Auckland New Zealand
<b>Solicitors</b>	Chapman Tripp 23 Albert Street Auckland New Zealand