EXCELSIOR CAPITAL LIMITED

Appendix 4D and Interim Financial Report

for 31 December 2019

ABN: 98 050 542 553

ASX CODE: ECL

APPENDIX 4D (rule 4.2A)

PRELIMINARY FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended 31 December 2018)	31 Dec 19 $'000	Up/ down	Movement from 31 Dec 18 %
Revenue from ordinary activities	**29,747**	Up	1%
Profit from ordinary activities after tax attributable to members	**1,908**	Down	-12%
Net comprehensive income for the period attributable to members	**2,242**	Up	84%

DIVIDENDS	Amount per share (cents)	Franked amount per security (cents)
Interim FY20 dividend declared	**2.00**	**2.00**
Final FY19 dividend paid	**3.00**	**3.00**
	5.00	**5.00**
Previous corresponding period:		
Interim FY19 dividend declared	3.00	3.00
Final FY18 dividend paid	3.00	3.00
	6.00	6.00

Record date for determining entitlements to the dividend	8 March 2020
Date the interim dividend is payable	25 March 2020

APPENDIX 4D (rule 4.2A)

PRELIMINARY FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1) Previous corresponding period

The previous corresponding period is the half-year ended 31 December 2018.

2) Net tangible assets per security

Net tangible assets[1] per security is $1.31 (31 December 2018: $1.30).

3) Explanation of results

This information should be read in conjunction with the Excelsior Capital Limited 2019 Annual Report and with any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

4) Details of entities over which control has been gained or lost during the year

Not applicable

5) Details of associates and joint venture entities

Not applicable

6) Set of accounting standards used for foreign entities in compiling this report

Not applicable

7) Audit

This report is based on the interim condensed consolidated half-year financial report which has been subject to a review by our auditors, Ernst & Young.

8) Commentary on results for the half-year

Revenue for the half-year was $29,745,999 (2018: $29,485,634) representing an increase $261,365 of 1% from previous corresponding period. This was largely a result of increase of sales volume in cable offset by lower sales volumes in Minto.

Consolidated profit after tax for the half year was $1,907,650 (2018: $2,159,353), down 12% on the previous corresponding half-year. This was largely the result of lower dividend received from investments from the previous corresponding period (refer note 2).

Danny Herceg	**Leanne Catelan**
Non-executive Chairman	Executive Director

Sydney
26 February 2020

[1] ROU asset and contract asset is excluded from the Net tangible asset.

Consolidated financial statements

Notes to the interim consolidated financial statements

Key numbers

Capital

Risk

Other

Signed reports

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2019.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Ms Leanne Catelan
- Mr Michael Copeland (Appointed 23 September 2019; ceased on 10 January 2020)
- Mr Danny Herceg (Appointed 4 October 2019)
- Mr Oliver Schweizer (Appointed 13 January 2020)
- Mr Craig Green (Ceased 23 September 2019)
- Mr Michael Glennon (Ceased 4 October 2019)

Review and results of operations

The Group experienced an increase in revenue during the half-year which profits are down.

Revenue for the half-year was $29,745,999 (2018: $29,485,634) representing an increase of 1% from previous corresponding period. This was largely a result of increase of sales volume in cable offset by lower volumes in Minto.

Consolidated profit after tax for the half-year was $1,907,650 (2018: $2,159,353), down 12% on the previous corresponding half-year. This was largely the result of lower dividend received from investments from the previous corresponding period (refer note 2).

Rounding off of amounts

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Auditor's independence declaration

We have obtained an independence declaration from our auditors, Ernst and Young, which is included on the following page.

Signed in accordance with a resolution of the directors.

Danny Herceg	**Leanne Catelan**
Non-executive Chairman	Executive Director

Sydney, 26 February 2020

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of Excelsior Capital Limited

As the lead auditor for the review of the interim financial report of Excelsior Capital Limited for the half year ended 31 December 2019, 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.

This declaration is in respect of Excelsior Capital Limited and the entities it controlled during the financial period.

Ernst & Young

Jonathan Pye
Partner
26 February 2020

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 31 DECEMBER

	Note	**2019** **$'000**	2018 $'000
Revenue from contracts with customers	1	**29,961**	29,412
Investment income	2	**(256)**	73
Other income		**41**	-
Changes in inventories of finished goods and costs to fulfil a contract		**(285)**	2,086
Raw materials and consumables used		**(20,687)**	(22,141)
Employee benefits expense		**(3,322)**	(3,211)
Repairs, maintenance and consumables expense		**(123)**	(122)
Occupancy expense		**(300)**	(1,008)
Travel and communication expense		**(183)**	(151)
Freight and cartage expense		**(655)**	(534)
Depreciation and amortisation expense		**(1,009)**	(185)
Finance costs		**(66)**	-
Investment portfolio management and administration expenses		**(127)**	(266)
Other expenses		**(517)**	(682)
Profit before tax		**2,472**	3,271
Income tax expense		**(564)**	(1,112)
PROFIT FOR THE PERIOD		**1,908**	2,159
Attributable to:			
• Equity holders of the parent		**1,942**	2,244
• Non-controlling interests		**(34)**	(85)
		1,908	2,159

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER

	Note	**2019 $'000**	2018 $'000
PROFIT FOR THE PERIOD		**1,908**	2,159
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Unrealised gain on non-current equity investments designated at FV net of tax		**334**	(942)
Realised loss on non-current equity investments designated at FV net of tax		**(418)**	-
Movement to Retained income		**418**	-
Other comprehensive (loss)/income, net of tax		**334**	(942)
TOTAL COMPREHENSIVE INCOME, NET OF TAX		**2,242**	1,217
Attributable to:			
• Equity holders of the parent		**2,276**	1,302
• Non-controlling interests		**(34)**	(85)
		2,242	1,217

	Note	**2019 cents per share**	2018 cents per share
Earnings per share			
Basic and diluted	5	**6.70**	7.27

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT

	Note	31 Dec 19 $'000	30 Jun 19 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**12,097**	4,751
Trade and other receivables		**10,648**	13,329
Current tax receivables		**601**	39
Inventories		**16,504**	15,830
Other financial assets	6	**7,089**	2,358
		46,939	36,307
Non-current assets			
Other financial assets	6	**1,831**	11,297
Property, plant and equipment	10	**2,695**	256
Deferred tax assets		**-**	-
Goodwill		**6,850**	6,850
Intangible assets		**1,593**	1,751
		12,969	20,154
TOTAL ASSETS		**59,908**	56,461
LIABILITIES and EQUITY			
Current liabilities			
Trade and other payables		**7,536**	7,560
Lease Liabilities	10	**1,366**	-
Provisions		**705**	695
		9,607	8,255
Non-current liabilities			
Provisions		**77**	76
Deferred tax liabilities		**348**	298
Lease Liabilities	10	**1,090**	-
		1,515	374
TOTAL LIABILITIES		**11,122**	8,629
EQUITY			
Issued capital		**28,270**	28,270
Retained earnings		**20,344**	19,690
Other components of equity		**164**	(170)
Equity attributable to equity holders of the parent		**48,778**	47,790
Non-controlling interests		**8**	42
TOTAL EQUITY		**48,786**	47,832
TOTAL LIABILITIES AND EQUITY		**59,908**	56,461

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Issued capital	Retained earnings	Reserves relating to Financial Assets at FVOCI	Attributable to owners of the parent	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 July 2018	31,687	17,248	287	49,222	13	49,235
Profit for the period	-	2,244	-	2,244	(85)	2,159
Other comprehensive income	-	-	(942)	(942)	-	(942)
Total comprehensive income	**-**	**2,244**	**(942)**	**1,302**	**(85)**	**1,217**
Share buy-back	(3,417)	-	-	(3,417)	-	(3,417)
Dividends paid	-	(941)	-	(941)	-	(941)
Issue of convertible note (equity component)	-	-	-	-	150	150
At 31 December 2018	**28,270**	**18,551**	**(655)**	**46,166**	**78**	**46,244**
As at 1 July 2019	28,270	19,690	(170)	47,790	42	47,832
Profit for the period	**-**	**1,942**	**-**	**1,942**	**(34)**	**1,908**
Total comprehensive income	**-**	**1,942**	**-**	**1,942**	**(34)**	**1,908**
Dividends paid	**-**	**(870)**	**-**	**(870)**	**-**	**(870)**
Unrealised gain on non-current equity investments designated at FV net of tax	**-**	**-**	**334**	**334**	**-**	**334**
Realised loss on non-current equity investments designated at FV net of	**-**	**-**	**(596)**	**(596)**	**-**	**(596)**
Tax on Realised loss on non-current equity investments designated at FV	**-**	**-**	**178**	**178**	**-**	**178**
Movement to Retained income	**-**	**(418)**	**418**	**-**	**-**	**-**
Issue of convertible note (equity component)	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2019	**28,270**	**20,344**	**164**	**48,778**	**8**	**48,786**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER

	Note	2019 $'000	2018 $'000
Operating activities			
Receipts from customers		**32,733**	27,347
Payments to suppliers and employees		**(27,375)**	(26,224)
Interest received		**58**	66
Dividends received		**73**	269
Purchase of debt financial instruments		**(2,400)**	-
Proceeds from sale of debt financial instruments		**1,066**	-
Interest and other costs of finance paid		**(66)**	-
Income tax paid		**(646)**	(1,205)
Net cash (used in)/from operating activities		**3,443**	253
Investing activities			
Payment for property, plant and equipment		**(37)**	(3)
Purchase of equity financial instruments		**(8,580)**	(7,040)
Proceeds from sale of equity financial instruments		**14,141**	10,062
Development expenditures		**(105)**	(144)
Net cash from investing activities		**5,419**	2,875
Financing activities			
Payment for share buy-back		**-**	(3,417)
Payment of principal lease payments		**(693)**	-
Proceeds from issue of convertible note		**-**	150
Loan from related parties		**47**	-
Dividends paid	4	**(870)**	(941)
Net cash used in financing activities		**(1,516)**	(4,208)
Net (decrease)/increase in cash and cash equivalents		**7,346**	(1,080)
Cash and cash equivalents at 1 July		**4,751**	6,751
Cash and cash equivalents at 31 December		**12,097**	5,671

Corporate information

The interim condensed consolidated financial statements of Excelsior Capital Limited and its subsidiaries (collectively, the Group) for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 26 February 2020.

Excelsior Capital Limited (the Company) is a limited company, incorporated and domiciled in Australia, whose shares are publicly traded.

The registered office is located at:

18-20 Railway Road,
Meadowbank
NSW, Australia.

The Group is principally engaged in the design and distribution of electrical components and cables for resource infrastructure applications and the management of an investment portfolio.

Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2019.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 16 Leases. As required by AASB 134, the nature and effect of these changes are disclosed in Note 9.

The interim condensed notes to the financial statements

The notes include information which is required to understand the financial statements which are material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

Key numbers: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and where required, summarises the accounting policies, judgements and estimates relevant to understanding these line items;

Capital: provides information about the shareholder returns for the year;

Risk: discusses how the Group determines fair values of various financial assets and liabilities;

Unrecognised items: provides information about items that are not recognised in the financial statements but could potentially have an impact on the Group's financial position and performance; and

Other: provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however, are not considered critical in understanding the financial performance or position of the Group.

The following table present revenue and profit information for the Group's operating segments for the six months ended 31 December 2019 and 2018, respectively:

	ELECTRICAL COMPONENTS		INVESTMENT PORTFOLIO		ADJUSTMENTS AND ELIMINATIONS		CONSOLIDATED	
	31 Dec 19	31 Dec 18	**31 Dec 19**	31 Dec 18	**31 Dec 19**	31 Dec 18	**31 Dec 19**	31 Dec 18
Six months ended 31 December 2019	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue								
External customers and other income	**30,002**	29,412	**140**	46	**(140)**	27	**30,002**	29,485
Total revenue	**30,002**	29,412	**140**	46	**(140)**	27	**30,002**	29,485
Results								
Segment profit before tax	**3,498**	4,292	**(921)**	(457)	**(105)**	(564)	**2,472**	3,271

The following table presents assets and liabilities information for the Group's operating segments at 31 December 2019 and 30 June 2019, respectively:

	31 Dec 19	30 Jun 19	**31 Dec 19**	30 Jun 19	**31 Dec 19**	30 Jun 19	**31 Dec 19**	30 Jun 19
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Assets	**35,375**	38,090	**16,577**	15,983	**7,956**	2,390	**59,908**	56,463
Liabilities	**(15,684)**	(20,917)	**(214)**	(76)	**4,776**	12,364	**(11,122)**	(8,629)

Adjustments and eliminations

Finance costs, certain employee benefits and operating expenses are not allocated to individual segments as these are managed on an overall group basis. These are included in adjustments and eliminations in the segment disclosures.

1. Revenue from contracts with customers

Segments:	**Electrical Components**	
	31 Dec 19	31 Dec 18
	$'000	$'000
Type of goods or service		
Sale of electrical components and cables	**29,961**	29,412
Total revenue from contracts with customers	**29,961**	29,412
Geographical markets		
New South Wales	**7,449**	7,810
Victoria	**4,175**	3,156
Queensland		
• Brisbane	**5,762**	4,555
• Rockhampton	**5,669**	5,068
Western Australia	**6,906**	8,823
Total revenue from contracts with customers	**29,961**	29,412
Timing of revenue recognition		
Goods transferred at point in time	**29,961**	29,412
Total revenue from contracts with customers	**29,961**	29,412

2. Investment income

	31 Dec 19	31 Dec 18
	$'000	$'000
Realised and unrealised (losses)/gains on current financial assets	**(387)**	(262)
Dividends received	**73**	269
Interest received	**58**	66
	(256)	73

3. Impairment testing of goodwill

The Group performed its annual impairment test in June and when circumstances indicated that the carrying value may be impaired.

The Group's impairment test for goodwill is based on value-in-use calculations.

The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 30 June 2019.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2019, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill.

As a result, management performed an impairment test as at 31 December 2019 for the Electrical Components segment, which is the cash generating unit (CGU) with goodwill. The Investment Portfolio segment did not have any goodwill.

Electrical Components CGU

The Group used the CGU's value-in-use to determine the recoverable amount, which exceeded the carrying amount.

The projected cash flows were updated to reflect the increased demand for products and a pre-tax discount rate of 15.2% (30 June 2019: 15.9%) was applied.

Cash flows beyond the five-year period have been extrapolated using a 2.5% growth rate (30 June 2019: 2.5%). All other assumptions remained consistent with those disclosed in the annual financial statements for the year ended 30 June 2019.

As a result of the updated analysis, management did not identify an impairment for this CGU to which goodwill of $6.9 million is allocated.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the Electrical Components unit, there are no significant changes to the sensitivity information disclosed in the annual consolidated financial statements for the year ended 30 June 2019.

Growth rate assumptions

Rates are based on published industry research. These have been updated for the current economic outlook.

Discount rate

The discount rate has been adjusted to reflect the current market assessment of the risks specific to the Electrical Components unit and was estimated based on the cost of equity for the Group. Note, the Group carries no debt.

Further changes to the discount rate may be necessary in the future to reflect changing risks for the industry and changes to the cost of equity.

4. Dividends

During the half-year, Excelsior Capital Limited made the following dividend payments:

	31 Dec 19 $'000	31 Dec 18 $'000
Fully paid ordinary shares		
Final HY20 dividend: 3.0 cents per share (FY19: 3.0 cents per share)	**870**	941

On 26 February 2020, the directors declared a fully franked interim dividend of 2.0 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2019, to be paid to shareholders on 25 March 2020. This dividend has not been included as a liability in this financial report. The total estimated dividend to be paid is $579,889.

5. Earnings per share

	31 Dec 19	31 Dec 18
Profit attributable to ordinary equity holders of the parent ($'000)	**1,942**	2,244
WANOS[1] used in the calculation of basic and diluted EPS (shares, thousands)[2]	**28,994**	30,864
Earnings per share		
Basic (cents per share)	**6.70**	7.27

1. Weighted average number of shares
2. There were no options or performance rights granted during the half-year.

5.1 Calculation of WANOS

5.1.1 Basic EPS

Six months to 31 December 2019

The number of Excelsior shares issued:

- **From 1 July 2019 to 31 December 2019**

  The number of Excelsior ordinary shares on issue of 28,994,469 multiplied by the ratio of days outstanding (184/184).

6. Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets.

6.1 Fair value of financial assets that are measured at fair value on a recurring basis

All of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial assets are determined (in particular, the valuation technique(s) and inputs used).

The following table provides the fair value measurement hierarchy of the Group's financial assets as at 31 December 2019 and 30 June 2019:

	Fair value hierarchy	Fair value measurement using	31 Dec 19 $'000	30 Jun 19 $'000
Financial assets at FVPL				
Current				
Quoted hybrid securities	Level 1	Quoted prices in active markets	**7,089**	2,358
Financial assets at fair value through OCI				
Non-current				
Quoted equity shares	Level 1	Quoted prices in active markets	**1,131**	10,597
Unquoted equity shares	Level 3	Significant unobservable inputs	**700**	700
			1,831	11,297

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 31 December 2019.

6.2 Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

6.3 Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets recognised in the consolidated financial statements approximate their fair values.

7. Variation of Contract

Following the resignation of Michael Glennon from the Board of Excelsior Capital Limited on 4 October 2019, the Company renegotiated the Investment Mandate Agreement with Glennon Capital Pty Limited to continue the agreement only until the end of the initial term. The expiry date of the agreement is 29 December 2021.

8. Subsequent events

On 13 January 2020 the Company announced that Mr Oliver Schweizer was appointed to the Board as non-executive Director as a replacement for Mr Michael Copeland who resigned on 10 January 2020. The Company also advised that Mr Dion Cohen was appointed as Company Secretary.

9. Financial interim dividend declared

The Board of Excelsior Capital Limited declared a fully-franked interim dividend of 2.0 cents per share. The Record Date is 8 March 2020. The payment date will be 25 March 2020. The dividend has not been provided for in this financial report.

10. Changes in accounting policies and disclosures

10.1 New and amended standards and interpretations

AASB 16 *Leases*

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation-115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

AASB 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees to make more extensive disclosures than under AASB 117.

The Group has adopted AASB 16 using the first variation of the modified retrospective approach, where the right-of-use-asset at the date of initial application (1 July 2019) is measured at an amount equal to the lease liability, using an incremental borrowing rate (IBR). Comparative figures are not restated.

The Group has elected to apply the standard to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4.

The Group has elected to use the exemptions proposed by the standard on lease contracts for which:

- the lease terms ends within 12 months as of the date of initial application; and
- lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value of less than $10,000.

The impact of AASB 16 adoption resulted in the grossing up of the asset (right of use assets in Property, plant and equipment) and liabilities (lease liabilities) by $2,455,766.

The following table represents a reconciliation between the lease commitments as of 30 June 2019 and the lease liability as of 1 July 2019.

	$'000
Total operating lease commitments disclosed at 30 June 2019	**3,658**
Recognition exemptions:	
• Leases of low value assets	32
Operating lease liabilities before discounting	**3,626**
Discounted using incremental borrowing rate	477
Total lease liabilities recognised at 1 July 2019	**3,149**

In discounting the lease liability, the Company used an IBR of 5%. This rate was determined by reference to a Bank Default rate set out in a Facility agreement offered to the Company in 2018, adjusted to take account of movements in interest rates over the period.

Due to the adoption of AASB 16, the Group's operating profit improved by $46,776, while its interest expense increased by $66,077. This is due to the change in the accounting for expenses of leases that were classified as operating leases under AASB 117.

10.1 New and amended standards and interpretations (continued)

AASB 16 *Leases (continued)*

The impact in Depreciation and Amortisation, in the Profit & Loss for the six months ended 31 December 2019, was $712,304. This also represents a decrease of $46,776 in Occupancy expenses.

The Company has also applied the following practical expedients:

- Used hindsight to determine lease term, assessing an extension option as being reasonably certain of exercise when the standard adoption. To this end, Company assessed negotiations in place and confirmed the leases certain of extension; and
- Opted to not reassess whether a contract is, or contains, a lease at the date of initial application.

10.2 Standards issued but not yet effective

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new standards and interpretations, if applicable, when they become effective.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

The Group does not apply significant judgement in identifying uncertainties over income tax treatments. Since the Group does not operates in a complex multinational environment, it assessed that this Interpretation did not have impact on its interim financial report.

Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, however, given there are no particularities in the business (i.e. transfer pricing), it was concluded that the interpretation did not have an impact on the interim financial report.

DIRECTORS' DECLARATION

EXCELSIOR CAPITAL LIMITED AND ITS CONTROLLED ENTITIES

The directors declare that:

(a) in the directors' opinion there are reasonable grounds to believe that the Company and its subsidiaries (collectively the Group) will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001.*

On behalf of the Directors

Danny Herceg
Non-executive Chairman

Sydney, 26 February 2020

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Independent Auditor's Review Report to the Members of Excelsior Capital Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Excelsior Capital Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 Group is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated 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 Group's consolidated financial position as at 31 December 2019 and its consolidated 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 Group, 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.

Building a better working world

Independence

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

Ernst & Young

Ernst & Young

Jonathan Pye

Jonathan Pye
Partner
Sydney
26 February 2020