NGE Capital Limited

NGE CAPITAL LIMITED

APPENDIX 4E AND PRELIMINARY FINANCIAL REPORT

Results for announcement to the market
For the year ended 31 December 2019

OPERATING AND FINANCIAL REVIEW

a) Financial Result
The profit of NGE Capital Limited (**NGE** or **Company**) and its controlled entities (**Group**) after income tax for the year was $3.190 million (2018: $7.034 million), comprising profit before income tax of $3.190 million (2018: $5.014 million) and recognition of a deferred tax asset of $ Nil (2018: $2.020 million).

b) Investment Performance
At year end NGE's principal assets comprised financial assets, mainly investments in listed equities, at market value of $32.062 million (2018: $26.770 million), and cash and cash equivalents of $2.640 million (2018: $2.095 million).

Net assets increased by $3.190 million to $33.691 million (2018: $30.501 million). Net tangible assets (**NTA**) increased by $3.10 million to $31.60 million. On a per share basis, NTA (before tax and net of all operating expenses) increased 11.2% to $0.850 (2018: $0.765). NTA per share after tax increased 10.5% to $0.905 (2018: $0.819).

All comparisons to year ended 31 December 2018.

Result Information	**$'000**	**Up/Down**	**% change**
Revenue from ordinary activities	4,798	Down	22.7%
Profit/(loss) after tax for the year – ordinary activities	3,190	Down	54.7%
Total comprehensive income for the year after tax attributable to members of the parent entity	3,190	Down	54.7%

Dividend information

No dividends or distributions have been paid or provided during the year.
There are no dividend or distribution reinvestment plans in operation.

Net Tangible Asset Information	**31 Dec 2019**	**31 Dec 2018**	**Movement**
Net tangible asset backing per ordinary share before tax	$0.850	$0.765	11.2%

This report is based on the consolidated financial statements which are currently being audited by Grant Thornton. Additional Appendix 4E disclosure requirements can be found in the attached report.

This announcement is approved and authorised for release by the NGE Capital Limited Board.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Revenue	3	376	305
Change in fair value of financial instruments held at fair value through profit or loss		4,422	5,900
Employee benefits expense		(879)	(873)
Other expenses		(455)	(318)
Interest expense		(274)	-
Profit before income tax		3,190	5,014
Income tax benefit	5	-	2,020
Profit from continuing operations after income tax		**3,190**	**7,034**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to members of the Parent Entity		**3,190**	**7,034**

	Cents	Cents
Basic and diluted earnings/(loss) per share		
From continuing operations	8.58	18.83
Total	**8.58**	**18.83**

Note: This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents		2,640	2,095
Trade and other receivables		429	20
Financial assets held at fair value through profit or loss		32,062	26,770
Other assets		44	42
Property, plant, equipment		105	-
Deferred tax assets	5	2,020	2,020
Total Assets		**37,300**	**30,947**
Liabilities			
Trade and other payables		466	429
Borrowings	9,10	3,109	-
Provisions		34	17
Total Liabilities		**3,609**	**446**
Net Assets		**33,691**	**30,501**
Equity			
Issued capital		78,136	78,136
Reserves		-	-
Accumulated losses		(44,445)	(47,635)
Total Equity		**33,691**	**30,501**

Note: This statement should be read in conjunction with accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital	Accumulated losses	Option reserve	Equity component of convertible instrument	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2017	78,293	(66,045)	7,894	3,483	23,625
Total comprehensive income for the year	-	7,034	-	-	7,034
Transfer from reserves	-	11,377	(7,894)	(3,483)	-
Prior year adjustment	-	(1)	-	-	(1)
Transactions with owners in their capacity as owners:					
Share buy-back	(157)	-	-	-	(157)
Balance at 31 December 2018	78,136	(47,635)	-	-	30,501
Total comprehensive income for the year	-	3,190	-	-	3,190
Balance at 31 December 2019	78,136	(44,445)	-	-	33,691

Note: This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Cash Flow from Operating Activities			
Payments to suppliers and employees		(1,173)	(1,150)
Payments for equity investments		(18,429)	(20,817)
Proceeds from sale of equity investments		17,311	18,754
Interest received		70	161
Dividends received		260	127
Underwriting income		-	10
Net cash (used in) operating activities		**(1,961)**	**(2,915)**
Cash Flow from Investing Activities			
Loans advanced to joint venture		(174)	(144)
Net cash (used in) investing activities		**(174)**	**(144)**
Cash Flow from Financing Activities			
Payments for share buy-back		-	(169)
Proceeds from borrowing		3,000	-
Interest paid		(254)	(1)
Payments of lease liabilities for right-of use asset		(63)	-
Net cash provided by/(used in) financing activities		**2,683**	**(170)**
Net increase/(decrease) in cash and cash equivalents held		548	(3,229)
Cash at beginning of period		2,095	5,296
Effect of exchange rates on cash holding in foreign currencies		(3)	28
Cash at end of period		**2,640**	**2,095**

Note: This statement should be read in conjunction with the accompanying notes.

1. GENERAL INFORMATION, STATEMENT OF COMPLIANCE AND GOING CONCERN ASSUMPTION

This preliminary financial report is a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). NGE is a for-profit entity for the purpose of preparing the financial statements.

NGE is the Group's ultimate parent company. NGE is a public company incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 4 North Building 333 Collins Street, Melbourne Vic 3000.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the preliminary financial report. The accounting policies have been consistently applied, unless otherwise stated.

2. SUMMARY OF ACCOUNTING POLICIES

a) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and its subsidiary as of 31 December 2019. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

b) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (**AUD**), which is also the functional currency of the parent company.

c) Revenue and income recognition

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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 the 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)

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.