2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

c) Revenue and income recognition (continued)

Dividends

Dividend income is recognised on the ex-dividend date with any corresponding foreign withholding tax recorded as an expense.

Interest income

Interest income is recognised on a time proportionate basis taking into account the effective interest rates applicable to the financial assets.

d) Operating expenses

Operating expenses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

e) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the parent company, as adjusted for the effect of dilutive potential ordinary shares where applicable, by the weighted average number of ordinary shares outstanding during the year plus the weighted average of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

f) Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joints ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

f) Income tax (continued)

Deferred tax assets are recognised to the extent that it is probable they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit.

Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same tax authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expenses in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

g) Investments in financial assets

Classification

The Company's investments are classified as at fair value through profit or loss. They comprise:

Financial assets designated at fair value through profit or loss

All financial assets are held at fair value through profit or loss. These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded or unlisted securities.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss are recognised on the trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

Financial assets held at fair value through profit or loss

Changes in fair value and transaction costs are recognised in profit or loss.

Fair value in an active market

The fair value of listed investments is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current close price.

Net gains/(losses) on financial assets held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at period end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend income.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

h) Investments in joint ventures

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. The carrying amount of the investments in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

i) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable than an outflow of economic benefits will result, and that outflow can be readily measured.

Provision is made for the Group's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

j) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Carrying value of investments in unlisted securities

The best available evidence of fair value during the first 12 months of ownership is usually the cost of the investment, unless there is an apparent change in circumstances which would indicate the need for a new valuation. Such a circumstance may include observing the price from a recent transaction of an investment, provided the relevant transaction occurred sufficiently close to the measurement date (usually within 12 months).

In the absence of a recent transaction providing a reliable estimate, the fair value of unlisted direct securities will be calculated with reference to appropriate valuation methods including, but not limited to, an assessment of the investment's cash flows, comparable transactions, and comparable listed assets.

Carrying value of investments accounted for using the equity method

The Group has assessed the carrying value of its 50% owned investment in the joint venture entity, Western Drilling Limited, which is accounted for using the equity method.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

j) Significant management judgement in applying accounting policies (continued)

Impairments

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment trigger. Recoverable amounts of relevant assets are reassessed using the higher of fair value less costs of disposal and value-in-use calculations which incorporate various key assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Judgement is required in determining whether it is probable that the tax losses will be utilised against future taxable income and the quantum of the amount which is considered probable. Details of deferred tax assets are included in Note 5.

3. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	2019 $'000	2018 $'000
Interest income	70	161
Dividend income	306	134
Underwriting income	-	10
Total	**376**	**305**

4. EARNINGS PER SHARE

	2019 $'000	2018 $'000
Profit/(loss) from continuing operations attributable to the ordinary equity holders used in the calculation of basic and dilutive earnings per share	3,190	7,034

	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share.	37,194,774	37,349,290

Basic and diluted earnings per share

	2019 Cents	2018 Cents
Earnings from continuing operations	8.58	18.83

5. INCOME TAX EXPENSE

The reconciliation of prima facie tax payable to reported income tax expense/(benefit) is as follows:

	2019 $'000	2018 $'000
Profit before tax	3,190	5,014
Domestic tax rate	27.5%	27.5%
Prima facie tax expense	877	1,379
Adjustments for tax effect of:		
Non-temporary differences	13	-
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(4,316)
Temporary differences and tax losses not recognised	(890)	917
Income tax expense/(benefit)	**-**	**(2,020)**
Tax losses		
Unused Australian losses which have been recognised as a deferred tax asset[1]	7,345	7,345
Unused Australian losses for which no tax loss has been recognised as a deferred tax asset[2]	35,245	33,657
Unrealised Australian losses/(gains) (net)	(1,614)	3,289
Total Australian unused and unrealised losses	**40,976**	**44,291**
Potential tax benefit of unused and unrealised losses at 27.5% (2018: 27.5%)[3]	**11,268**	**12,180**
Potential tax benefit of unused and unrealised losses – $ per share	**$0.30**	**$0.33**

1 In 2018 a deferred tax asset of $2.020 million (potential tax benefit at 27.5% of $7.345 million) was recognised on unused Australian tax losses of the Group. The Group has determined that it is probable that these tax losses will be utilised as a result of the Group now being in a position to, more probably than not, earn sufficient taxable profits in the short-term.

2 This represents total realised tax losses and capital losses which are unused and have not been recognised as a deferred tax asset.

3 The taxation benefits will only be obtained if:
i) The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
ii) The Group continues to comply with the conditions for deductibility imposed by law and, in particular, as long as NGE continues to satisfy the continuity of ownership test as set out in Divisions 165 and 166 of the *Income Tax Assessment Act 1997* (Cth); and
iii) No changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the loss.

Not included in the above table:

- Unused PNG losses of $45.282 million (2018: $45.282 million) for which no tax loss has been recognised because of the uncertainty of being able to use them.
- The impaired value of certain investments in PNG and Australia which may in future give rise to further Australian tax losses.

6. CONTROLLED AND JOINTLY CONTROLLED ENTITIES

Controlled Entities	Country of Incorporation	Ownership Interest %
NGE Administration Limited	Papua New Guinea	100

Jointly Controlled Entities	Country of Incorporation	Ownership Interest %
Western Drilling Limited (WDL)	Papua New Guinea	50
- Rig 6 Pty Ltd[1]	Australia	50

[1] Rig 6 Pty Ltd is a wholly owned subsidiary of WDL.

7. EQUITY AND CAPITAL MANAGEMENT

a) Share Capital

Shares issued and fully paid	2019 Shares	2018 Shares	2019 $'000	2018 $'000
At beginning of year	37,194,774	37,444,448	78,136	78,293
Share buy-back	-	(249,674)	-	(157)
Total contributed equity at 31 December	**37,194,774**	**37,194,774**	**78,136**	**78,136**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote. Ordinary shares have no par value.

b) On-market share buy-back

On 21 August 2017 the Company announced a 10/12 on-market buy-back to commence on or after 4 September 2017. This buy-back is of unlimited duration and was re-confirmed by the Board for the years commencing on 4 September 2018 and 4 September 2019, with the Company reserving the right to suspend or terminate the buy-back at any time. During the year Nil (2018: 249,674) shares were bought back and cancelled. The total cost of $ Nil (2018: $157,300) was deducted from Share Capital.

8. SEGMENT REPORTING

The Group has only one reportable segment. The Group is engaged solely in investment activities conducted from Australia, deriving revenue from dividend income, interest income and from the sale of investments.

9. BORROWINGS

	2019 $'000	2018 $'000
Current borrowings[1]	3,000	-
Non-current borrowings[2]	-	-
Total	**3,000**	**-**

[1]Current borrowings exclude lease liabilities which have a carrying value of $68,000 at 31 December 2019 (31 December 2018: $ Nil). See Note 10 for further detail.

[2]Non-current borrowings exclude lease liabilities which have a carrying value of $41,000 at 31 December 2019 (31 December 2018: $ Nil). See Note 10 for further detail.

On 7 February 2019 the Company entered into a loan agreement and borrowed $3 million, at an interest rate of 10% p.a. and maturity of 12 months after the initial drawdown.

10. LEASE LIABILITIES

The gross carrying amount of lease liabilities presented in the statement of financial position within borrowings is as follows:

	2019 $'000	2018 $'000
Lease liabilities (current)	68	-
Lease liabilities (non-current)	41	-
Total	**109**	**-**

The Company has a non-cancellable licence agreement with Kentgrove Capital Pty Ltd for the sub-lease of office premises for its business from 1 August 2018 to 31 July 2021 at an initial rate of $66,000 per annum annually indexed at 4.00%. Future minimum licence payments at 31 December 2019 are as follows:

Minimum lease payments due	**Within one year**	**One to five years**	**After five years**	**Total**
31 December 2019	**$**	**$**	**$**	**$**
Lease payments	70	42	-	112
Finance charges	(2)	(1)	-	(3)
Net present values	**68**	**41**	**-**	**109**

11. COMMITMENTS

The Group has no capital commitments. The Group has signed a non-cancellable license agreement for 3 years from 1 August 2018 to occupy office facilities. Commitments for minimum licence payments are as follows:

	2019	2018
	$	$
Within one year	69,784	67,100
Later than one year but not later than 5 years	41,642	111,426
Total	**111,426**	**178,526**

12. CONTINGENT ASSETS AND LIABILITIES

At reporting date the Group has no contingent assets or contingent liabilities.

13. POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation, with the exception that on 7 February 2020 the Company repaid the $3 million outstanding loan balance with cash on hand.