



2019 | ANNUAL REPORT

EILDON CAPITAL LIMITED

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2019 ANNUAL REPORT

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COMPANY PARTICULARS

FOR THE YEAR ENDED 30 JUNE 2019

EILDON CAPITAL LIMITED

ACN 059 092 198

REGISTERED OFFICE

Level 25
360 Collins Street
Melbourne VIC 3000

BOARD OF DIRECTORS

James Davies - *Chairman*
Mark A Avery
Alexander D H Beard
Michelle E Harpur

COMPANY SECRETARY

John Hunter

MANAGEMENT TEAM

Mark Avery	William Chen
John Hunter	Tiffany McLean
Jufri Abidin	Joanna Jiang
Jonathan Sim	Rajiv Manoharan

BANKERS

Westpac Banking Corporation
Limited

Bank of Western Australia
Limited

AUDITORS

HLB Mann Judd Chartered
Accountants
Level 19, 207 Kent Street
Sydney NSW 2000

SHARE REGISTRY

Computershare Investor
Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

“The portfolio of equity investments have potential to deliver significantly to NTA growth through successful planning processes and eventual divestment.”

DEAR SHAREHOLDER,

I am pleased to introduce these annual accounts and company report for the year to 30 June 2019.

2019 saw Eildon Capital successfully investing the capital raised at listing and in 2018 in a continuation of high-quality transactions with attractive risk-adjusted returns. The company continued to focus on loan rather than equity transactions given the softness in pockets of the Australian real estate market and the continuing retrenchment from esoteric lending by the big Australian banks.

Highlights

Eildon Capital delivered a pre-tax return of \$6.3 million, representing a 46% increase on the prior year.

At the time of writing Eildon Capital has 15 individual investments and its capital is fully deployed. As loans are repaid, the available funds will be able to be redeployed into new investments. The composition of the portfolio of investments is a result of a conservative view on the property market. Of particular note is that the current debt investments, representing 90% by value of the portfolio, have a weighted-average loan-to-value ratio of 63%, providing a healthy buffer against any downturn in the property market.

During the year CVC Limited acquired the shares that it did not own in the Eildon Capital's manager, Eildon Funds Management. As a result, Eildon Funds Management is now a wholly owned subsidiary of CVC. Sandy Beard stepped down as Managing Director of CVC but remains a Director of Eildon Capital and Mark Avery has stepped into a dual role as Managing Director of both CVC Limited and Eildon Capital. The day-to-day operations of Eildon Capital and commercial arrangements between the company, its manager and CVC are unchanged.

Total dividends paid since listing are approximately 22.0 cents per share. The Board continues with its guidance of a targeted minimum dividend yield of 5% of the \$1.06 Offer Price at the time of listing.

Outlook

The Board of Eildon Capital continues to monitor the two main economic drivers of its activities: the Australian property market and the real estate lending market – particularly the activities of the four major domestic Banks.

Property valuations in general moderated over the course of the financial year, particularly in the key residential markets of Sydney and Melbourne. This was in part a normalisation of higher than historic prices as well as the influence of continuing tight lending markets. This moderation appears to be bottoming out with indications that prices have recently steadied. Notwithstanding the softness over the course of the year, Eildon Capital was able to source high quality investments and is optimistic that it will continue to invest in line with historical performance.

The key financial sector event during FY19 was the Banking Royal Commission. With respect to property lending, the outcomes of the Commission have encouraged the major Banks increasingly to limit their lending. In addition, loan-to-value ratios for senior debt have reduced, widening the gap between bank lending and traditional equity contributions. This widening continues to favour Eildon Capital, providing opportunities with both substantial returns and capital protection.

In summary the Board remains cautious on the outlook for the property market, optimistic on the property lending market and so expects to continue Eildon Capital's focus on subordinated secured lending opportunities.

Finally, I would like to thank the Board directors, leadership team and our manager, Eildon Funds Management, for their contribution over the year. And I would like to thank you, our shareholders, for your continuing support.

James Davies
Chairman

COMPANY HIGHLIGHTS

FOR THE YEAR ENDED 30 JUNE 2019

REVENUE

\$7.6 million

↑ 42% FROM
FY 2018

PROFIT BEFORE TAX

\$6.3 million

↑ 46% FROM
FY 2018

NET PROFIT AFTER TAX

\$4.4 million

↑ 46% FROM
FY 2018

EARNINGS PER SHARE

9.6 cents

↑ 21% FROM
FY 2018

DIVIDENDS PER SHARE (Fully Franked)

7.7 cents (7.6%¹)

↑ 2.0% FROM
FY 2018

¹Grossed up yield of 10.8% based on closing share price at 28 June, 2019.

THE YEAR IN REVIEW

FOR THE YEAR ENDED 30 JUNE 2019

INTRODUCTION

Eildon Capital Limited (ASX: EDC) is pleased to report a full year net profit after tax of \$4.4 million (2018: \$3.0 million) representing a 46% increase over the prior corresponding period. Net tangible assets at 30 June 2019 totalled \$48.2 million (2018: \$47.9 million), representing \$1.06 per share.

During the year, fully franked dividends of 7.7 cents per share were paid to shareholders. Based on the 28 June 2019 share price of \$1.02, this represents a fully franked dividend yield of 7.6% (equivalent to a pre-tax yield of 10.8%, after grossing up the impact of franking credits).

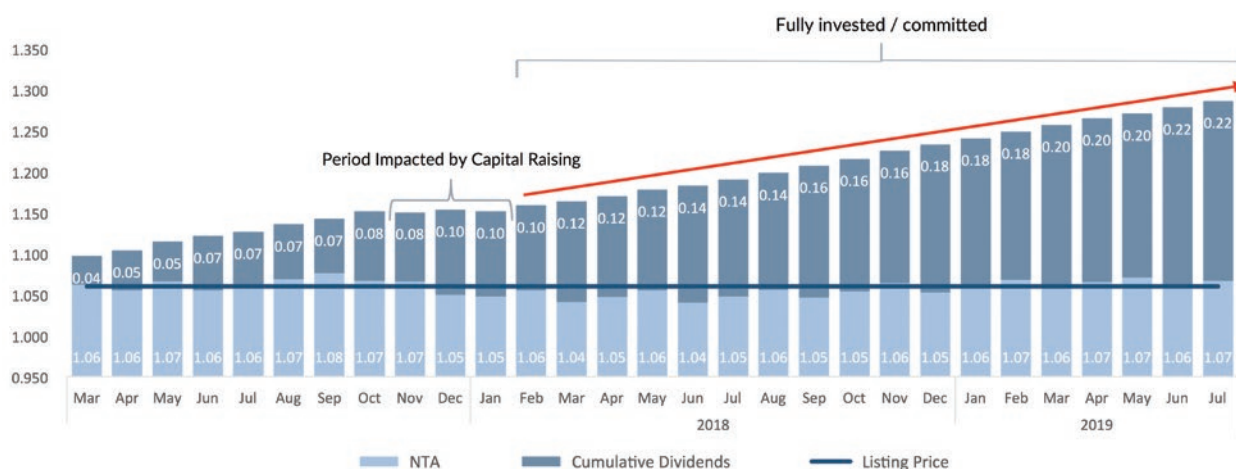
Since listing on the ASX in February 2017 total dividends have been 21.9 cents per share.

NET PROFIT

\$4.4 million

↑ 46% FROM FY 2018

NTA & ACCUMULATED DIVIDENDS SINCE ASX LISTING



INVESTMENT PORTFOLIO

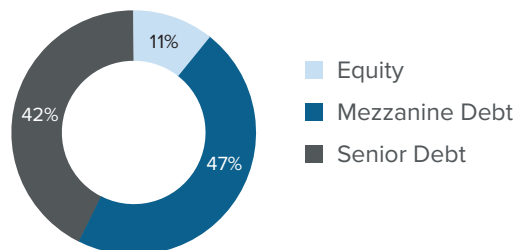
Eildon Capital has fully committed its available funds, with the current investment portfolio value amounting to approximately \$42.4 million as at 30 June 2019 plus a further \$6.7 million of commitments to fund further loan investments.

The investment portfolio as at 30 June 2019, includes 11 debt related loan investments, generating interest returns, representing approximately 89% of the portfolio value, which provides a level of capital protection should property markets weaken and values stagnate or decrease.

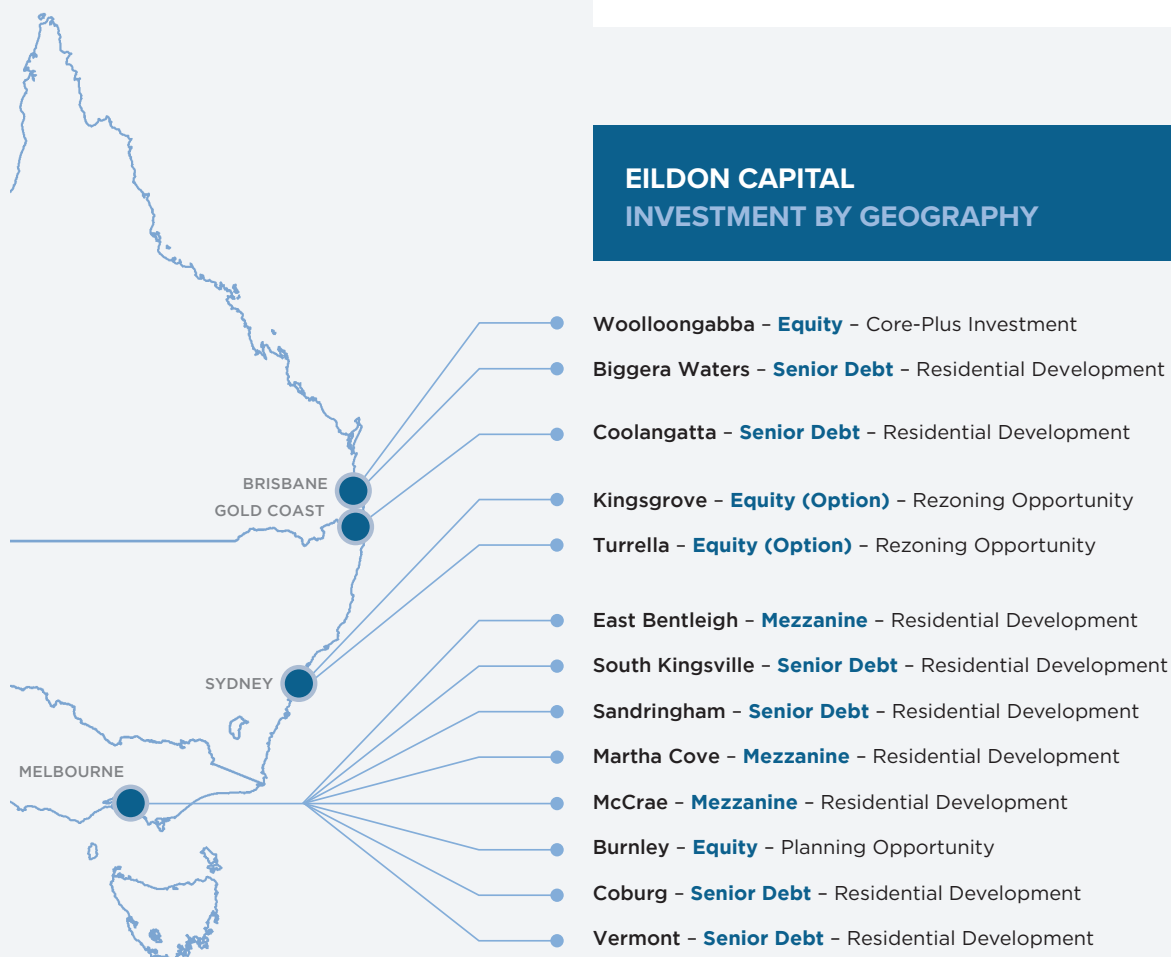
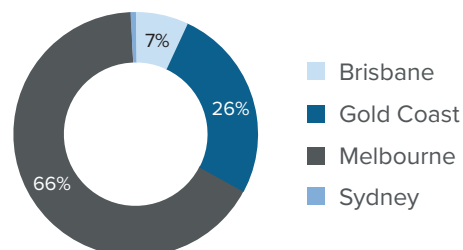
The balance of the portfolio, comprising 4 investments, represent strategic equity investments in property projects that have the potential to experience meaningful capital growth via either asset repositioning, market re-rating or planning outcomes.

The portfolio has geographic diversity with investments in Queensland, Victoria and New South Wales.

EDC Portfolio by Type - Current Exposure



EDC Portfolio by Geography - Peak Exposure



EILDON CAPITAL INVESTMENT BY GEOGRAPHY

THE YEAR IN REVIEW

FOR THE YEAR ENDED 30 JUNE 2019

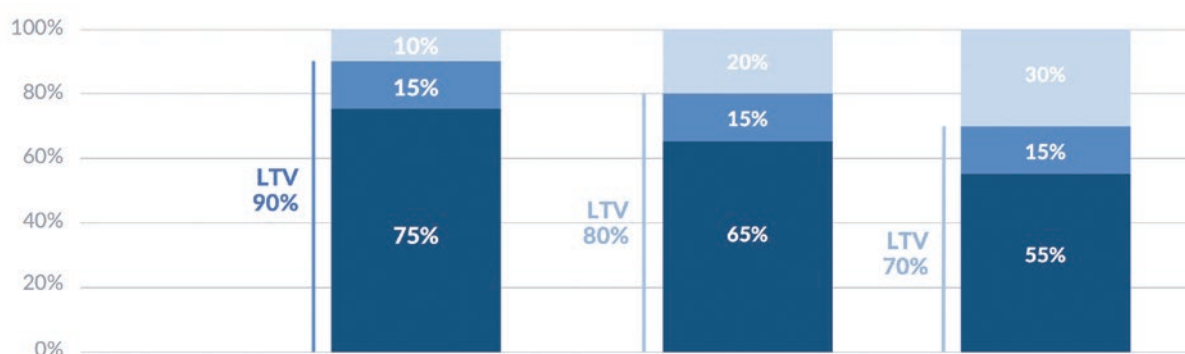
OUTLOOK AND STRATEGIC REVIEW

The property market continues to experience a degree of volatility, with a tightening of credit markets as well as falls in values across different segments.

The tightening credit market has been created by banks shifting towards offering increasingly commoditised homogeneous products whose structure and pricing are not efficiently differentiated based on underlying risks of the transactions. This has meant that flexible lenders like Eildon Capital are able to achieve higher returns and improved security on loans.

“...flexible lenders like Eildon Capital are able to achieve higher returns and improved security on loans.”

CAPITAL STACK COMPARISONS



COVENANTS	PRE - GFC CAPITAL COMPOSITION	2009 - 2015 CAPITAL COMPOSITION	2016 - 2018 CAPITAL COMPOSITION
Senior LTV (LTC)	≤ 75% (90%)	≤ 65% (80%)	≤ 55% (70%)
Total Debt LTV (LTC)	≤ 90% (100%)	≤ 80% (90%)	≤ 70% (85%)
Minimum Pre-Sale / Debt Coverage	50 - 80%	80 - 100%	100%
Minimum Recourse	Non-recourse to limited recourse	Limited recourse to full recourse	Full recourse



The real estate lending market totals approximately \$271 billion. Previously major Australian Banks have funded approximately 80% of this segment.

With changes to security requirements imposed by APRA, Australian Banks have reduced this exposure to approximately 65%. This has seen a growing number of non-banks become active in this segment, providing approximately \$28 billion of funding as at December 2018. Eildon Capital is part of this growing segment.

Investors are continuing to seek regular, stable and secure income as interest rates have been falling. Eildon Capital, with 96% of the existing portfolio delivering these types of returns has become an attractive option for these investors. With a track record of success and stable dividends, Eildon can continue to provide value for investors.



CAPITAL MANAGEMENT

Eildon Capital is considered to be fully invested but continues to review prospective opportunities to redeploy cash returned from investments.

A fully franked dividend of 1.925 cents per share for the June quarter was paid on 24 July 2019. It is expected that Eildon Capital will continue to pay dividends at this level.

The anticipated dividend payment calendar for the next 12 months is as follows:

QUARTER	ANTICIPATED PAYMENT DATE
September, 2019	24 October, 2019
December, 2019	24 January, 2020
March, 2020	24 April, 2020
June, 2020	24 July, 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their report together with the financial report of Eildon Capital Limited (the "Company") for the year ended 30 June 2019 and the Auditors' Report thereon.

DIRECTORS

The Directors in office at the date of this report and at all times during the year are:

Mark Anthony Avery (Managing Director)

B.Com.Pl.Ds. (UOM)

Mr Avery began his professional career at Macquarie Group in 2002 in the property finance and residential development divisions. Mr Avery also worked for private and listed property development and investment groups. Mr Avery commenced at CVC Limited, the former parent of the Company, in 2010, and has been responsible for all of the group's real estate investment activities, including appointed as Managing Director of the Company in 2015. He is managing director and Chief Executive Officer of CVC Limited and director of Eildon Funds Management Limited.

Alexander Damien Harry Beard (Non-Executive Director)

B.Com. (UNSW) FCA AICD

Mr Beard is a Chartered Accountant with extensive experience in private equity investing. He is director of US Residential Fund, Probiotec Limited, Tasfoods Limited and Shellfish Culture Limited. He is also formerly a Chairman and non-executive director of Cellnet Group Limited, Managing Director and Chief Executive Officer of CVC Limited and Director of Eildon Funds Management Limited. Mr Beard is a member of the Audit Committee of the Company.

James R Davies (Independent Director)

Bachelor of Computing Science (University of New England)
MBA (London Business School)

Graduate of the Australian Institute of Company Directors and member of the audit committee of the Company.

Mr Davies has over 30 years' experience in investment management across real estate, private equity, infrastructure, natural resources and distressed asset management. Most recently he was Head of Funds Management at New Forests Asset Management. Prior to that he held Director roles at Hastings Funds Management Limited and Royal Bank of Scotland's Strategic Investments Group. He has been appointed on numerous Investment Committees and Boards including as Chairman of Timberlink Australia, Forico and Airport Rail Link.

Michelle E Harpur (Independent Director)

B.A. (UNSW) L.L.B. (UNSW)

Chairman of the audit committee of the Company. She completed and passed the Company Directors Course with the AICD in early 2016, and in 2010 also attended a Harvard

Business School Executive Education Program "Managing Professional Services Firms". Mrs Harpur has been a partner in mid-size, large and international law firms since 1992, and is principle of Harpur Phillips. She was admitted as a solicitor in 1986. Over many years, her clients have included listed public companies and private companies involved in property development, and in addition to governance and risk management.

COMPANY SECRETARY

John Andrew Hunter

B.Com. (ANU), MBA (MGSM), MAppFin (MAFC), CA

Mr Hunter has experience in senior finance roles in the Financial Services industry in retail and wholesale funds management entities as well as holding senior finance roles in various other public and private companies.

DIRECTORS' MEETINGS

The number of directors' meetings attended, and the number of directors' meetings eligible to attend during their period in office by each of the Directors of the Company during the financial year were as follows:

	Number of meetings attended	Number of meetings held
M A Avery	4	4
A D H Beard	4	4
J R Davies	4	4
M E Harpur	4	4

AUDIT COMMITTEE MEETINGS

The Company has an audit committee. The number of meetings and the number of meetings attended by each of the Directors on the audit committee during the financial year were:

	Number of meetings attended	Number of meetings held
A D H Beard	2	2
J R Davies	2	2
M E Harpur	2	2

DIRECTORS' BENEFITS

Information on Directors' remuneration is included in the remuneration report in the financial statements.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

The relevant interest of each director in the ordinary share capital of the Company at the date of this report is included in the remuneration report.

PRINCIPAL ACTIVITIES

The Company is an active property investment company which participates in retail, industrial, residential and commercial opportunities.

OPERATING RESULTS

The Company recorded an after tax profit of \$4,386,508 (2018: \$3,006,055).

DIVIDENDS

Dividends proposed or paid during the year and included within the statement of changes in equity by the Company are:

	Cents Per Share	Total \$	Date of Payment	Tax rate for Franking Credits	Percentage Franked
2019 June quarter dividend on ordinary shares	1.925	875,555	24-Jul-19	30%	100%
2019 March quarter dividend on ordinary shares	1.925	876,961	24-Apr-19	30%	100%
2018 December quarter dividend on ordinary shares	1.925	886,693	24-Jan-19	30%	100%
2018 September quarter dividend on ordinary shares	1.925	886,290	24-Oct-18	30%	100%

REVIEW OF OPERATIONS

During the financial year, the Company generated \$7.4 million (2018: \$5.2 million) of interest income from property loans. The Company is currently holding loan investments totalling \$37.8 million (2018: \$35.3 million) with approximately 90% by value of the portfolio being made into debt related loan investments. Although the Company currently has current cash balances of \$6.7 million (2018: \$10.2 million) it has further commitments to fund existing loans of \$6.8 million (2018: \$5.8 million).

The balance of the investment portfolio, comprising 4 investments, represents strategic equity investments in property projects that have the potential to experience meaningful capital growth via either asset repositioning, market re-rating or planning outcomes.

The Company continues to redeploy loans repaid into new loan investments, repayments received during the financial year on four loans totalling \$24.3 million, while five new loan investments were made during the year amounting to \$25.2 million.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of the Company in accordance with the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required by s. 308(3C) of the *Corporations Act 2001*. The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company.

Remuneration philosophy

The performance of the Company depends upon its ability to attract and retain quality people. The Company is committed to developing a remuneration philosophy of paying sufficient competitive 'base' rewards to attract and retain high calibre personnel in order to create value for shareholders.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

REMUNERATION REPORT (AUDITED) (CONT.)

Remuneration structure

Non-Executive Director's remuneration is solely in the form of fees and has been set by shareholders at a maximum aggregate amount of \$150,000, to be allocated amongst the Directors.

Other than the directors and company secretary there are no other key management personnel employed by the Company.

The Company does not have a remuneration committee with the remuneration of the non-executive directors determined by the Board of the Company.

Remuneration of key management personnel

The Company has no employees and the only key management personnel of the Company are the Directors and company secretary. The total income paid or payable or otherwise made available, to all key management personnel of the Company directly or indirectly from the entity or any related party include:

		Base Salary Fees \$	Post-Employment Benefits Superannuation \$	Total \$	Base % (a)
Directors					
Mark Avery (b)	2019	-	-	-	-
(Managing Director)	2018	-	-	-	-
James Davies	2019	45,662	4,338	50,000	100%
(Non-Executive Chairman)	2018	45,662	4,338	50,000	100%
Alexander Beard (b)	2019	-	-	-	-
(Non-Executive Director)	2018	-	-	-	-
Michelle Harpur	2019	45,662	4,338	50,000	100%
(Non-Executive Director)	2018	15,000	25,000	40,000	100%
Other Key Management Personnel					
John Hunter (b)	2019	-	-	-	-
(Company Secretary)	2018	-	-	-	-
	2019	91,324	8,676	100,000	
	2018	60,662	29,338	90,000	

Notes:

(a) Base % reflects the amount of base level remuneration that is not dependent on individual or the Company's performance.

(b) The remuneration of Messrs Avery, Beard, and Hunter are paid by an associate of the manager of the Company, Eildon Funds Management Limited.

Except as detailed above, no other amount of remuneration is paid to key management personnel in connection with the management of the affairs of the Company.

REMUNERATION REPORT (AUDITED) (CONT.)

Key management personnel holding of shares

The relevant shareholding interests of key management personnel in the share capital of the Company as at the date of this report is as follows:

Ordinary shares	Opening	Purchases	Sales	Closing
Mr A.D.H. Beard	664,285	45,285	-	709,570
Mr M. A. Avery	36,285	-	-	36,285
Ms M. E. Harpur	19,523	-	-	19,523
Mr J. R. Davies	25,984	1,032	-	27,016
Mr J.A.H. Hunter	6,000	-	-	6,000

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Company's performance and benefits for shareholder wealth, the Directors have regard to the following indicators in respect of the current financial year and previous financial year.

	2019 \$	2018 \$	2017 \$
Net profit after tax	4,386,508	3,006,055	3,659,218
Total comprehensive income	4,386,508	3,006,055	3,610,914
Dividends paid	3,525,499	3,197,311	2,012,822
Shares bought back on market	609,994	-	-
Share price	1.02	1.04	1.05
Net assets per share	1.06	1.04	1.05
Change in net assets per share	0.02	(0.01)	0.06

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS OF THE COMPANY

There were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or in the financial statements.

LIKELY DEVELOPMENTS AND FUTURE EXPECTATIONS

The Company will continue to assess Australian investment opportunities. As an investment company, the results of the Company are dependent on the timing of and opportunities for the realisation of investments. Accordingly, it is not possible at this stage to predict the future results of the Company.

EVENTS SUBSEQUENT TO REPORTING DATE

A fully franked dividend of 1.925 cents per share amounting to \$875,555 was declared on 26 June 2019 and paid on 24 July 2019.

Other than as set out above, there are no matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial periods subsequent to 30 June 2019.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

INSURANCE PREMIUMS

The Company has not, during the year or since the end of the financial year, in respect of any person who is or has been an auditor of the Company or a related body corporate paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses of defending legal proceedings.

Insurance premiums have been paid in respect of director's and officer's liability and legal expense insurance for directors and officers of the Company. In accordance with subsection 300(9) of the *Corporations Act 2001* further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Company appointed HLB Mann Judd (NSW Partnership) as the auditors for the 2019 financial year. During the financial year no non-audit services were provided.

A copy of the Independence Declaration is included on page 13. Further information on Auditors' Remuneration is included in note 2.

Signed in accordance with a resolution of Directors.

Dated at Sydney 30 August 2019

Mark Avery
Director

Alexander Beard
Director

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2019

To the directors of Eildon Capital Limited:

As lead auditor for the audit of the financial report of Eildon Capital Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

HLB Mann Judd
Chartered Accountants

N J Guest
Partner

Sydney, NSW
30 August 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
INCOME			
Interest income		7,355,087	5,185,636
Impairment recovery		-	100,182
Fee income		208,602	187,556
Other income		2,858	-
Total income		7,566,547	5,473,374
Share of net profit/(loss) of associate accounted for using the equity method	7	70,227	(81,920)
EXPENSES			
Accountancy		87,710	19,390
Audit fees	2	44,642	46,950
Insurance		62,416	72,802
Legal fees		75,233	2,796
Directors fees	17	100,000	90,000
Management fees		818,873	596,828
Net loss on sale of equity investments		-	99,049
Share registry		64,752	64,297
Other expenses		116,707	104,978
Total expenses		1,370,333	1,097,090
Profit before income tax		6,266,441	4,294,364
Income tax expense	3	1,879,933	1,288,309
Net profit after tax		4,386,508	3,006,055
Total comprehensive income for the year		4,386,508	3,006,055
Basic and diluted earnings per share (cents)	11	9.56	7.90

The above statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 18 to 34.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	5	6,936,845	10,209,431
Trade and other receivables	6	44,693	60,430
Loans and receivables	8	15,547,239	29,279,007
Financial assets at fair value through profit or loss	9	10,716,096	-
Total current assets		33,244,873	39,548,868
NON-CURRENT ASSETS			
Loans and receivables	8	11,514,784	5,987,361
Investments accounted for using the equity method	7	2,893,434	3,027,607
Financial assets at fair value through profit or loss	9	1,771,712	469,668
Deferred tax assets	3	356,718	391,041
Total non-current assets		16,536,648	9,875,677
TOTAL ASSETS		49,781,521	49,424,545
CURRENT LIABILITIES			
Trade and other payables	10	1,102,190	1,013,388
Current tax liabilities	3	493,761	538,803
Total current liabilities		1,595,951	1,552,191
TOTAL LIABILITIES		1,595,951	1,552,191
NET ASSETS		48,185,570	47,872,354
EQUITY			
Contributed equity	12	43,796,218	44,344,011
Retained earnings	13	(5,483,508)	(5,483,508)
Profit distribution reserve	14	9,872,860	9,011,851
TOTAL EQUITY		48,185,570	47,872,354

The above statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 18 to 34.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Contributed equity \$	Retained earnings \$	Profit distribution reserve \$	Total \$
At 1 July 2018	44,344,011	(5,483,508)	9,011,851	47,872,354
Profit for the year	-	4,386,508	-	4,386,508
Total comprehensive income for the year	-	4,386,508	-	4,386,508
Transactions with shareholders:				
Shares issued	62,201	-	-	62,201
Shares bought back	(608,121)	-	-	(608,121)
Transaction costs on share buyback	(2,676)	-	-	(2,676)
Tax on share buyback transaction costs	803	-	-	803
Dividends provided or paid	-	-	(3,525,499)	(3,525,499)
Transfers (to)/from reserve	-	(4,386,508)	4,386,508	-
At 30 June 2019	43,796,218	(5,483,508)	9,872,860	48,185,570
At 1 July 2017	28,107,339	(5,483,508)	9,203,107	31,826,938
Profit for the year	-	3,006,055	-	3,006,055
Total comprehensive income for the year	-	3,006,055	-	3,006,055
Transactions with shareholders:				
Shares issued	16,598,808	-	-	16,598,808
Capital raising transaction costs	(517,337)	-	-	(517,337)
Tax on transaction costs	155,201	-	-	155,201
Dividends provided or paid	-	-	(3,197,311)	(3,197,311)
Transfers (to)/from reserve	-	(3,006,055)	3,006,055	-
At 30 June 2018	44,344,011	(5,483,508)	9,011,851	47,872,354

The above statement of changes in equity should be read in conjunction with the notes to the financial statements set out on pages 18 to 34.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Cash receipts in the course of operations		169,270	187,557
Cash payments in the course of operations		(1,441,844)	(933,978)
Proceeds from disposal of financial assets at fair value through profit and loss		-	1,133
Loans repaid		24,413,444	11,407,785
Loans provided		(25,308,143)	(20,403,972)
Interest and fee income received		5,813,974	2,843,855
Income tax paid		(1,889,851)	(2,045,069)
Net cash provided by/(used in) operating activities	5(b)	1,756,850	(8,942,689)
Cash flows from investing activities			
Payments for equity investments		(1,302,043)	(469,568)
Proceeds from equity investments		204,400	250,950
Net cash used in investing activities		(1,097,643)	(218,618)
Cash flows from financing activities			
Dividends paid		(3,320,996)	(2,841,774)
Proceeds from issue of shares		-	16,589,134
Payment for share issue transaction costs		-	(527,369)
Payment for share buyback		(608,121)	-
Payment for share buyback transaction costs		(2,676)	-
Net cash (used in)/provided by financing activities		(3,931,793)	13,219,991
Net (decrease)/increase in cash held		(3,272,586)	4,058,684
Cash and cash equivalents at the beginning of the financial year		10,209,431	6,150,747
Cash and cash equivalents at the end of the financial year	5(a)	6,936,845	10,209,431

The above statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 18 to 34.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except for the measurement at fair value of selected financial assets.

The financial report is presented in Australian dollars.

Management is required to make judgements, estimates and assumptions in relation to the carrying value of assets and liabilities, that have significant risk of material adjustments in the next year and these have been disclosed in the relevant notes to the financial statements.

b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

The Company has adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from contracts with customers* for the first time for the annual reporting period commencing 1 July 2018. The impact of the adoption of the standard and the new accounting policy are disclosed in note 21.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period:

AASB 16 Leases

AASB 16 *Leases* was released in February 2016 and is mandatory for periods beginning on or after 1 January 2019. The new standard introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

b) Statement of Compliance (Cont.)

- Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

The Company does not expect the new standard to have any material impact on the financial statements.

c) Cash and Cash Equivalents

For the statement of cash flows, cash includes cash on hand and short-term deposits with an original maturity of three months or less.

d) Revenue Recognition

Interest Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount as at the end of the financial year.

Fee Income

The Company provides services to parties which is measured at the amount in accordance with the agreement. Revenue is recognised in the accounting period which the services provided are matched with the use of the benefits by the client. A receivable is recognised at the same time as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

e) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

f) Trade and Other Receivables

Trade and other receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, with any difference between cost and recoverable value being recognised in net income over the period on an effective interest basis.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

g) Investments and Other Financial Assets

Associates

Associates are those entities, other than partnerships, over which the Company exercises significant influence but not control. The Company generally deems it has significant influence if it has over 20% of the voting rights, but no more than 50%.

Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets in the associates. Following initial recognition the Company assesses whether it is necessary to recognise any impairment loss with respect to the investment in the associate.

The Company's equity accounted share of the associates' post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The accounting policies for financial assets are explained in Note 21.

h) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities on the current period's taxable income at the tax rates enacted by the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

h) Income Tax and Other Taxes (Cont.)

profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and tax losses can be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in comprehensive income.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

i) Contributed Equity

Issued capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue or cancellation of shares are shown in equity as a deduction, net of tax, from proceeds.

j) Segment Reporting

A business segment is a distinguishable component of the entity that is engaged in providing differentiated products or services.

k) Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

l) Profit distribution reserve

Profits transferred to the profit distribution reserve are segregated to facilitate potential future dividend payments that may be declared by the directors.

	2019 \$	2018 \$
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NOTE 2: AUDITOR'S REMUNERATION

The auditor of the Company is HLB Mann Judd NSW Partnership.

Amounts received or due and receivable by the auditors for:

Audit and review of financial report

HLB Mann Judd NSW Partnership

44,642

46,950

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
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NOTE 3: INCOME TAX

(a) Income tax expense

Accounting profit before income tax	6,266,441	4,294,364
Income tax expense at the statutory income tax rate of 30%	1,879,933	1,288,309
The major components of income tax expense are:		
- Current income tax charge	1,844,655	1,170,560
- Deferred income tax	35,278	117,749
Income tax expense reported in the statement of profit or loss and other comprehensive income	1,879,933	1,288,309
Deferred tax benefit relating to items credited directly to equity	803	88,900

(b) Deferred income tax

Deferred income tax balances at 30 June relates to the following:

	Included in income \$	2019 Included in equity \$	Total \$	Included in income \$	2018 Included in equity \$	Total \$
Deferred tax assets						
Provisions and accrued expenses	8,250	-	8,250	8,100	-	8,100
Tax losses	106,001	-	106,001	106,858	-	106,858
Other	79,486	162,981	242,467	46,151	229,932	276,083
	193,737	162,981	356,718	161,109	229,932	391,041

	2019 \$	2018 \$
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(c) Current Tax Liabilities

Income tax payable

Balance at the end of the year	493,761	538,803
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: DIVIDENDS

Dividends proposed or paid in previous years and included within the statement of changes in equity by the Company are:

	Cents Per Share	Total \$	Date of Payment	Tax rate for Franking Credits	Percentage Franked
2019 June quarter dividend on ordinary shares	1.925	875,555	24-Jul-19	30%	100%
2019 March quarter dividend on ordinary shares	1.925	876,961	24-Apr-19	30%	100%
2018 December quarter dividend on ordinary shares	1.925	886,693	24-Jan-19	30%	100%
2018 September quarter dividend on ordinary shares	1.925	886,290	24-Oct-18	30%	100%
2018 June quarter dividend on ordinary shares	1.925	885,887	24-Jul-18	30%	100%
2018 March quarter dividend on ordinary shares	1.925	885,699	24-Apr-18	30%	100%
2017 December quarter dividend on ordinary shares	1.925	885,699	5-Feb-18	30%	100%
2017 September quarter dividend on ordinary shares	1.7875	540,025	24-Oct-17	30%	100%

	2019 \$	2018 \$
Dividend franking account:		
Franking credits available to shareholders for subsequent financial years	2,611,447	2,277,568

The franking account is stated on a tax paid basis. The balance comprises the franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the refund of overpaid tax instalments paid;
- (c) franking debits that will arise from the payment of dividends recognised as a liability at year end;
- (d) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (e) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available equity to declare dividends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
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NOTE 5: NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year:

Cash at bank	6,936,845	10,209,431
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Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

(b) Reconciliation of profit after income tax to net cash from operations

Net profit after tax	4,386,508	3,006,055
<i>Adjustments for:</i>		
Share of equity accounted (profit)/loss	(70,227)	81,920
<i>Change in operating assets and liabilities:</i>		
Decrease/(increase) in other assets	17,470	(5,110)
Increase in loans and financial assets	(2,511,752)	(11,337,967)
Increase in GST	(1,731)	(4,058)
(Decrease)/increase in payables	(61,815)	69,250
Increase in deferred tax assets and liabilities	35,126	145,913
Increase in sundry creditors and accruals	8,313	3,981
Decrease in tax payable	(45,042)	(902,673)
Net cash provided by/(used in) operating activities	1,756,850	(8,942,689)

NOTE 6: TRADE AND OTHER RECEIVABLES

Current:

Goods and services tax	15,262	13,530
Prepayments	29,431	46,900
	44,693	60,430

Trade and other receivables are generally on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 7: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Ownership Interest		Investment Carrying Amount	
	2019	2018	2019	2018
	%	%	%	\$
Interest in ordinary shares of associate				
79 Logan Road Trust (a)	35	35	2,893,399	3,027,572
79 Logan Road Pty Limited (b)	35	35	35	35
Kingsgrove (Vanessa Road) Unit Trust (c)	25	25	-	-
			2,893,434	3,027,607

(a) 79 Logan Road Trust is a commercial property in Woolloongabba, Queensland with a long term lease to an ASX listed entity, with residential development approval. The carrying value of 79 Logan Road Trust has been calculated as \$2,893,399 based on the net asset backing methodology, using the most recent reports provided by the company.

(b) 79 Logan Road Pty Limited is the trustee of 79 Logan Road Trust.

(c) Kingsgrove (Vanessa Road) Unit Trust is a residential property development in Kingsgrove, New South Wales.

Summarised financial information

The following table illustrates summarised financial information relating to the Company's associates:

	79 Logan Road Trust	
	2019	2018
	\$	\$
Summarised balance sheet		
Current assets	123,417	55,692
Current liabilities	41,081	46,958
Current net assets	82,336	8,734
Non-current assets	19,674,518	20,131,472
Non-current liabilities	11,490,000	11,490,000
Non-current net assets	8,184,518	8,641,472
Net assets	8,266,854	8,650,206
Reconciliation to carrying amounts:		
Opening net assets 1 July	8,650,206	9,601,264
Profit for the period	200,648	(234,058)
Return of capital	(383,352)	(700,501)
Dividend paid	(200,648)	(16,499)
Closing net assets	8,266,854	8,650,206
The Company's share - percentage	35%	35%
The Company's share - dollars	2,893,399	3,027,572
Carrying amount	2,893,399	3,027,572
Summarised statement of comprehensive income		
Revenue	1,205,229	1,074,292
Net profit	200,648	(234,058)
Other comprehensive income	-	-
Total comprehensive income	200,648	(234,058)
Dividends received	70,227	5,775

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 7: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

Individually immaterial investments accounted for using the equity method

In addition to the interests in investments accounted for using the equity method disclosed above, the Company also has interests in a number of individually immaterial investments that are accounted for using the equity method.

	2019 \$	2018 \$
Aggregate carrying amount of individually immaterial investments accounted for using the equity method	35	35
Aggregate amounts of the Company's share of profit for the period	-	-
Total comprehensive income	-	-

NOTE 8: LOANS AND RECEIVABLES

Current:

Secured loans to other corporations	15,394,144	29,279,007
Secured loans to related entity	153,095	-
	15,547,239	29,279,007

Non-Current:

Secured loans to other corporations	11,514,784	5,861,811
Unsecured loan to related entity	-	125,550
	11,514,784	5,987,361

NOTE 9: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Current:

Unlisted investments in unlisted corporations	10,716,096	-
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Non-Current:

Unlisted investments in unlisted corporations	1,771,712	469,668
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NOTE 10: TRADE AND OTHER PAYABLES

Current:

Sundry creditors and accruals	74,001	127,501
Dividend payable	1,028,189	885,887
	1,102,190	1,013,388

Trade and sundry creditors are non-interest bearing and are generally on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
NOTE 11: EARNINGS PER SHARE	cents	cents
Basic and diluted earnings per share	9.56	7.90
	\$	\$
Net profit attributable to shareholders used in calculation of basic and diluted earnings per share	4,386,508	3,006,055
	Number	Number
Weighted average number of shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	45,899,548	38,067,694

	2019		2018	
	Number of shares	\$	Number of shares	\$

NOTE 12: CONTRIBUTED EQUITY

<i>Issued and paid up share capital:</i>				
Ordinary shares fully paid	45,483,392	43,796,218	46,020,079	44,344,011
Ordinary shares:				
Balance at the beginning of the year	46,020,079	44,344,011	30,211,208	28,107,339
Issue of shares	63,372	62,201	15,808,871	16,598,808
Transaction costs of share issue	-	-	-	(517,337)
Shares bought back	(600,059)	(608,121)	-	-
Transaction costs on share buyback	-	(2,676)	-	-
Income tax on share transaction costs	-	803	-	155,201
Balance at the end of the year	45,483,392	43,796,218	46,020,079	44,344,011

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of shares held.

	2019	2018
	\$	\$
Total capital of the Company is as follows:		
Total equity	48,185,570	47,872,354
Net assets per share	1.06	1.04

The Company is not subject to any externally imposed capital requirements. Management's objective is to achieve returns for shareholders commensurate with the risks associated with making investments in Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
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NOTE 13: RETAINED EARNINGS

Retained earnings at the beginning of the year	(5,483,508)	(5,483,508)
Net profit attributable to members	4,386,508	3,006,055
Transfers to profit distribution reserve	(4,386,508)	(3,006,055)
Retained earnings at the end of the year	(5,483,508)	(5,483,508)

NOTE 14: PROFIT DISTRIBUTION RESERVE

Profit distribution reserve at the beginning of the year	9,011,851	9,203,107
Transfers from retained earnings	4,386,508	3,006,055
Dividends paid	(3,525,499)	(3,197,311)
Profit distribution reserve at the end of the year	9,872,860	9,011,851

Profits transferred to the profit distribution reserve are segregated to facilitate potential future dividend payments that may be declared by the directors.

NOTE 15: FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk (including market price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and price risk.

The responsibility for operational risk management resides with the Board of Directors who seeks to manage the exposure of the Company. There have been no significant changes in the types of financial risks or the Company's risk management program (including methods used to measure the risks) since the prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: FINANCIAL INSTRUMENTS (CONT.)

(a) Interest Rate Risk

The Company's exposure to interest rate risks and the effective interest rates of financial assets and liabilities both recognised and unrecognised at the reporting date are as follows:

	Note	Floating interest rate \$	Fixed interest rate 1 year or less \$	Fixed interest rate 1 to 5 years \$	Non- interest bearing \$	Total \$
2019						
Financial assets						
Cash and cash equivalents	5	6,936,845	-	-	-	6,936,845
Trade and other receivables	6	-	-	-	44,693	44,693
Loans and receivables	8	-	15,547,239	11,514,784	-	27,062,023
		6,936,845	15,547,239	11,514,784	44,693	34,043,561
Financial liabilities						
Trade and other payables	10	-	-	-	1,102,190	1,102,190
2018						
Financial assets						
Cash and cash equivalents	5	10,209,431	-	-	-	10,209,431
Trade and other receivables	6	-	-	-	60,430	60,430
Loans and receivables	8	-	29,279,007	5,987,361	-	35,266,368
		10,209,431	29,279,007	5,987,361	60,430	45,536,229
Financial liabilities						
Trade and other payables	10	-	-	-	1,013,388	1,013,388

The Company holds a significant amount of cash balances which are exposed to movements in interest rates. To reduce the risk the Company typically deposits uncommitted cash in high interest rate accounts with financial institutions. Interest bearing loans and receivables are made at a mix of fixed and floating rates.

Sensitivity

As the Company expects interest rates to decrease by 50 basis points during the 2020 financial year (2019: increase by 50 basis points), at reporting date the impact for the 2019 financial year on the Company, with all other varieties held constant, would be:

	Decrease of 50 bp \$	Increase of 50 bp \$
2019		
Net loss	(13,630)	-
Equity movement	(13,630)	-
2018		
Net profit	-	38,098
Equity movement	-	38,098

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: FINANCIAL INSTRUMENTS (CONT.)

(b) Credit Risk Exposure

Credit risk refers to the loss that the Company would incur if a debtor or counterparty fails to perform under its obligations. The carrying amounts of financial assets recognised in the statement of financial position best represent the Company's maximum exposure to credit risk at reporting date. The Company seeks to limit its exposure to credit risk by performing appropriate background investigations on counterparties before entering into arrangements with them and seek collateral with a value in excess of the counterparty's obligations to the Company, providing a "margin of safety" against loss.

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of counterparties, and is managed through normal payment terms of 30 days. At reporting date there are no overdue trade debtors.

The credit quality of financial assets that are neither past due nor impaired is as follows:

	2019 \$	2018 \$
Cash and cash equivalents	6,936,845	10,209,431
<i>Trade and other receivables</i>		
Government	15,262	13,530
Other – unrated	29,431	46,900
	44,693	60,430
Loans and receivables		
Other – unrated	27,062,023	35,266,368

(c) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances and holding liquid investments that could be realised to meet commitments. The Company continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the Company's contractual liabilities.

	Less than 6 months \$	Total \$
2019		
Trade and other payables	1,102,190	1,102,190
2018		
Trade and other payables	1,013,388	1,013,388

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: FINANCIAL INSTRUMENTS (CONT.)

(d) Fair Value of Financial Assets and Liabilities

The fair values of the financial assets and liabilities of the Company are approximately equal to their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

Judgements and estimates were made in determining the fair values of the financial instruments and non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments and non-financial assets into three levels prescribed under the accounting standards.

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Valuation technique – non market observable inputs (Level 3) \$
Year ending 30 June 2019	
Financial assets	
<i>Financial assets at fair value through profit or loss</i>	
Unlisted investments at market value	12,487,808
<i>Loans and receivables</i>	
Secured loans to related corporations	153,095
Secured loans to other corporations	26,908,928
Total financial assets	39,549,831
Year ending 30 June 2018	
Financial assets	
<i>Financial assets at fair value through profit or loss</i>	
Unlisted shares at market value	469,668
<i>Loans and receivables</i>	
Secured loans to other corporations	35,266,368
Total financial assets	35,736,036

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: FINANCIAL INSTRUMENTS (CONT.)

(d) Fair Value of Financial Assets and Liabilities (Cont.)

	2019 \$	2018 \$
<i>Reconciliation of Level 3 fair value movements:</i>		
Balance at the beginning of the year	35,736,036	23,900,647
Investments purchased	1,302,043	469,668
Loans repaid	(26,149,505)	(14,030,917)
Loans provided	21,371,040	20,403,971
Interest and fees	7,290,217	4,992,667
Balance at the end of the year	39,549,831	35,736,036

There is no quantitative information for level 3 financial instruments. The fair value for loans and receivables has been determined based on the terms of the loan agreement. The fair value of investment at fair value through profit or loss has been determined based on the underlying value of the property investments held by the entities in which the investment has been made.

NOTE 16: SEGMENTAL INFORMATION

The Company operates in one business segment being an investment company and in one geographical location being Australia.

	2019 \$	2018 \$
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NOTE 17: RELATED PARTY INFORMATION

17.1 Key management personnel

Salary based payment	91,324	60,662
Post-employment benefits – superannuation	8,676	29,338
	100,000	90,000

The only key management personnel of the Company are the directors and company secretary. The Company does not have any other employees.

Detailed remuneration disclosures are provided in the remuneration report.

17.2 Transactions with related parties

The Company pays management fees to its investment manager, Eildon Funds Management Limited. Monthly management fees have been calculated as one twelfth of 0.75% of the net asset value plus one twelfth of 1% of invested capital of the Company, calculated as at the last day of the previous month, provided that each month the total management fees shall not be less than \$15,000. Management fees of \$818,873 (2018: \$596,828) were paid to Eildon Funds Management Limited during the financial year. During the year Messrs Beard, Avery and Hunter were directors of Eildon Funds Management Limited.

17.3 Loans to key management personnel

There were no loans to key management personnel during the year or existing at the end of the financial year.

17.4 Loan with related party

The Company provided a loan of \$153,093 (2018: \$125,550) to Kingsgrove (Vanessa Road) Unit Trust during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 18: COMMITMENTS AND CONTINGENT LIABILITIES

	2019 \$	2018 \$
18.1 Loans and other investments		
Amounts available to be drawn by borrowers under existing loan facility agreements		
Related entities	245,090	195,090
Unrelated entities	643,453	5,610,106
	888,543	5,805,196
Amounts available to be called by investees for partially paid shares and units		
Unrelated entities	7,246,014	-

18.2 Contingent liabilities

Commencing 1 January 2016, a performance fee is payable to Eildon Funds Management Limited where the Company achieves an annual return during the calculation period of greater than the hurdle rate of 9% per annum. The performance fee payable is calculated as 20% of the increase in the share price of the Company in excess of the 9% hurdle rate, after factoring in dividends and other distributions.

No performance fee is payable for the 2019 and 2018 financial years.

18.3 Financial Guarantees

Guarantees

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Guarantee (a)	869,400	-
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(a) The guarantee provided by the company to Australia and New Zealand Banking Group Limited is used as security for a loan facility in relation to 33-45 Gibdon Street, Burnley, Victoria.

NOTE 19: OTHER INFORMATION

The Company was incorporated on 23 February 1993. The Company is registered and domiciled in Australia. Its registered office and principal place of business are at Level 25, 360 Collins Street, Melbourne Victoria 3000.

NOTE 20: SUBSEQUENT EVENTS

A fully franked dividend of 1.925 cents per share amounting to \$887,555 was declared on 26 June 2019 and paid on 24 July 2019.

Other than as set out above, there are no matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial periods subsequent to 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the Company's financial statements.

21.1 AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The changes in accounting policies and impact of adoption are set out below.

Accounting Policies

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in financial performance or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets at amortised cost

Financial assets at amortised cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in financial performance and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the Statement of Profit or Loss and Other Comprehensive Income.

Financial asset at fair value through other comprehensive income (FVOCI)

- *Debt instruments:* Assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in financial performance. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to financial performance and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the Statement of Profit or Loss and Other Comprehensive Income.

- *Equity instruments:* Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to financial performance following the derecognition of the investment. Dividends from such investments continue to be recognised in financial performance as income when the Company's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial asset at fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the Statement of Profit or Loss and Other Comprehensive Income as applicable.

(c) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impact of adoption

(a) Classification and measurement

The adoption of the accounting policies does not result in any reclassification of financial instrument or adjustments to the amounts recognised in the financial statements.

(b) Impairment of financial assets

All of the Company's financial assets recorded at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The instruments are considered to be low credit risk when they have a low risk of default and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: CHANGES IN ACCOUNTING POLICIES (CONT.)

21.1 AASB 9 Financial Instruments (Cont.)

Impact of adoption (cont.)

(b) Impairment of financial assets (cont.)

the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Company's financial assets at amortised cost include trade receivables, loans and other receivables. Applying the expected credit risk model didn't result in recognition of any loss allowance.

21.2 AASB 15 Revenue from Contracts with Customers

The Company has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 which replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue related Interpretations. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to reflect the time frame over which services are performed to customers. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, and is subject to recognition over the term of the service provided. Where costs are incurred in relation to the services provided these costs, subject to certain criteria, are capitalised as an asset and amortised over the contract period. The Company has adopted the new rules retrospectively.

The Company's revenue includes interest revenue and distribution income which are specifically excluded from the scope of AASB 15. Other revenues are set out in Note 1 d). The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period. The adoption of AASB 15 has not had a material impact on the financial performance or position of the Company. No adjustment was required to be recognised to the opening balance of retained earnings at 1 July 2018 as a result of the adoption of AASB 15 and consequently no further disclosures have been included in this financial report.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2019

In accordance with a resolution of the directors of Eildon Capital Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporation Regulations 2001*.
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with s. 295A of the *Corporations Act 2001* for the financial period ended 30 June 2019.

Signed in accordance with a resolution of the Board of Directors.

Dated at Sydney 30 August 2019.

Mark Avery
Director

Alexander Beard
Director

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

To the Members of Eildon Capital Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Eildon Capital Limited ("the Company") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a statement of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Existence and Valuation of Loans Receivable (Note 8)	
The Company had a significant balance of loan and receivable assets at 30 June 2019.	We reviewed loan agreements and other supporting documentation.
A large portion of the loans have been provided to property based investors or developers with real property assets provided as security for the loans.	We obtained managements workings and assessed the reasonableness of recoverability assessments, including where relevant, the prospect of recovering the loan within the next 12 months.
We have therefore identified loans and receivables as an area requiring particular audit attention.	We reviewed security of loans and assessed for reasonableness.
	We obtained loan confirmation from third parties.
	We have assessed the classification and adequacy of the disclosures within the financial statements as at 30 June 2019.

Existence and Valuation of Financial Assets at fair value through profit or loss (Note 9)	
During the year the Company invested capital into the newly established Eildon Debt Fund (EDF) via the subscription for units in EDF. At 30 June 2019 the Company recorded a carrying value of these units as \$10.7 million.	We reviewed the EDF Trust deed and unit subscription certificates to support the existence of the asset held by the Company.
The underlying assets held by EDF relate to loans that have been provided to property based investors or developers with real property assets provided as security for the loans.	We obtained workings and supporting information, including property valuations from EDF to support the valuation and reasonableness of the assessed fair value of the units held in EDF.
Given the significance of this investment to the Company we have identified this as an area requiring particular audit attention.	We reviewed management's assessment of the prospect of realising the investment within the next 12 months.
	We have assessed the adequacy of the disclosures within the financial statements as at 30 June 2019.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Auditor's Responsibilities for the Audit of the Financial Report (Cont.)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Eildon Capital Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd
Chartered Accountants

N J Guest
Partner

Sydney, NSW
30 August 2019

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

This Corporate Governance Statement, which has been approved by the Board, describes Eildon Capital's corporate governance policies, framework and practices. This statement is current as at 30 June 2019.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT.

A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.

Recommendation 1.1 - A listed entity should disclose the respective roles and responsibilities of its board and management, and those matters expressly reserved to the board and those delegated to management.

The business of Eildon Capital is managed under the direction of the Board which is responsible for its corporate governance. The Board comprises Mr Alexander Beard, Mr Mark Avery, Mr James Davies and Ms Michelle Harpur.

The Board meets on a regular basis and is required to discuss pertinent business developments, investment decisions and issues, and review the operations and performance of Eildon Capital. The Board will seek to ensure that the investment strategy is aligned with the expectations of Shareholders and Eildon Capital is effectively managed in a manner that is properly focused on its investment strategy as well as conforming to regulatory and ethical requirements.

Provision is made at each regular meeting of the Board for the consideration of critical compliance and risk management issues as they arise.

The primary objectives of the Board will be to:

- Set and review the strategic direction of Eildon Capital;
- Approve all material transactions;
- Approve and monitor financial policies and financial statements;
- Establish, promote and maintain proper processes and controls to maintain the integrity of financial accounting, financial records and reporting;
- Develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management and corporate governance and responsibility;
- Ensure Shareholders receive high quality, relevant and accurate information on a timely manner;

The Board has delegated responsibility for day-to-day management of Eildon Capital to the Managing Director and the Manager under its AFSL.

Recommendation 1.2 - A listed entity should:

- undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and**
- provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.**

Prior to appointing a director or putting forward a new candidate for election, screening checks are undertaken as to the person's experience, education, criminal history and bankruptcy history.

When presenting a director for re-election, Eildon Capital provides shareholders with details of the directors skills and experience, independence and current term served by the director in office and whether the Board supports the re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company's Non-Executive Directors have been engaged according to Letters of Appointment.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary is accountable to the Board, through the Chairperson, for all governance matters.

Each Director has access to the Company Secretary.

The appointment and removal of the Company Secretary must be determined by the Board as a whole.

Recommendation 1.5 - A listed entity should:

- have a diversity policy which includes requirements for the board or a relevant committee of the board for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;**
- disclose that policy or a summary of it; and**
- disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:**
 - the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes);**
 - or**

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONT.)

Recommendation 1.5 (cont.):

- (ii) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.

The Company’s approach to business promotes a culture of equal opportunity and has the core principles of meritocracy based on ability, fairness and equality. Eildon Capital does not discriminate on gender, race, religion or cultural grounds.

The Board has adopted a diversity policy, and although Eildon Capital has no full time employees and the policy applies to the appointment of directors and company secretary, the board aims to:

- promoting the principles of merit and fairness when considering Board member appointments; and
- Recruiting from a diverse pool of qualified candidates, seeking a diversity of skills and qualifications.

The Board’s composition is reviewed on an annual basis. In the event a vacancy exists, the Board will include diversity in its selection process.

As at 30 June 2019 the board of directors, including the company secretary, comprised five members of which one non-executive director is female.

Recommendation 1.6 - A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board of Directors’ Charter requires:

- the Board to review its performance (at least annually) against previously agreed measurable and qualitative indicators;
- the Chairperson of the Board to review each Director’s performance;
- a nominated Director to review the Chairperson’s performance; and
- the Board to undertake a formal annual review of its overall effectiveness.

The Board reviews its performance in terms of Eildon Capital’s objectives, results and achievements of the Manager. The Board ensures each Director has the necessary skills, experience and expertise, and the mix remains appropriate for the Board to function effectively.

As a result of these performance reviews, the Board may implement changes to improve the effectiveness of the Board and corporate governance structures.

Independent professional advice may be sought as part of this process.

The Board undertook a review of its performance, skills, experience and expertise during the year.

Recommendation 1.7 - A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Not applicable – Eildon Capital does not have any senior executives.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE.

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1 - The board of a listed entity should:

- (a) have a nomination committee which:
 - (i) has at least three members, a majority of whom are independent directors; and
 - (ii) is chaired by an independent director; and disclose:
 - (A) the charter of the committee;
 - (B) the members of the committee; and
 - (C) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Given the size, scale and nature of Eildon Capital, there is not a separate nomination committee. The full Board considers the issues that would otherwise be a function of a separate nomination committee.

The Company’s policy is that the Board considers an appropriate mix of skills, experience, expertise and diversity (including gender diversity).

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (CONT.)

Recommendation 2.1 (cont.):

When evaluating, selecting and appointing Directors, the Board considers:

- the candidate's competencies, qualifications and expertise, addition to diversity of the Board and his/her fit with the current membership of the Board;
- the candidate's knowledge of the industry in which Eildon Capital operates;
- directorships previously held by the candidate and his/her current commitments to other boards and companies;
- existing and previous relationships with Eildon Capital and Directors;
- the candidate's independence status, including the term of office currently served by the director;
- criminal record and bankruptcy history (for new candidates);
- the need for a majority or equal balance on the Board; and

- requirements of the *Corporations Act 2001*, ASX Listing Rules, the Company's Constitution and Board Charter.

The Board seeks to ensure that:

- its membership represents an appropriate balance between Directors with investment management experience and Directors with an alternative perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

Under the terms of the Company's Constitution:

- an election of Directors must be held at each Annual General Meeting and at least one Director must retire from office; and
- each Director must retire from office at the third Annual General Meeting following his/her last election.

Where eligible, a Director may stand for re-election.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

BOARD OF DIRECTORS' MATRIX

	Skill, Experience and Expertise										
	Finance							Industry Knowledge			
Directors	Financial Accounting & Audit	Audit Committee Experience	Risk Management					Legal	Strategy	Public Board Experience	Regulatory/Public Policy
	50%	50%	100%	100%	100%	50%	50%	100%	75%	100%	75%

Recommendation 2.3 - A listed entity should disclose:

- the names of the directors considered by the board to be independent directors;
- if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- the length of service of each director.

The Board currently comprises two Independent Directors:

- James Davies; and
- Michelle Harpur.

Both directors were appointed to the Board on 18 October 2016.

Directors must disclose any material personal or family contract or relationship in accordance with the *Corporations Act 2001*. Directors also adhere to constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the *Corporations Act 2001* and Eildon Capital's policies.

Details of offices held by Directors with other organisations are set out in the Directors' Report. Full details of related party dealings are set out in notes to Eildon Capital's accounts as required by law.

If a Director's independent status changes, this will be disclosed and explained to the market in a timely manner.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (CONT.)

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

The composition of the Board is as follows:

- James Davies – Independent Director;
- Michelle Harpur – Independent Director;
- Alexander Beard – Non-Executive Director
- Mark Avery – Managing Director

The Board annually reviews the composition of the board. Given the size, scale and nature of Eildon Capital, the Board considers that the appointment of an additional Independent Director at this time is not warranted, but will be reviewed on an ongoing basis.

Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Chairperson of the Board is an Independent Director. James Davies has been appointed as Chairperson of Eildon Capital.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The annual performance assessment provides an opportunity for all directors to identify required training although directors can request professional development opportunities at any time.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY.

A listed entity should act ethically and responsibly.

Recommendation 3.1 - A listed entity should:

- (a) **have a code of conduct for its directors, senior executives and employees; and**
- (b) **disclose that code or a summary of it.**

The Board has adopted a Directors' Code of Conduct, which is based upon the Australian Institute of Company Directors' Code of Conduct. It requires the Directors to act honestly, in good faith, and in the best interests of the Company as a whole, whilst in accordance with the letter (and spirit) of the law.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING.

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1 - The board of a listed entity should:

- (a) **have an audit committee which:**
 - (i) **has at least three members, all of whom are nonexecutive directors and a majority of whom are independent directors; and**
 - (ii) **is chaired by an independent director, who is not the chair of the board, and disclose:**
 - (A) **the charter of the committee;**
 - (B) **the relevant qualifications and experience of the members of the committee; and**
 - (C) **in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) **if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board has established an Audit and Risk Committee.

The Audit and Risk Committee has three members: Michelle Harpur (Chairperson), James Davies and Alexander Beard.

All members of the Audit and Risk Committee are Non-Executive Directors. The majority of the Committee are independent as is the Chairperson.

The Audit and Risk Committee operates under an approved charter.

The Audit and Risk Committee has authority (within the scope of its responsibilities) to seek any information it requires from any employee of the Manager or external party. Members may also meet with auditors (internal and/or external) without the Manager present and consult independent experts, where the Audit and Risk Committee considers it necessary to carry out its duties.

All matters determined by the Audit and Risk Committee are submitted to the full Board as recommendations for Board decisions. Minutes of an Audit and Risk Committee meeting are tabled at a subsequent Board meeting. Additional requirements for specific reporting by the Audit and Risk Committee to the Board are addressed in the Charter.

The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities relating to the financial reporting and accounting practices of Eildon Capital.

Its key responsibilities are to:

- review and recommend to the Board the financial statements (including key financial and accounting principles adopted by Eildon Capital);

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING (CONT.)

Recommendation 4.1 (cont.):

- review and monitor risks and the implementation of mitigation measures for those risks as appropriate;
- assess and recommend to the Board the appointment of external auditors and monitor the conduct of audits;
- monitor Eildon Capital's compliance with its statutory obligations;
- review and monitor the adequacy of management information and internal control systems; and
- ensure that any shareholder queries relating to such matters are dealt with expeditiously.

Attendance record at Audit and Risk Committee meetings and the experience of the members is provided in the Directors' Report.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Eildon Capital does not have a CEO or CFO. Its investment activities and day-to-day affairs are undertaken and managed by the Manager.

Before the Board approves Eildon Capital's financial statements, it receives declarations of the CEO and the CFO of the Manager that, in their opinion, the financial records of Eildon Capital have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company, and that their opinion has been formed on the basis of a sound risk management system and internal controls which are operating effectively.

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Auditor is required to attend Eildon Capital's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE.

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would

expect to have a material effect on the price or value of its securities.

Recommendation 5.1 - A listed entity should:

- have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and**
- disclose that policy or a summary of it.**

The Company has a Disclosure and Communications Policy.

The Board is committed to:

- the promotion of investor confidence by ensuring that trading Eildon Capital's shares takes place in an efficient, competitive and informed market;
- complying with Eildon Capital's disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*; and
- ensuring the stakeholders have the opportunity to access externally available information issued by Eildon Capital.

The Company Secretary is responsible for coordinating the disclosure of information to Regulators and shareholders and ensuring that any notifications/reports to the ASX are promptly posted on the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS.

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

Information about Eildon Capital and its corporate governance items are posted on its website at www.eildonfunds.com

Recommendation 6.2 - A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Board has adopted a Disclosure and Communication Policy that describes the Board's policy for ensuring shareholders and potential investors of Eildon Capital receive or obtain access to information publicly released.

Eildon Capital's primary portals are its website, Annual Report, Annual General Meeting, Half-Yearly Report, and notices to the ASX.

The Eildon Capital Secretary oversees and coordinates the distribution of all information by Eildon Capital to the ASX, shareholders, the media and the public.

All shareholders have the opportunity to attend the Annual General Meeting and ask questions of the Board.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS (CONT.)

Recommendation 6.3 - A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Eildon Capital holds an Annual General Meeting (“AGM”) of shareholders in November each year. The date, time and venue of the AGM are notified to the ASX when the notice of the AGM is circulated to shareholders and lodged with the ASX each year.

The Board will choose a date, venue and time considered convenient to the greatest number of its shareholders.

A notice of meeting will be accompanied by explanatory notes on the items of business and together they will seek to clearly and accurately explain the nature of the business of the meeting.

Shareholders are encouraged to attend the meeting, or if unable to attend, to vote on the motions proposed by appointing a proxy. The proxy form included with the Notice of Meeting will seek to explain clearly how the proxy form is to be completed and submitted.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Eildon Capital provides its security holders with an electronic communication option.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK.

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1 - The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
 - (i) has at least three members, all of whom are independent directors; and
 - (ii) is chaired by an independent director, and disclose:
 - (A) the charter of the committee;
 - (B) the members of the committee;
 - (C) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity’s risk management framework.

The Board of Eildon Capital, through the Audit and Risk Committee, is responsible for ensuring that:

- there are adequate policies for the oversight and management of material business risks;
- there are effective systems in place to identify, assess, monitor and manage the risks and to identify material changes to the risk profile; and
- arrangements are adequate for monitoring compliance with laws and regulations applicable to Eildon Capital.

Recommendation 7.2 - The board or a committee of the board should:

- (a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Audit and Risk Committee reviews Eildon Capital’s risk management framework at least annually.

Recommendation 7.3 - A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Given the size, scale and nature of Eildon Capital, and has no full time employees it does not have an internal audit function. Eildon Capital has an audit and risk committee which receives and reviews reports from the Manager regarding material business risks as part of the Manager’s management process.

Recommendation 7.4 - A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Board has adopted a Risk Management Statement which outlines the process for identifying, monitoring and mitigating risks as well as generic sources of risk. This is reviewed on an annual basis.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY.

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interests with the creation of value for security holders.

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FOR THE YEAR ENDED 30 JUNE 2019

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY (CONT.)

Recommendation 8.1 - The board of a listed entity should:

- (a) have a remuneration committee which:
 - (i) has at least three members, a majority of whom are independent directors; and
 - (ii) is chaired by an independent director, and disclose:
 - (A) the charter of the committee;
 - (B) the members of the committee; and
 - (C) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Given the size, scale and nature of Eildon Capital, there is not a separate remuneration committee. The full Board considers the issues that would otherwise be a function of a separate remuneration committee.

Remuneration for the Independent Directors is set at market rates commensurate with the responsibilities borne by the Independent Directors.

Independent professional advice may be sought. The Managing Director and any Non-Executive Directors are not remunerated by Eildon Capital.

Eildon Capital has no other full time employees to consider the level and composition of remuneration.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors.

Remuneration for the Independent Directors is set at market rates commensurate with the responsibilities borne by the Independent Directors. Independent professional advice may be sought. The Managing Director and any Non-Executive Directors are not remunerated by Eildon Capital.

Further information is provided in the Remuneration Report set out in the Directors' Report.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

Not applicable – Eildon Capital's Directors do not receive any equity-based remuneration.

ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2019

The following information was current as at 28 August 2019.

Distribution schedule

The distribution of shareholders and their shareholdings was as follows:

Category (size of holding)	Number of ordinary shareholders
1 – 1,000	20
1,001 – 5,000	107
5,001 – 10,000	75
10,001 – 100,000	182
100,001 – over	32
Total	416

20 largest shareholders – ordinary shares

As at 28 August 2019, the top 20 shareholders and their shareholdings were as follows:

Shareholder	Shares held	% of issued capital held
CVC Limited	18,342,202	40.33
JP Morgan Nominees Australia Limited	3,834,523	8.43
J K M Securities Pty Limited	3,500,000	7.70
Chemical Trustee Limited	3,069,377	6.75
Thirty-Fifth Celebration Pty Limited	1,420,770	3.12
Rubi Holdings Pty Limited	1,300,000	2.86
JPR Holdings Pty Limited	500,000	1.10
Ms Marnie Ross	500,000	1.10
Alexander Beard & Pascale Beard	459,570	1.01
Miss Kate Imogen Leaver	450,545	0.99
Fordholm Consultants Pty Limited	435,000	0.96
Equitas Nominees Pty Limited <PB-600755 A/C>	297,753	0.65
Russcas Pty Ltd	242,856	0.53
Delta Asset Management Pty Limited	220,000	0.48
New Avalon Pty Limited	210,000	0.46
AD & MP Beard Super Fund	200,000	0.44
Mr Hugh John Cameron + Mrs Heather Margaret Cameron	200,000	0.44
Miss Sophie Riannon Leaver	189,824	0.42
Mr Jamie Pherous	189,166	0.42
G & G Millar Pty Limited	163,872	0.36
	35,725,458	78.55

Voting Rights

The Company's constitution details the voting rights of members and states that every member, present in person or by proxy, shall have one vote for every ordinary share registered in his or her name.

Registered Office

The Company is registered and domiciled in Australia. Its registered office and principal place of business are at Level 25, 360 Collins Street, Melbourne VIC 3000.

	Minimum parcel size	Number of shareholders
Unmarketable parcels		
Minimum \$500.00 parcel at \$1.02 per share	491	10

Substantial holders

The names of the Company's substantial holders and the number of ordinary shares in which each has a relevant interest as disclosed in substantial holder notices given to the Company are as follows:

Shareholder	Number of ordinary shares in which interest held
CVC Limited	18,342,202
J P Morgan Nominees Australia Limited	3,834,523
J K M Securities Pty Limited	3,500,000
Chemical Trustee Limited	3,069,377

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