

8 February 2019

Company Announcements Office ASX Limited Level 4, Exchange Centre 20 Bridge St SYDNEY NSW 2000

#### **HALF-YEAR RESULTS**

Ellerston Global Investments Limited (ASX: EGI) hereby lodges:

- 1. Appendix 4D Statement for the half year ended 31 December 2018; and
- 2. Interim Financial Report for the half year ended 31 December 2018.

Yours sincerely

Ian Kelly

Company Secretary



#### 1. Details of the reporting period.

**Current Period:** 1 July 2018 to 31 December 2018 Previous Corresponding Period: 1 July 2017 to 31 December 2017

#### 2. Results for announcement to the market

|     |  | Current<br>period<br>AUD (\$) | % Change<br>from the<br>corresponding<br>period |
|-----|--|-------------------------------|---|
| 2.1 | Revenue from ordinary activities   | (16,430,270)                  | (-239.01%)                                      |
| 2.2 | Profit/(loss) after tax from ordinary activities                                 | (12,607,169)                  | (-258.15%)                                      |
| 2.3 | Net profit/(loss) after tax for the period attributable to ordinary shareholders | (12,607,169)                  | (-258.15%)                                      |

| Period           | EGI Portfolio<br>Return* | MSCI World<br>Index (local)<br>Return |  |
|------------------|--------------------------|---------------------------------------|--|
| 6 Months         | (13.82%)                 | (8.55%)                               |  |
| 1 year           | (12.73%)                 | (7.37%)                               |  |
| Since 01/11/2014 | 26.26%                   | 24.64%                                |  |

<sup>\*</sup> Calculated after fees, including dividends paid and re invested, excluding tax and the effect of option dilution over the period.

#### 3. **Dividend Information**

#### Interim dividend declared

1.5 cents per fully paid ordinary share Fully franked at the tax rate of 27.5% From the Dividend Profit Reserve account

Interim and special dividend dates:

Ex-dividend date 6 March 2019 Record date 7 March 2019 DRP election due date 8 March 2019 Payment date 5 April 2019 DRP discount 2.50%

The Board of the Company has determined that in relation to the 31 December 2018 interim dividend the DRP will operate as follows:

- A 2.5% discount will apply to the allocation price of the DRP;
- The allocation price of DRP is calculated based on the daily volume weighted average sale price (calculated to the nearest cent) of Shares traded on the Exchange over the 5 trading days commencing on 11 March 2019 and ending on 15 March 2019;
- Last DRP election date is 8 March 2019; and
- Share allocated under the DRP will be ranked equally with the existing ordinary shares.

ACN 169 464 706



#### 4. Net tangible assets (NTA) per ordinary share

|                               | Current period<br>AUD (\$) | Previous<br>corresponding period<br>AUD (\$) |
|-------------------------------|----------------------------|--|
| NTA – before tax (i)**        | 0.9864                     | 1.2628                                       |
| NTA – after realised tax (ii) | 0.9915                     | 1.2634                                       |
| NTA – after tax               | 1.0148                     | 1.2168                                       |

- All figures are after the payment of dividends and taxes.
- (i) (ii) Net Tangible Assets after realised tax includes a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after
- The 1 year before tax NTA return was (21.89%), the EGI 1 year portfolio return was (12.73%). NTA return (21.89%) + Dividends Paid and reinvested 2.78% + Tax Paid 1.67% + effect of Option dilution 4.71% = EGI Portfolio return (12.73%)

#### 5. Control gained or lost over entities during the period

N/A

#### 6. Details of associates and joint venture entities

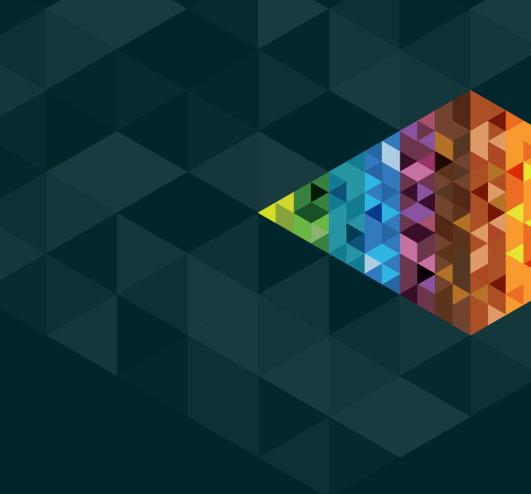
The Company did not have any interest in any associates or joint venture entities during both the current period and the previous corresponding period.

#### Accounting standards used by foreign entities 7.

N/A – The Company is an Australian Entity.

#### 8. **Qualification of review**

The interim report for the period ended 31 December 2018 is not subject to review dispute or qualification.



# Ellerston Global Investments Limited

ASX: EGI

ABN 75 169 464 706

# Interim Report

For the half-year ended 31 December 2018

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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the period ended 30 June 2018 and any public announcements made by Ellerston Global Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act* 2001.



Directors' Report

# Directors' Report For the half-year ended 31 December 2018

The directors of Ellerston Global Investments Limited (the "Company") present their report together with the financial statements of the Company for the half-year ended 31 December 2018.

#### **Directors**

The following persons were directors of the Company during the period and up to the date of this report:

| NAME             | DIRECTORSHIP                          | APPOINTED        | RESIGNED         |
|------------------|---------------------------------------|------------------|------------------|
| Ashok Jacob      | Non-Independent<br>Chairman           | 18 August 2014   |                  |
| Sam Brougham     | Independent<br>Non-Executive Director | 18 August 2014   |                  |
| Paul Dortkamp    | Independent<br>Non-Executive Director | 24 July 2014     |                  |
| Stuart Roberston | Independent<br>Non-Executive Director | 24 July 2014     | 14 December 2018 |
| Bill Best        | Independent<br>Non-Executive Director | 14 December 2018 |                  |

#### **Company Secretary**

The following person was Company Secretary during the period and up to the date of this report:

| NAME      | APPOINTED    |
|-----------|--------------|
| lan Kelly | 24 July 2014 |

#### **Principal activities**

The Company is a listed investment company established to construct a concentrated portfolio of between 10 and 40 global listed securities.

# Directors' Report For the half-year ended 31 December 2018

#### **Review and results of operations**

|                                     | Half-year ended                           |            |
|-------------------------------------|---|------------|
|                                     | <b>31 December</b> 31 Decem <b>2018</b> 2 |            |
| Net (loss)/profit before income tax | (17,363,024)                              | 10,954,905 |
| Net (loss)/profit after income tax  | (12,607,169)                              | 7,971,776  |

|   | As of                     |                           |
|---|---------------------------|---------------------------|
|   | 31 December<br>2018<br>\$ | 31 December<br>2017<br>\$ |
| Net tangible assets per share (NTA) - before tax (i)          | 0.9864                    | 1.2628                    |
| Net tangible assets per share (NTA) - after realised tax (ii) | 0.9915                    | 1.2634                    |
| Net tangible assets per share (NTA) - after tax               | 1.0148                    | 1.2168                    |

The Net Tangible Assets as at 31 December 2018 is based on fully paid ordinary shares of 109,983,363 (June 2018: 109,845,725).

- (i) All figures are after the payment of dividends and taxes. During the half year ended 31 December 2018, dividends of 1.5 cents per share and tax of 1.38 cents per share were paid.
- (ii) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

From 1 July 2018 to 31 December 2018, the Company returned -13.82% (December 2017: 12.36%) on a before-tax basis and -10.18% (December 2017: 9.22%) on an after-tax basis while the benchmark MSCI World (Local) had a return of -8.55% (December 2017: 9.45%).

Since its first full month of trading in November 2014, the Company has achieved a 26.26% return before all taxes and 19.91% after all taxes. The benchmark, MSCI World Index (Local) returned 24.64% over the same period.

#### Strategy and future outlook

The Company is predominantly invested in equities, with a focus upon the equities of non-Australian domiciled companies. The Company will continue to pursue its objective of generating superior returns for shareholders over time, with a focus on risk management and capital preservation. The strategy to acquire a portfolio of stocks which the manager believes are in a period of price discovery and offer an attractive risk/reward profile remains unchanged.

#### **Dividends**

On 8 February 2019, the directors declared an interim dividend of 1.5 cents per fully paid ordinary share, fully franked at the 27.5% corporate tax rate. The dividend will have a record date of 7 March 2019 and will be paid to shareholders on 5 April 2019. The Dividend Reinvestment Plan (DRP) will operate in conjunction with these dividends and a discount of 2.50% will be applied to the DRP.

On 23 August 2018, the directors declared a fully franked dividend of 1.5 cents per fully paid ordinary share, which was paid to the shareholders on 5 October 2018.

More details of dividend payments are provided under Note 3 on pages 19 to 20 of the report.

#### **Dividend Profit Reserve**

The Company may transfer any current year or prior period accumulated profits not distributed as dividends to a Dividend Profit Reserve. Doing so facilitates the payment of future dividends, rather than maintaining these profits within retained earnings.

On 23 August 2018, the Directors decided to transfer approximately \$5.7m (2017: \$4.9m) to the dividend profit reserve, with the intention to pay at least 3 cents per annum dividend going forward.

As at 31 December 2018, the balance of the dividend profit reserve is approximately \$8.5m.

#### Significant changes in the state of affairs

In the opinion of the directors, other than what is noted in the 'Review and results of operations', there were no other significant changes in the state of affairs of the Company that occurred during the half-year ended 31 December 2018.

# Directors' Report For the half-year ended 31 December 2018

#### Matters subsequent to the end of the interim period

Other than the dividends declared as mentioned in the dividends section above, no other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

- (i) the operations of the Company in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Company in future financial years.

#### Likely developments and expected results of operations

The Company provides monthly updates and weekly NTA estimate announcements, which can be found in the announcements section of the ASX website and in the Ellerston Global Investments Limited section of the Ellerston Capital website, https://ellerstoncapital.com/listed-investment-companies/ellerston-global-investments.

As markets continue to be subject to fluctuations, it is neither possible to accurately forecast the investment returns of the Company nor to provide a detailed outlook on the Company's future operations.

#### Rounding of amounts to the nearest dollar

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

#### **Auditor's independence declaration**

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 7.

Signed in accordance with a resolution of the directors.

Ashok Jacob

Chairman

8 February 2019

# Auditor's Independence Declaration



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### Auditor's Independence Declaration to the Directors of Ellerston Global Investments Limited

As lead auditor for the review of Ellerston Global Investments Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young
Ernst & Young

Rohit Khanna Partner 8 February 2019

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# 2. Financial Statements

# Statement of comprehensive income

|   | Half-year ended |              | ended       |
|---|-----------------|--------------|-------------|
|   |                 | 31 December  | 31 December |
|   |                 | 2018         | 2017        |
|   | Notes           | \$           | \$          |
| Investment income                                 |                 |              |             |
| Interest income                                   |                 | 113,219      | 54,081      |
| Dividend income                                   |                 | 497,819      | 446,292     |
| Net foreign exchange gains/(losses)               |                 | 87,958       | (73,430)    |
| Net changes in fair value of financial assets and |                 |              |             |
| liabilities at fair value through profit or loss  |                 | (17,129,266) | 11,392,897  |
| Total investment (loss)/income                    |                 | (16,430,270) | 11,819,840  |
| F   |                 |              |             |
| Expenses Directors fees                           |                 | 45.075       | 45.075      |
|   | 10              | 45,375       | 45,375      |
| Management and performance fees                   | 13              | 472,562      | 360,582     |
| Custody and administration fees                   |                 | 29,469       | 29,469      |
| Audit and tax fees                                |                 | 27,984       | 38,984      |
| Registry fees                                     |                 | 38,204       | 38,205      |
| Transaction costs                                 |                 | 190,726      | 233,352     |
| Withholding taxes                                 |                 | 60,706       | 44,992      |
| ASX fees  |                 | 49,500       | 49,500      |
| Other expenses                                    |                 | 18,228       | 24,476      |
| Total operating expenses                          |                 | 932,754      | 864,935     |
| Not (loss) (avafit hafaya incomo toy              |                 | (17.202.004) | 10.054.005  |
| Net (loss)/profit before income tax               |                 | (17,363,024) | 10,954,905  |
| Income tax benefit/(expense)                      |                 | 4,755,855    | (2,983,129) |
| Net (loss)/profit after income tax                |                 | (12,607,169) | 7,971,776   |
| Other comprehensive income/(loss)                 |                 | _            | _           |
| Total comprehensive (loss)/income                 |                 | (12,607,169) | 7,971,776   |
| Total completionsive (loss)/ilicome               |                 | (12,007,109) | 7,971,770   |
| Basic (losses)/earnings per share                 |                 |              |             |
| (cents per share)                                 | 11              | (11.47)      | 10.41       |
| Diluted (losses)/earnings per share               |                 | (111-71)     | 10.71       |
| (cents per share)                                 | 11              | (11.47)      | 10.17       |
| 1   |                 | (,           |             |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of financial position As at 31 December 2018

|   |       | As at       |             |
|---|-------|-------------|-------------|
|   |       | 31 December | 30 June     |
|   | Mataa | 2018        | 2018        |
|   | Notes | \$          | \$          |
| Current assets  |       |             |             |
| Cash and cash equivalents                             | 9     | 22,532,155  | 30,855,370  |
| Receivables   |       | 859,258     | 249,607     |
| Due from brokers                                      |       | _           | 344,279     |
| Financial assets at fair value through profit or loss | 6     | 87,925,145  | 107,414,233 |
| Total current assets                                  |       | 111,316,558 | 138,863,489 |
| Non augment agests                                    |       |             |             |
| Non-current assets                                    |       | 0.550.500   |             |
| Deferred tax asset                                    |       | 2,559,586   |             |
| Total non-current assets                              |       | 2,559,586   | -           |
| Total assets  |       | 113,876,144 | 138,863,489 |
| Current liabilities                                   |       |             |             |
| Payables  |       | 339,334     | 421,455     |
| Management and performance fees payable               | 13    | 74,661      | 85,275      |
| Due to brokers  |       | _           | 2,785,761   |
| Current tax liability                                 | 14    | _           | 982,496     |
| Financial liabilities at fair value through           |       |             |             |
| profit or loss  | 7     | 1,854,119   | 6,675,255   |
| Total current liabilities                             |       | 2,268,114   | 10,950,242  |
| Non-current liabilities                               |       |             |             |
| Deferred tax liability                                |       | _           | 2,196,269   |
| Total non-current liabilities                         |       | _           | 2,196,269   |
| Total liabilities                                     |       | 2,268,114   | 13,146,511  |
| Net assets  |       | 111,608,030 | 125,716,978 |
| Facility  |       |             |             |
| Equity  | 10    | 100 005 750 | 100 170 047 |
| Issued capital  | 10    | 108,325,753 | 108,179,847 |
| Retained (losses)/earnings                            | 0     | (5,206,998) | 13,089,370  |
| Dividend profit reserve                               | 8     | 8,489,275   | 4,447,761   |
| Total equity  |       | 111,608,030 | 125,716,978 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of changes in equity For the half-year ended 31 December 2018

|  | Notes | Issued<br>capital<br>\$ | Retained<br>earnings/<br>(losses)<br>\$ | Dividend<br>profit<br>reserve<br>\$ | Total<br>\$  |
|--|-------|-------------------------|---|-------------------------------------|--------------|
| Balance as at 1 July 2018                      |       | 108,179,847             | 13,089,370                              | 4,447,761                           | 125,716,978  |
| Total comprehensive loss for the period        |       | -                       | (12,607,169)                            | -                                   | (12,607,169) |
| Shares issued under dividend reinvestment plan |       | 145,906                 | _                                       | _                                   | 145,906      |
| Transfer to dividend profit reserve account    |       | _                       | (5,689,199)                             | 5,689,199                           | -            |
| Total dividends paid                           |       | -                       | -                                       | (1,647,685)                         | (1,647,685)  |
| Balance as at 31 December 2018                 | 10    | 108,325,753             | (5,206,998)                             | 8,489,275                           | 111,608,030  |
|  |       |                         |   |                                     |              |
| Balance as at 1 July 2017                      |       | 74,193,688              | 8,495,722                               | 3,412,450                           | 86,101,860   |
| Total comprehensive income for the period      |       | _                       | 7,971,776                               | _                                   | 7,971,776    |
| Shares issued under dividend reinvestment plan |       | 143,660                 | _                                       | _                                   | 143,660      |
| Transfer to dividend profit reserve account    |       | -                       | (4,919,518)                             | 4,919,518                           | -            |
| Share issued from exercise of options          |       | 2,654,413               | -                                       | -                                   | 2,654,413    |
| Total dividends paid                           |       | -                       | -                                       | (1,143,804)                         | (1,143,804)  |
| Balance as at 31 December 2017                 | 10    | 76,991,761              | 11,547,980                              | 7,188,164                           | 95,727,905   |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Statement of cash flows For the half-year ended 31 December 2018

|   |       | Half-year ended  |                     |  |
|---|-------|------------------|---------------------|--|
|   |       | 31 December 2018 | 31 December<br>2017 |  |
|   | Notes | \$               | \$                  |  |
| Cash flows from operating activities  |       |                  |                     |  |
| Purchase of financial instruments at fair value through profit or loss  Proceeds from sale of financial instruments |       | (56,849,305)     | (42,736,872)        |  |
| at fair value through profit or loss  |       | 52,037,905       | 47,923,323          |  |
| Amounts transferred from brokers as collateral  |       | 1,414            | 6,436,149           |  |
| Dividend received   |       | 407,666          | 386,637             |  |
| Interest received   |       | 115,816          | 54,462              |  |
| Other income received   |       | 3,022            | 59,073              |  |
| Income tax refund/(paid)  |       | (1,577,090)      | (962,674)           |  |
| Management and performance fees paid  |       | (483,176)        | (347,342)           |  |
| Other expenses paid   |       | (472,836)        | (521,138)           |  |
| Net cash (outflow)/inflow<br>from operating activities  |       | (6,816,584)      | 10,291,618          |  |
| Cash flows from financing activities  |       |                  |                     |  |
| Issue of shares   |       | _                | 2,654,413           |  |
| Dividends paid  |       | (1,501,779)      | (1,000,144)         |  |
| Net cash (outflow)/inflow from financing activities   |       | (1,501,779)      | 1,654,269           |  |
| Net (decrease)/increase in cash and cash equivalents  |       | (8,318,363)      | 11,945,887          |  |
| Cash and cash equivalents at the beginning of the period  |       | 30,855,370       | 3,042,959           |  |
| Effect of foreign currency exchange rate changes on cash and cash equivalents                                       |       | (4,852)          | (13,469)            |  |
| Cash and cash equivalents at the end of the period  | 9     | 22,532,155       | 14,975,377          |  |
| Non-cash financing activities   |       |                  |                     |  |
| Reinvestment of shareholder dividends   |       | 145,906          | 143,660             |  |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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#### For the half-year ended 31 December 2018

#### 1 General information

This interim report is for Ellerston Global Investments Limited (the "Company") for the half-year ended 31 December 2018.

The Company was incorporated and registered on 28 July 2014 and commenced trading on the Australian Stock Exchange ("ASX") on 20 October 2014.

The Company is a for-profit entity limited by shares, incorporated and domiciled in Australia. Its shares (ASX code: EGI) are publicly traded on the ASX.

The interim report was authorised for issue by the directors on 8 February 2019. The directors have the power to amend and reissue the interim report.

#### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the first full period presented, unless otherwise stated in the following text.

#### (a) Basis of preparation

This half-yearly interim report as at 31 December 2018 is a general purpose financial report and has been prepared in accordance with the *Corporations Act 2001*, AASB 134: Interim Financial Reporting and other applicable disclosure requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

The interim financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. This interim report is presented in Australian dollars, unless otherwise noted.

For the half-year ended 31 December 2018 (continued)

#### 2 Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the Company's annual report for the period ended 30 June 2018 and any public announcements made in respect of the Company during the half-year ended 31 December 2018 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Company is a for-profit entity for the purpose of preparing interim financial statements.

#### (b) Changes in accounting standards

The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those applied in the preparation of the Company's financial statements for the year ended 30 June 2018, except for the adoption of new standards and interpretations effective as at 1 July 2018 noted below:

#### (i) AASB 9 Financial Instruments (and applicable amendments)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The adoption of the amendment does not have a significant impact on the recognition, classification and measurement of the Company's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Company's investments are all held at fair value through profit or loss, the change in impairment rules does not have a material impact on

For the half-year ended 31 December 2018 (continued)

#### 2 Summary of significant accounting policies (continued)

- (b) Changes in accounting standards (continued)
- (i) AASB 9 Financial Instruments (and applicable amendments) (continued)

the Company. The Company's receivables and due from brokers continue to be classified and measured at amortised cost. The impact of expected credit losses on financial assets measured at amortised cost is immaterial.

#### Classification - Policy effective from 1 July 2018

In accordance with AASB 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

#### Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

For the half-year ended 31 December 2018 (continued)

#### 2 Summary of significant accounting policies (continued)

#### (b) Changes in accounting standards (continued)

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding;
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category short-term payables.

For the half-year ended 31 December 2018 (continued)

#### 2 Summary of significant accounting policies (continued)

#### (b) Changes in accounting standards (continued)

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. The Company includes in this category derivative contracts in a liability position.

# Impairment of Financial assets - Policy effective from 1 July 2018

The Company holds only receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under AASB 9 to all its receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

#### (ii) AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends, and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim financial statements of the Company.

For the half-year ended 31 December 2018 (continued)

#### 2 Summary of significant accounting policies (continued)

#### (c) Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

#### (d) Comparative disclosures

Where appropriate, comparative disclosures have been reclassified/amended to be consistent with the current year's presentation.

#### 3 Dividends

Dividends are recognised during the year when declared.

|   | Half-yea | r ended   | Half-yea        | r ended   |
|---|----------|-----------|-----------------|-----------|
|   | 31 Dec   | ember     | 31 Dec          | ember     |
|   | 20       | 18        | 20 <sup>-</sup> | 17        |
|   | CPS      | \$        | CPS             | \$        |
| Paid - 5 October 2018<br>(2017: 6 October 2017)<br>Fully franked at 27.5%<br>tax rate (2017: 27.5%) | 1.5      | 1,647,685 | 1.5             | 1,143,804 |
| Amount of dividends reinvested  |          | 145,906   |                 | 143,660   |
| Amount of cash dividends paid   |          | 1,501,779 |                 | 1,000,144 |

#### 3 Dividends (continued)

#### Dividend profit reserve

To the extent that any current period profits or prior period accumulated profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future dividends, rather than maintaining these profits within retained earnings. For further information refer to note 8.

#### **Dividend Reinvestment Plan**

The Company has established a Dividend Reinvestment Plan (DRP) under which eligible shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of ordinary shares rather than by being paid in cash.

#### 4 Segment information

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments

The Company primarily invests in global equity securities, and operates in one geographic segment, Australia. The Company has foreign exposures as it invests in companies which operate internationally.

#### 5 Fair value measurement

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Equity securities
- Listed unit trusts
- Derivatives

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

For the half-year ended 31 December 2018 (continued)

#### 5 Fair value measurement (continued)

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value hierarchy;

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

#### (i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded prices.

The Company values its investments in accordance with the accounting policies set out in note 2 to the financial statements. For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### (ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a

#### 5 Fair value measurement (continued)

### (ii) Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

#### Fair value measurement (continued) 5

Recognised fair value measurement

The table below sets out the Company's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 31 December 2018 and 30 June 2018.

| As at  | Level 1    | Level 2   | Level 3 | Total      |
|--|------------|-----------|---------|------------|
| 31 December 2018   | \$         | \$        | \$      | \$         |
| Financial assets<br>at fair value through<br>profit or loss      |            |           |         |            |
| Equity securities  | 81,856,580 | _         | -       | 81,856,580 |
| Listed unit trusts   | 5,993,478  | _         | -       | 5,993,478  |
| Derivatives  | _          | 75,087    | _       | 75,087     |
| Total financial assets at fair value through profit or loss      | 87,850,058 | 75,087    | _       | 87,925,145 |
| Financial liabilities<br>at fair value through<br>profit or loss | 31,000,000 | 73,007    |         | 01,020,140 |
| Derivatives  | _          | 1,854,119 | _       | 1,854,119  |
| Total financial liabilities at fair value through profit or loss | _          | 1,854,119 | _       | 1,854,119  |
| profit of 1000   |            | 1,001,110 |         | 1,001,110  |

#### 5 Fair value measurement (continued)

Recognised fair value measurement (continued)

| As at  | Level 1     | Level 2   | Level 3 | Total       |
|--|-------------|-----------|---------|-------------|
| 30 June 2018   | \$          | \$        | \$      | \$          |
| Financial assets<br>at fair value<br>through profit<br>or loss               |             |           |         |             |
| Equity securities  | 104,645,279 | _         | _       | 104,645,279 |
| Derivatives  | 417,852     | 2,351,102 | _       | 2,768,954   |
| Total financial<br>assets at fair value<br>through profit<br>or loss         | 105,063,131 | 2,351,102 | _       | 107,414,233 |
| Financial liabilities<br>at fair value<br>through profit<br>or loss          |             |           |         |             |
| Derivatives  | _           | 6,675,255 | _       | 6,675,255   |
| Total financial<br>liabilities<br>at fair value<br>through profit<br>or loss | _           | 6,675,255 | _       | 6,675,255   |
| 01 1033  | _           | 0,070,200 |         | 0,070,200   |

In the comparative period, the Company classified its equity securities as financial assets designated at fair value and its derivatives were classified as held for trading.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

#### Transfers between levels (i)

There were no transfers between levels in the fair value hierarchy for the half-year ended 31 December 2018 and year ended and 30 June 2018.

For the half-year ended 31 December 2018 (continued)

#### 5 Fair value measurement (continued)

Recognised fair value measurement (continued)

(ii) Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as level 3 within the Company as at 31 December 2018 and 30 June 2018.

(iii) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

#### 6 Financial assets at fair value through profit or loss

|   | As at          |             |  |
|---|----------------|-------------|--|
|   | 31 December 30 |             |  |
|   | 2018           | 2018        |  |
|   | \$             | \$          |  |
| Financial assets at fair value through profit or loss       |                |             |  |
| Equity securities   | 81,856,580     | 104,645,279 |  |
| Listed unit trusts  | 5,993,478      | _           |  |
| Derivatives   | 75,087         | 2,768,954   |  |
| Total financial assets at fair value through profit or loss | 87,925,145     | 107,414,233 |  |

#### 6 Financial assets at fair value through profit or loss (continued)

Details of the Company's top 10 equity and listed unit trust investments as at 31 December 2018 and 30 June 2018 are set out on the following tables:

|   | 31 December |
|---|-------------|
|   | 2018        |
| Company Name  | \$          |
| Equiniti Group Plc  | 7,399,306   |
| Interxion Holding Nv  | 7,376,225   |
| Entertainment One Ltd   | 6,283,475   |
| Premier Inc   | 6,136,543   |
| Zayo Group Holdings Inc                                       | 6,113,271   |
| Cellnex Telecom Sau   | 5,724,548   |
| Tribune Media Co  | 5,615,261   |
| Keysight Technologies Inc                                     | 5,148,585   |
| QTS Realty Trust Inc  | 3,287,504   |
| Teradyne Inc  | 3,007,088   |
| Total – top 10 equity and listed unit trust investments       | 56,091,806  |
| Other investments in equity and listed unit trust investments | 31,758,252  |
| Total equity and listed unit trust investments                | 87,850,058  |

#### 6 Financial assets at fair value through profit or loss (continued)

|   | As at<br>30 June |
|---|------------------|
|   | 2018             |
| Company Name                            | \$               |
| Equiniti Group Plc                      | 9,750,517        |
| Zayo Group Holdings Inc                 | 8,612,314        |
| Entertainment One Ltd                   | 6,401,326        |
| Interxion Holding Nv                    | 6,366,444        |
| Huntsman Corp                           | 6,242,443        |
| Cellnex Telecom Sau                     | 5,374,396        |
| Stars Group Inc                         | 5,148,490        |
| Premier Inc                             | 5,009,791        |
| Keysight Technologies Inc               | 4,664,717        |
| Comerica In                             | 4,164,466        |
| Total – top 10 equity investments       | 61,734,904       |
| Other investments in equity investments | 42,910,375       |
| Total equity investments*               | 104,645,279      |

As at 30 June 2018, the Company did not hold investments in listed unit trusts.

#### Financial liabilities at fair value through profit or loss 7

|  | As at          |           |  |
|--|----------------|-----------|--|
|  | 31 December 30 |           |  |
|  | 2018           | 2018      |  |
|  | \$             | \$        |  |
| Financial liabilities at fair value through profit or loss       |                |           |  |
| Derivatives  | 1,854,119      | 6,675,255 |  |
| Total financial liabilities at fair value through profit or loss | 1,854,119      | 6,675,255 |  |

#### **Dividend profit reserve** 8

|  | As at       |             |
|--|-------------|-------------|
|  | 31 December | 30 June     |
|  | 2018        | 2018        |
|  | \$          | \$          |
| Movements in Dividend Profit Reserve     |             |             |
| Balance at the beginning of the period   | 4,447,761   | 3,412,450   |
| Transferred from retained earnings       | 5,689,199   | 4,919,518   |
| Payment of dividend                      | (1,647,685) | (3,884,207) |
| Closing balance at the end of the period | 8,489,275   | 4,447,761   |

On 23 August 2018, the Directors decided to transfer approximately \$5.7m (2017: \$4.9m) to the dividend profit reserve, with the intention to pay at least 3 cents per annum dividend going forward.

#### 9 **Cash and cash equivalents**

|                                 | As at       |            |  |
|---------------------------------|-------------|------------|--|
|                                 | 31 December | 30 June    |  |
|                                 | 2018        | 2018       |  |
|                                 | \$          | \$         |  |
| Cash at bank                    | 2,945,816   | 14,369,590 |  |
| Deposits at call                | 19,586,339  | 16,485,780 |  |
| Total cash and cash equivalents | 22,532,155  | 30,855,370 |  |

These accounts are earning a floating interest rate between 0.01% pa (June 2018: 0.01% pa) and 1.40% pa (June 2018: 1.40% pa) during the reporting period.

#### 10 **Issued capital**

|  | As at 31 December 2018<br>No. of |             |
|--|----------------------------------|-------------|
|  | Securities                       | \$          |
| Ordinary shares                                      |                                  |             |
| Opening balance – 1 July 2018                        | 109,845,725                      | 108,179,847 |
| Shares issued under dividend reinvestment plan       | 137,638                          | 145,906     |
| Total issued capital –<br>fully paid ordinary shares | 109,983,363                      | 108,325,753 |
| Total issued capital                                 |                                  | 108,325,753 |

For the half-year ended 31 December 2018 (continued)

#### 10 Issued capital (continued)

|   | As at 31 December 2017<br>No. of |            |
|---|----------------------------------|------------|
|   | Securities                       | \$         |
| Ordinary shares                                   |                                  |            |
| Opening balance – 1 July 2017                     | 75,871,924                       | 74,193,688 |
| Shares issued under dividend reinvestment plan    | 145,096                          | 143,660    |
| Shares issued from exercise of options            | 2,654,413                        | 2,654,413  |
| Total issued capital – fully paid ordinary shares | 78,671,433                       | 76,991,761 |
| Options   |                                  |            |
| Loyalty options                                   |                                  |            |
| Opening balance – 1 July 2017                     | 33,599,177                       | -          |
| Options exercised                                 | (2,654,413)                      | -          |
| Total options                                     | 30,944,764                       | -          |
| Total issued capital                              |                                  | 76,991,761 |

#### (a) Terms and conditions

#### (i) Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

#### (ii) Options

Each shareholder who made an application for shares and loyalty options under the prospectus, dated 16 September 2014, received one loyalty option for every two shares issued for nil consideration. The loyalty options were vested to eligible shareholders on 10 April 2015 and were first quoted on the ASX on 22 April 2015.

For the half-year ended 31 December 2018 (continued)

#### 10 Issued capital (continued)

Holders of the vested loyalty option had the right to acquire one ordinary share in the Company at an exercise price of \$1.00 per share and could exercise the right at any time in the period commencing on the day after the vesting date of 10 April 2015 and ending on the third anniversary of the vesting date being 10 April 2018.

The vested loyalty options were not entitled to dividends. Ordinary shares issued on exercise of the options rank equally with all other ordinary shares from the date of exercise and entitle the holder to receive dividend on or prior to the applicable record date.

#### 11 Earnings per share

|   | Half-year ended     |                     |
|---|---------------------|---------------------|
|   | 31 December<br>2018 | 31 December<br>2017 |
| Basic (losses)/earnings per share (cents)   | (11.47)             | 10.41               |
| Diluted (losses)/earnings per share (cents)   | (11.47)             | 10.17               |
| Weighted average number of ordinary shares  |                     |                     |
| Weighted average number of ordinary shares on issue used in calculating basic earnings/(losses) per share       | 109,911,159         | 76,596,455          |
| Add: Options for the purpose of calculating diluted earnings/ (losses) per share*                               | _                   | 1,792,843           |
| Weighted average number of ordinary shares on issue used in calculating diluted earnings/(losses) per share     | 109,911,159         | 78,389,298          |
| Earnings reconciliation   |                     |                     |
| Net profit after income tax used in<br>the calculation of basic and diluted<br>(losses)/earnings per share (\$) | (12,607,169)        | 7,971,776           |

<sup>\*</sup> Calculated in accordance with AASB 133: Earnings per share

For the half-year ended 31 December 2018 (continued)

#### 11 Earnings per share (continued)

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on exercise of the options during the period.

#### 12 Net tangible assets per share

|   | As at                     |                       |
|---|---------------------------|-----------------------|
|   | 31 December<br>2018<br>\$ | 30 June<br>2018<br>\$ |
| Net tangible assets per share               |                           |                       |
| Net Tangible Assets before all taxes (i)    | 0.9864                    | 1.1734                |
| Net Tangible Assets after realised tax (ii) | 0.9915                    | 1.1645                |
| Net Tangible Assets after tax               | 1.0148                    | 1.1445                |

The Net Tangible Assets as at 31 December 2018 is based on fully paid ordinary shares of 109,983,363 (June 2018: 109,845,725).

- (i) All figures are after the payment of dividends and taxes. During the half year ended 31 December 2018, dividends of 1.5 cents per share and tax of 1.38 cents per share were paid.
- (ii) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

#### 13 Management and performance fees

Under the Management Agreement, effective 20 October 2014, the Company must pay a Management Fee of 0.75% per annum (plus GST) of the pre tax net asset value of the Investment Portfolio to Ellerston Capital Limited (the Manager), calculated and accrued monthly and paid monthly in arrears. In addition, the Manager is entitled to receive a Performance Fee equal to 15% (plus GST) of the amount by which the

For the half-year ended 31 December 2018 (continued)

#### 13 Management and performance fees (continued)

Investment Portfolio's pre-tax return exceeds the return of the MSCI World Index (local), calculated and accrued monthly and paid annually in arrears. In case that the Investment Portfolio's pre tax return is less than the return of the MSCI World Index (Local) for the financial year, no performance fee will be payable in respect of that financial year and the negative performance fee amount will be carried forward to the following financial year or financial years until it has been recouped. For the half-year 31 December 2018, the Company has not accrued the performance fee (31 December 2017: nil).

|                         | 31 December | 31 December |
|-------------------------|-------------|-------------|
|                         | 2018        | 2017        |
|                         | \$          | \$          |
| Management fees expense | 472,562     | 360,582     |
| Management fees payable | 74,661      | 68,688      |

#### 14 Current tax liability

The Company has a current tax year liability of \$nil.

#### 15 Contingent assets, liabilities and commitments

The Company has no material commitments, contingent assets or liabilities as at 31 December 2018 and 30 June 2018.

#### 16 Events occurring after the reporting period

On 8 February 2019, the directors declared an interim dividend of 1.5 cents per fully paid ordinary share, fully franked at the 27.5% corporate tax rate. This dividend will have a record date of 7 March 2019 and will be paid to shareholders on 5 April 2019 from the Company's dividend profit reserve account. The Dividend Reinvestment Plan (DRP) will operate in conjunction with these dividends and a discount of 2.50% will be applied to the DRP.

It is the intention of the Company to continue to pay at least a 3 cents per annum (1.5 cents per half) dividend going forward.

No other significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 31 December 2018 or on the results and cash flows of the Company for the period ended on that date.

# Directors' declaration

#### **Directors' Declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 33 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Ashok Jacob

Chairman

8 February 2019

## Independent Auditors' Review Report



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### Independent Auditor's Review Report to the Members of Ellerston Global Investments Limited

#### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Ellerston Global Investments Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act* 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Independent Auditors' Review Report



#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act* 2001.

Ernst & Young
Ernst & Young

Rohit Khanna Partner Sydney

8 February 2019

### **Corporate Directory**

#### **Directors**

Ashok Jacob Sam Brougham Paul Dortkamp Stuart Robertson Bill Best

#### **Company Secretary**

Ian Kelly

#### **Registered Office**

c/- Ellerston Capital Limited Level 11, 179 Elizabeth Street SYDNEY NSW 2000

#### **Auditor**

Ernst and Young
Ernst and Young Centre
200 George Street
SYDNEY NSW 2000

#### Manager

Ellerston Capital Limited ACN 110 397 674 Level 11, 179 Elizabeth Street SYDNEY NSW 2000

#### **Share Registry**

Link Market Services Limited Level 12, 680 George Street SYDNEY NSW 2000

#### **Securities Exchange Listing**

ASX code (ordinary shares): EGI