

RESULTS ANNOUNCEMENT

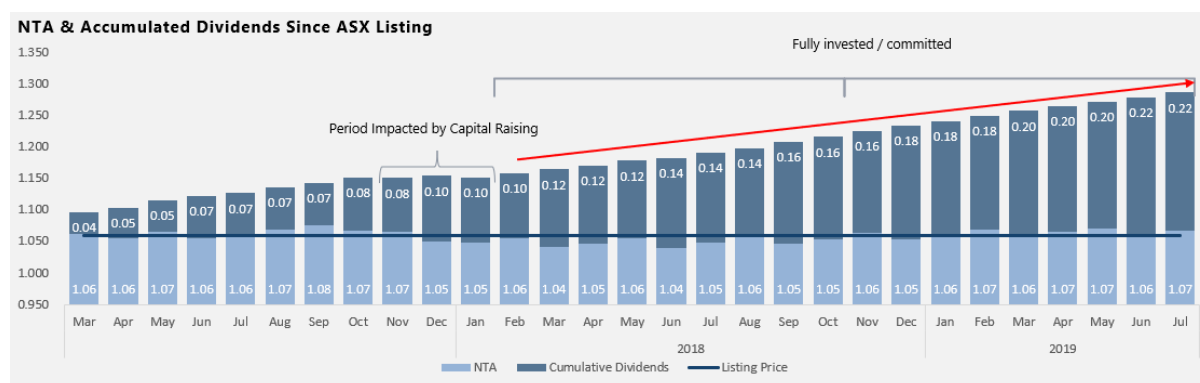
FOR THE YEAR ENDED 30 JUNE 2019

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.



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.

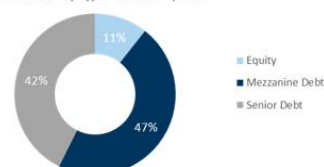
The investment portfolio as at 30 June 2019, includes 11 debt related loan investments, generating interest returns, representing approximately 89% of the portfolio value, which provides a level of capital protection should property markets weaken and values stagnate or decrease.

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.

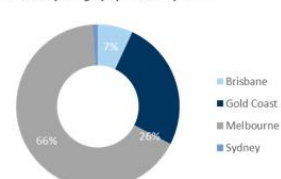
The portfolio has geographic diversity with investments in Queensland, Victoria and New South Wales.



EDC Portfolio by Type - Current Exposure

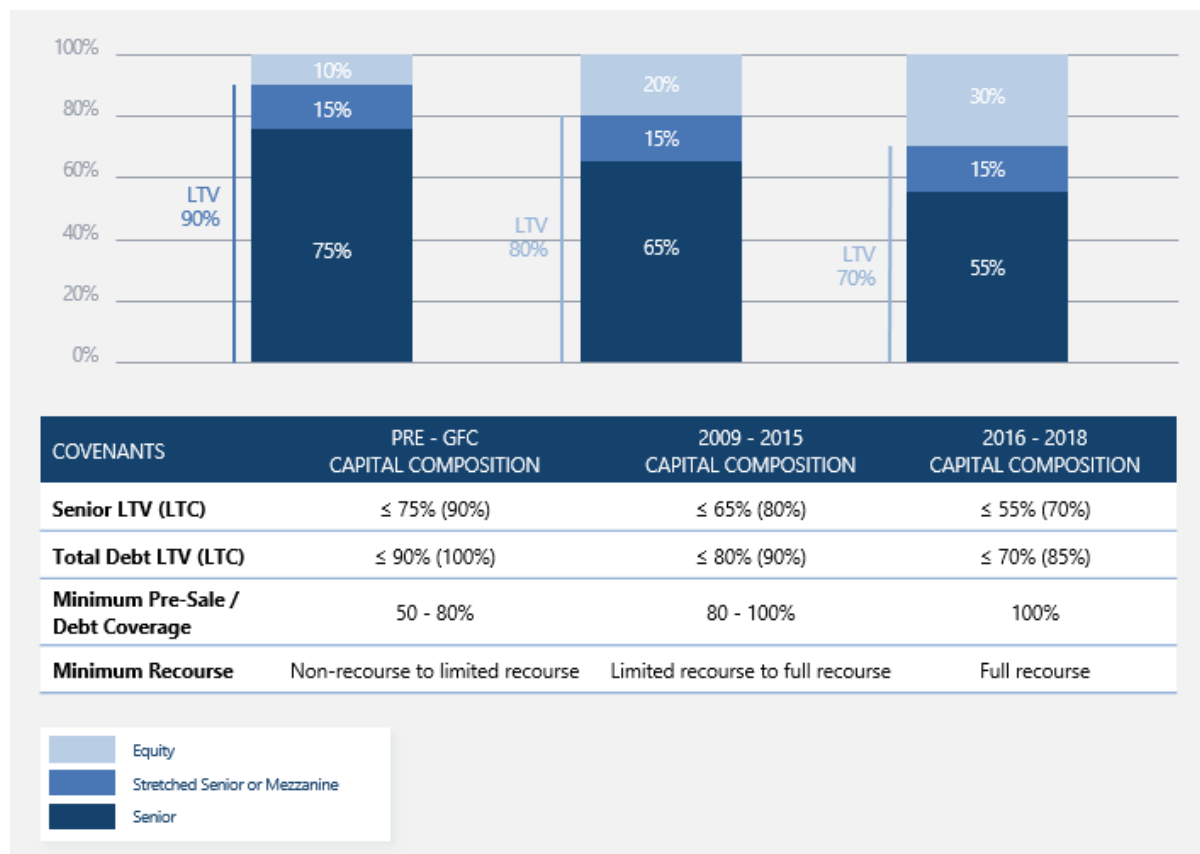


EDC Portfolio By Geography - Peak Exposure



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.



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

Mark Avery
Managing Director
26 August 2019

Appendix 4E

Preliminary Final Report Results for announcement to the market

Eildon Capital Limited		
ABN	Financial Year ended (‘Reporting Period’)	Previous Financial Year ended (‘Corresponding period’)
11 059 092 198	30 June 2019	30 June 2018

Results

Income from ordinary activities	up/down	42%	to	\$7,636,774
Profit after tax attributable to members	up/down	46%	to	\$4,386,508
Net profit for the period attributable to members	up/down	46%	to	\$4,386,508

Dividends (distributions)

	Payment Date	Amount per security	Franked amount per security
June 2019 Ordinary Dividend	24 July 2019	1.925¢	1.925¢
March 2019 Ordinary Dividend	24 April 2019	1.925¢	1.925¢
December 2018 Ordinary Dividend	24 January 2019	1.925¢	1.925¢
September 2018 Ordinary Dividend	24 October 2018	1.7875¢	1.7875¢

Information on Dividends:

A fully franked dividend in respect of the June 2019 quarter for the financial year ended 30 June 2019 of 1.925 cents per share was paid on 24 July 2019.

The Dividend Reinvestment Plan has been suspended until such time as there is a better correlation between the share price and the underlying net asset value of Eildon Capital Limited. As a result, the Dividend Reinvestment Plan is not in operation in relation to the payment of the dividend.

Net tangible asset per security

	Year ended 30 June 2019	Year ended 30 June 2018
Net assets per share	\$1.06	\$1.04
Net tangible assets (“NTA”) per share	\$1.06	\$1.04

The preliminary final report is based on accounts that have been audited.

Commentary

Brief explanation of any of the figures reported above:

Please refer to the attached commentary for a detailed review.



Eildon Capital Limited

ACN 059 092 198

2019 Annual Report

The financial report was authorised for issue by the Directors on 30 August 2019.
The Company has the power to amend and reissue the financial report.

Eildon Capital Limited

Company Particulars

REGISTERED OFFICE:

Level 25
360 Collins Street
MELBOURNE VIC 3000
Tel: (03) 9691 5480

DIRECTORS:

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

SECRETARY:

John A Hunter

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

DOMICILE:

Australia

Eildon Capital Limited

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.PI.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.

Eildon Capital Limited

Directors' Report

For the Year Ended 30 June 2019

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).

Eildon Capital Limited

Directors' Report

For the Year Ended 30 June 2019

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.

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.

Eildon Capital Limited

Directors' Report

For the Year Ended 30 June 2019

Remuneration Report (Audited) (Continued)

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)
<i>Directors</i>					
Mark Avery (b) (Managing Director)	2019	-	-	-	-
	2018	-	-	-	-
James Davies (Non-Executive Chairman)	2019	45,662	4,338	50,000	100%
	2018	45,662	4,338	50,000	100%
Alexander Beard (b) (Non-Executive Director)	2019	-	-	-	-
	2018	-	-	-	-
Michelle Harpur (Non-Executive Director)	2019	45,662	4,338	50,000	100%
	2018	15,000	25,000	40,000	100%
<i>Other Key Management Personnel</i>					
John Hunter (b) (Company Secretary)	2019	-	-	-	-
	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.

Eildon Capital Limited

Directors' Report

For the Year Ended 30 June 2019

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 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.

Eildon Capital Limited

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 32. 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

Eildon Capital Limited

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 12 to 30.

Eildon Capital Limited
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 12 to 30.

Eildon Capital Limited

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
<i>Transactions with shareholders:</i>				
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
<i>Transactions with shareholders:</i>				
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 12 to 30.

Eildon Capital Limited

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)	<u>1,756,850</u>	<u>(8,942,689)</u>
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		<u>(1,097,643)</u>	<u>(218,618)</u>
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		<u>(3,931,793)</u>	<u>13,219,991</u>
Net (decrease)/increase in cash held		<u>(3,272,586)</u>	<u>4,058,684</u>
Cash and cash equivalents at the beginning of the financial year		<u>10,209,431</u>	<u>6,150,747</u>
Cash and cash equivalents at the end of the financial year	5(a)	<u><u>6,936,845</u></u>	<u><u>10,209,431</u></u>

The above statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 12 to 30.

Eildon Capital Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

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
- 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.

Eildon Capital Limited

Notes to the Financial Statements (Continued) For the Year Ended 30 June 2019

Note 1: Statement of Accounting Policies (Cont.)

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.

Eildon Capital Limited

Notes to the Financial Statements (Continued) For the Year Ended 30 June 2019

Note 1: Statement of Accounting Policies (Cont.)

n) 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 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.

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

Note 1: Statement of Accounting Policies (Cont.)

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.

Note 2: Auditor's Remuneration

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

	2019 \$	2018 \$
<i>Amounts received or due and receivable by the auditors for:</i>		
Audit and review of financial report		
HLB Mann Judd NSW Partnership	<u>44,642</u>	<u>46,950</u>

Note 3: Income Tax

(a) Income tax expense

Accounting profit before income tax	<u>6,266,441</u>	<u>4,294,364</u>
Income tax expense at the statutory income tax rate of 30%	<u>1,879,933</u>	<u>1,288,309</u>

The major components of income tax expense are:

- Current income tax charge	<u>1,844,655</u>	<u>1,170,560</u>
- Deferred income tax	<u>35,278</u>	<u>117,749</u>

Income tax expense reported in the statement of profit or loss and other comprehensive income	<u>1,879,933</u>	<u>1,288,309</u>
---	------------------	------------------

Deferred tax benefit relating to items credited directly to equity	<u>803</u>	<u>88,900</u>
--	------------	---------------

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

Note 3: Income Tax (Cont.)

(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
	<u>193,737</u>	<u>162,981</u>	<u>356,718</u>	<u>161,109</u>	<u>229,932</u>	<u>391,041</u>

(c) Current Tax Liabilities

	2019 \$	2018 \$
<i>Income tax payable</i>		
Balance at the end of the year	<u>493,761</u>	<u>538,803</u>

Eildon Capital Limited

Notes to the Financial Statements (Continued) 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 Credit	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.

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
--------------	------------------	-------------------

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.

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

Note 5: Notes to the Statement of Cash Flows (Cont.)

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

	2019 \$	2018 \$
Net profit after tax	4,386,508	3,006,055
Adjustments for:		
Share of equity accounted (profit)/loss	(70,227)	81,920
Change in operating assets and liabilities:		
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.

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.

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

Note 7: Investments Accounted for Using the Equity Method (Cont.)

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:		
<i>Opening net assets 1 July</i>	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

Eildon Capital Limited

Notes to the Financial Statements (Continued)

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	-
--	------------	---

Non-Current:

Unlisted investments in unlisted corporations:	1,771,712	469,668
--	-----------	---------

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.

Eildon Capital Limited

Notes to the Financial Statements (Continued) 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

Note 12: Contributed Equity

	2019		2018	
	Number of shares	\$	Number of shares	\$
Issued and paid up share capital:				
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.

Total capital of the Company is as follows:

	2019	2018
	\$	\$
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 achieving returns for shareholders commensurate with the risks associated with making investments in Australia.

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

	2019	2018
	\$	\$

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	<u>(5,483,508)</u>	<u>(5,483,508)</u>

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	<u>9,872,860</u>	<u>9,011,851</u>

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

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

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.

(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 \$	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
		<u>6,936,845</u>	<u>15,547,239</u>	<u>11,514,784</u>	<u>44,693</u>	<u>34,043,561</u>
Financial liabilities						
Trade and other payables	10	-	-	-	1,102,190	1,102,190
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,102,190</u>	<u>1,102,190</u>
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
		<u>10,209,431</u>	<u>29,279,007</u>	<u>5,987,361</u>	<u>60,430</u>	<u>45,536,229</u>
Financial liabilities						
Trade and other payables	10	-	-	-	1,013,388	1,013,388
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,013,388</u>	<u>1,013,388</u>

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.

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

Note 15: Financial Instruments (Cont.)

(a) Interest Rate Risk (Cont.)

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

(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.

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

Note 15: Financial Instruments (Cont.)

(b) Credit Risk Exposure (Cont.)

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

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

(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	<u>1,102,190</u>	<u>1,102,190</u>
2018		
Trade and other payables	<u>1,013,388</u>	<u>1,013,388</u>

Eildon Capital Limited

Notes to the Financial Statements (Continued)

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
Loans and receivables	
Secured loans to related corporations	153,095
Secured loans to other corporations	26,908,928
Total financial assets	<u>39,549,831</u>
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
Loans and receivables	
Secured loans to other corporations	35,266,368
Total financial assets	<u>35,736,036</u>

Eildon Capital Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2019

Note 15: Financial Instruments (Cont.)

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

Reconciliation of Level 3 fair value movements:

	2019 \$	2018 \$
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.

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.

Eildon Capital Limited

Notes to the Financial Statements (Continued) For the Year Ended 30 June 2019

Note 18: Commitments and Contingent Liabilities

18.1 Loans and other investments

Amounts available to be drawn by borrowers under existing loan facility agreements

	2019	2018
	\$	\$
Related entities	245,090	195,090
Unrelated entities	643,453	5,610,106
	<u>888,543</u>	<u>5,805,196</u>

Amounts available to be called by investees for partially paid shares and units

Unrelated entities	<u>7,246,014</u>	<u>-</u>
--------------------	------------------	----------

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)	<u>869,400</u>	<u>-</u>
---------------	----------------	----------

- (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 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.

Eildon Capital Limited

Notes to the Financial Statements (Continued)

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 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 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.

Eildon Capital Limited

Notes to the Financial Statements (Continued) For the Year Ended 30 June 2019

Note 21: Changes in Accounting Policies (Cont.)

21.1 AASB 9 *Financial Instruments* (Cont.) *Accounting Policies* (Cont.)

(b) Measurement (Cont.)

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 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.

Eildon Capital Limited

Directors' Declaration

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

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.



N J Guest
Partner

Sydney, NSW
30 August 2019

hlb.com.au

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

Level 19, 207 Kent Street Sydney NSW 2000 Australia

T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (NSW Partnership) is a member of HLB International, the global advisory and accounting network.

Independent Auditor's Report 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.

hlb.com.au

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

Level 19, 207 Kent Street Sydney NSW 2000 Australia

T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Key Audit Matter	How our audit addressed the key audit matter
Existence and Valuation of Financial Assets at fair value through profit or loss (Note 9)	
<p>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.</p> <p>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.</p> <p>Given the significance of this investment to the Company we have identified this as an area requiring particular audit attention.</p>	<p>We reviewed the EDF Trust deed and unit subscription certificates to support the existence of the asset held by the Company.</p> <p>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.</p> <p>We reviewed management's assessment of the prospect of realising the investment within the next 12 months.</p> <p>We have assessed the adequacy of the disclosures within the financial statements as at 30 June 2019.</p>

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.

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

**HLB Mann Judd
Chartered Accountants**

**Sydney, NSW
30 August 2019**



**N J Guest
Partner**

Eildon Capital Limited

Additional Information

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

Unmarketable parcels

	Minimum parcel size	Number of shareholders
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

Eildon Capital Limited

Additional Information (Continued)

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