

**EILDON CAPITAL GROUP**

Eildon Capital Limited  
ACN 059 092 198 and  
Eildon Funds Management Limited  
ACN 066 092 028 as Responsible  
Entity for Eildon Capital Trust  
ARSN 635 077 753

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330 Collins Street  
Melbourne VIC 3000

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21 October 2020

ASX Limited  
20 Bridge Street  
Sydney NSW 2000

By: e-lodgement

Attention: Company Announcements Office

**ANNUAL REPORT – RE-RELEASE**

At the request of ASX Limited, Eildon Capital Group (ASX: EDC) is re-releasing the Annual Report (**Report**) as the version released on 12 October 2020 did not include signatures of the Directors on the Chairman's Report, Directors Report and Directors Declaration and the auditor on the Independence Declaration and Audit Report.

No other changes have been made to the Report.

- Ends -

Authorised by John Hunter, Company Secretary



# Eildon Capital Limited & its Stapled Entity



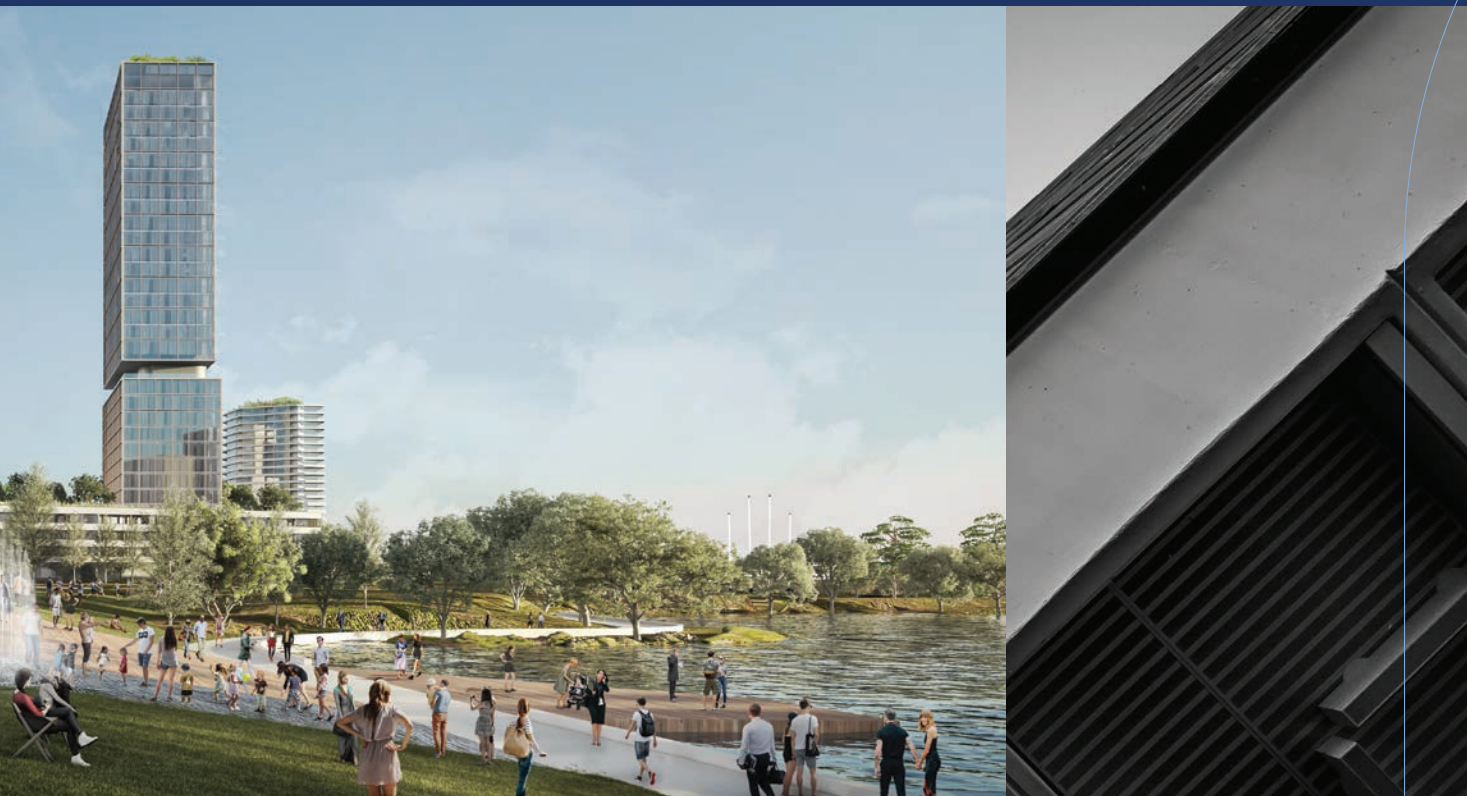
2020 ANNUAL REPORT



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## Company Particulars

### REGISTERED OFFICE

Suite 4, Level 6  
330 Collins Street,  
Melbourne VIC 3000  
Tel: (03) 7003 7066

### DIRECTORS

**James R Davies** - Chairman

**Mark A Avery**

**Michelle E Harpur**

**Craig G Treasure** (*Appointed 1 May 2020*)

**Alexander D H Beard** (*Resigned 20 January 2020*)

### SECRETARY

**John A Hunter**

### BANKERS

Westpac Banking Corporation 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

### STOCK EXCHANGE LISTING

Australian Securities Exchange Limited

# Chairman's Report

FOR THE YEAR ENDED 30 JUNE 2020



Dear Securityholder,

I am pleased to introduce these annual accounts and report for the year ended 30 June 2020. The year has been one that has provided both challenges and opportunities which I believe have been navigated well and now see Eildon Capital Group (the Group or Eildon) well positioned for future growth.

The impact of the COVID-19 pandemic was not only a factor in determining the composition of the investment portfolio but impacted the very nature of how the Group could work together in the face of social distancing. It also caused dislocation to the bank lending markets although this stabilised reasonably quickly. COVID-19's effect on the economy is still ongoing and will likely last for some time. There will also be long-term effects to the property market due to COVID-related phenomena such as working-from-home and a change in immigration trends. Given this upheaval it is particularly pleasing to provide a set of results for the period that continue the strong performance of the Group since listing in 2017.

## HIGHLIGHTS

The Group delivered a net profit of \$4.7 million, representing an increase of 7.8% over the prior corresponding period. These returns were achieved via a portfolio of property backed investments largely concentrated in registered mortgages. This conservatism has been a positive in recent times given market volatility in the real estate market.

Eildon currently has 8 investments, with 83% in debt with a weighted average loan to value ratio of 66% providing strong headroom in case of any further market decline.

Eildon completed its restructure to a stapled entity which, over time, we believe will be a benefit to investors. It will allow benchmarking of returns from investments to other similar entities and therefore should highlight the strong performance of the Group against its peers.

Eildon also distributed 7.33 cents in distributions during the period, taking total distributions to 29.3 cents since listing. Eildon Capital Group remains focused on consistent distributions to investors in the range of 7.0-8.0% of net assets.

Recently, the Group has announced a proposal to internalise the manager which the Directors believe will increase alignment of management staff and Eildon, simplify corporate governance and allow a growth angle to the business which has the potential to add to security value over time. We look forward to completing this transaction, which is subject to securityholder approval, after the EGM in November. Your Board encourages all securityholders to review the proposal and to vote in favour of the resolution.

## OUTLOOK

Given the heightened level of uncertainty in the Australian real estate sector, the Board and management of the Group will remain cautious and invest only where we believe there are sound fundamentals to transactions. Strong due diligence and a rigorous investment process will remain the foundation of our actions.

We expect that opportunities will emerge in the real estate capital market as financial institutions reposition their balance sheets to account for the impact of the COVID-19 pandemic.





It is noted however, that any pullback from major institutions in this segment may also affect the wider property market, so patience will be important.

We remain confident that the Group will continue to see excellent deal flow and quality of transactions. The internalisation of the group will also mean that, with the capability thereafter to manage third party capital, Eildon can move forward in the knowledge that when good opportunities emerge, that they can be acted on, either with balance sheet capital or external investor funds.

I would like to acknowledge and thank my fellow Directors, including Sandy Beard who stepped off the Board during the period, as well as the management team for their efforts during the year and beyond. I would also like to thank you, our security holders, for your continued support.

James Davies  
Chairman



# The Year in Review

FOR THE YEAR ENDED 30 JUNE 2020

## INTRODUCTION

Eildon Capital Group (ASX: EDC) is pleased to report a full year net profit after tax of \$4.7 million (2019: \$4.4 million) representing a 7.8% increase over the prior corresponding period. Net tangible Assets (NTA) was \$1.09 per security as at 30 June 2020. During the year, distributions of 7.33 cents per security were paid to securityholders, which represents a weighted average distribution yield of 7.2% based on a security price of 99.5 cents as at 30 June 2020.

In addition to the distributions paid during the year, Eildon Capital Group provided liquidity to investors by completing a 10% buyback of securities at NTA of \$1.09 per security. This resulted in the return of approximately \$5.0 million to securityholders.

## INVESTMENT PORTFOLIO UPDATE

Eildon Capital Group's investment portfolio totalled \$37.3 million as at 30 June 2020. In addition, the group has \$8.5 million of cash reserves, representing 19% of net assets, of which \$1.3 million is committed to fund existing investments. In addition, subsequent to year end Eildon Capital Group has committed to invest \$2.9 million in a loan opportunity.

Eildon Capital Group's investment portfolio includes 5 debt positions and 3 equity investments diversified across Queensland, Victoria and New South Wales. The investment portfolio remains 83% invested in debt positions and 17% in equity by value.

Although COVID-19 has created a significant amount of uncertainty in the property market, Eildon Capital Group is pleased to report all investments are performing as expected and are forecast to deliver returns consistent with original investment assumptions. There are currently no investments in the loan portfolio that is in arrears and all covenants are being maintained. However, we are cognisant there is likely to be increased volatility in the short-medium term as the overall impact of COVID-19 is unknown at this point.

Since inception, the investment process has remained unchanged, with transactions sourced through a variety of channels including direct relationships with developers, projects regularly monitored and reviewed to ensure that they remain in accordance with the original investment thesis. The investment and philosophy has also not changed and remains focused on delivering shareholder returns by choosing investments that have both attractive risk-adjusted returns and a focus on capital protection.

Net Profit after tax

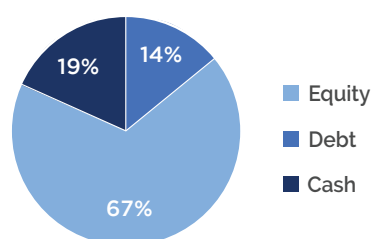
\$4.7m

(2019: \$4.4 million)

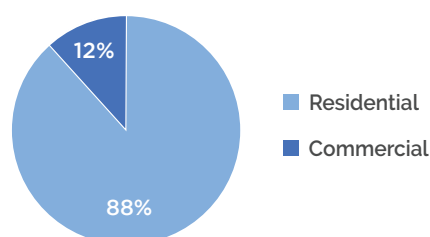
↑ 7.8%

over the prior  
corresponding period

EDC Portfolio Composition



EDC Sector Diversification

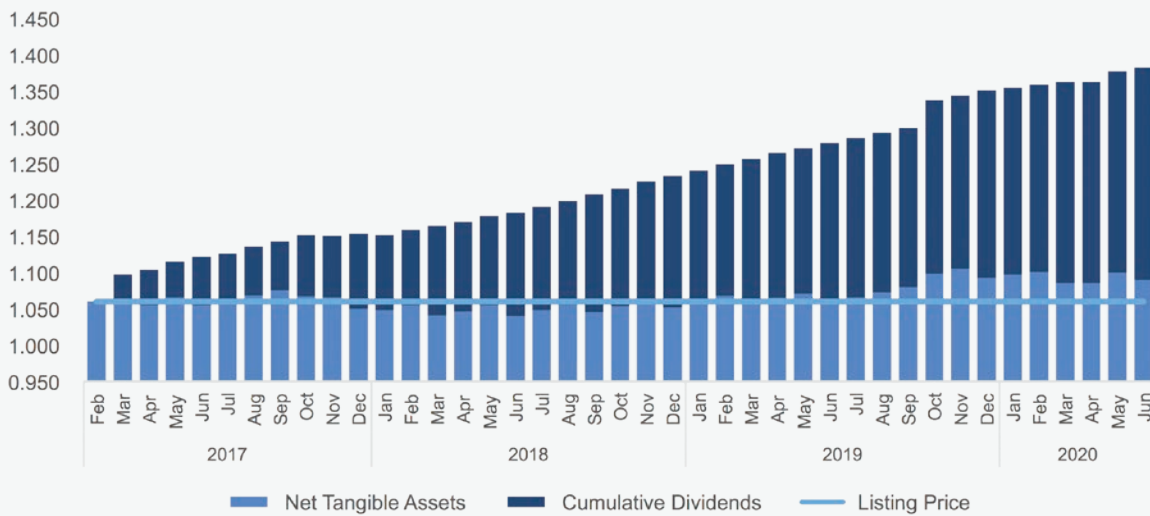




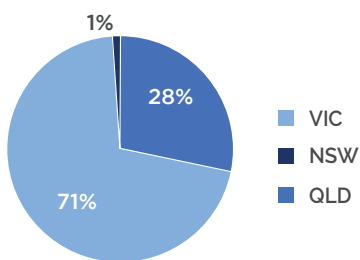
## PERFORMANCE SINCE ASX LISTING

Since listing on the ASX in February 2017, Eildon Capital Group has delivered total distributions of 29.3 cents per security.

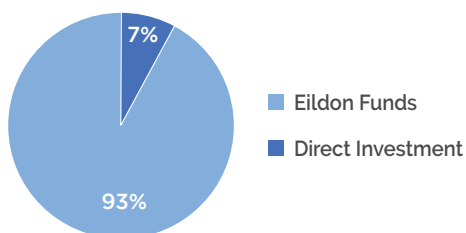
### NTA & ACCUMULATED DIVIDENDS SINCE ASX LISTING



### EDC Geographic Diversification



### EDC Investment Type





# The Year in Review

FOR THE YEAR ENDED 30 JUNE 2020

## CAPITAL MANAGEMENT

Eildon Capital Group completed the successful restructure of the Group during the year which enabled the group to transition from a company to a stapled company and a trust structure. This new structure will:

- Enable pre-tax distributions;
- Enable pre-tax reporting of income which is consistent with peers. This will improve investors' ability to benchmark performance; and
- Improve prospects for NTA growth while maintaining historical levels of distribution.

As part of the restructure, Eildon Capital Group completed a buyback of approximately 10% of securities at \$1.09 each.

## MARKET CONDITIONS AND OUTLOOK

Despite significant economic uncertainty, the Australian non-bank commercial real estate (CRE) market exhibits positive signs with many reputable sponsors looking to progress high quality projects. Eildon Capital Group continues to engage with market participants as an active capital partner despite the current market conditions. The group is seeing a high number of quality projects across many real estate sectors offering attractive returns in an environment of record low interest rates.

Eildon Capital Group does not anticipate traditional Bank CRE appetite and liquidity will improve in the short term which is likely to increase the necessity for alternative capital providers to fill the void. As such, the group is in a strong position to capitalise on the current circumstances, by leveraging the long-standing relationships with high quality sponsors and a track record as a lender of choice. Furthermore, the group's ability to remain flexible on Loan-to-Value Ratios (LVR) and structure terms whilst offering certainty on timely capital availability, provides sponsors with surety around financial solutions.

The board remains disciplined when assessing opportunities and allocating capital in line with the proven investment process, while focusing on maintaining a distribution yield in the range of 7.0-8.0% of NTA.

10  
Years of  
Operation

\$730m  
Transaction  
Experience

65+  
Real Estate  
Transactions

2  
Locations across  
Australia





## ABOUT THE MANAGER

Eildon Capital Group is managed by Eildon Funds Management (EFM), a leading arranger, investor and manager of real estate development, credit and equity investments within Australia's CRE market.

- Since 2009 the management team of Eildon Funds Management has been responsible for approximately \$730 million in investments, representing 65 opportunities.
- EFM has delivered investment performance that is relied upon by Sophisticated, Family Offices and Institutional investors globally.
- EFM has seven full-time executives with offices located in Melbourne and Sydney.



5

Debt  
Investments

3

Equity  
Investments

83%

Portfolio Debt  
Investment

12%

Portfolio Delivering  
Rental Income

\$37.3m

Current Portfolio Value

\$4.1m

Future Committed Investments

\$41.4m<sup>1</sup>

Total Deployed/Committed Investments

17%<sup>2</sup>weighted average forecast return  
from current investments

<sup>1</sup> Portfolio status as at 30 June 2020, includes commitments made post year end. <sup>2</sup> As at 30 June 2020.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

Your Directors present the Financial Report of Eildon Capital Limited (the "Company") and its stapled entity (collectively referred to as "EDC"), for the year ended 30 June 2020 together with 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. He was 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.

### JAMES R DAVIES (Non-Executive Chairman)

*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 (Non-executive Director)

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

Chairman of the audit committee of the Company. Ms Harpur 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". Ms 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, in addition to governance and risk management.

### CRAIG G TREASURE (Non-executive Director)

*(Appointed 1 May 2020)*

*BASc (Surveying) (QUT). FDIA*

Craig has more than 30 years' experience in property development, specifically in the residential land and housing sectors along the eastern seaboard of Australia. As a licensed surveyor and licenced property developer, Craig has previously held a number of senior executive roles and directorships within the property industry. His experience is both as a business proprietor and at an executive level with publicly listed entities. He is managing director and Chief Executive Officer of Villa World Limited.

### ALEXANDER DAMIEN HARRY BEARD

*(Non-Executive Director) (Resigned 20 January 2020)*

*B.Com. (UNSW) FCA AICD*

Mr Beard is a Chartered Accountant with extensive experience in private equity investing. He is director of Probiotec Limited, Tasfoods Limited and Shellfish Culture Limited. He is also formerly a director of US Residential Fund, Cellnet Group Limited, CVC Limited and Eildon Funds Management Limited.

## Company Secretary

### JOHN ANDREW HUNTER

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

Mr Hunter joined CVC in 2006 and has overseen the development and management of a number of investment vehicles with his core responsibility being management of financial and statutory reporting and compliance. Mr Hunter has extensive experience in ASX listed and unlisted public reporting and accounting for property, equity trusts, managed investment companies and schemes, due diligence and compliance.

## 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 during the financial year were as follows:

	Number of meetings attended	Number of Meetings eligible to held
M A Avery	8	8
A D H Beard	5	5
J R Davies	8	8
C G Treasure	1	1
M E Harpur	8	8



## 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 eligible to held
A D H Beard	1	1
J R Davies	1	1
M E Harpur	1	1

## 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

EDC is an active property investment group which participates in retail, industrial, residential and commercial opportunities.

## Operating Results

EDC recorded an after tax profit of \$4,730,453 (2019: \$4,386,508). The profit for the year is calculated as follows:

	2020 \$	2019 \$
Net profit after income tax attributable to:		
- Eildon Capital Limited	<b>4,091,672</b>	4,386,508
- Eildon Capital Trust	<b>638,781</b>	-
Net profit after income tax	<b>4,730,453</b>	4,386,508

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

## Dividends and Distributions

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

	Cents Per Share/Unit	Total \$	Date of Payment	Tax rate for Franking Credits	Percentage Franked
2020 June quarter distribution on ordinary units	1.5569	637,298	24-Jul-20	0%	0%
Special dividend on ordinary shares	13.59	6,181,195	24-Apr-20	30%	100%
2020 March quarter dividend on ordinary shares	1.925	875,555	24-Apr-20	30%	100%
2019 December quarter dividend on ordinary shares	1.925	875,555	24-Jan-20	30%	100%
2019 September quarter dividend on ordinary shares	1.925	875,555	24-Oct-19	30%	100%

## Review of Operations

EDC's investment portfolio totalled \$37.3 million as at 30 June 2020. In addition, the group has \$8.5 million of cash reserves, representing 19% of net assets, of which \$1.3 million is committed to fund existing investments. The investment portfolio includes 5 debt positions and 3 equity investments diversified across Queensland, Victoria and New South Wales. The investment portfolio remains 83% invested in debt positions and 17% in equity by value. During the financial year, EDC generated \$6.0 million (2019: \$7.4 million) of interest income from property loans, and is holding loan investments totalling \$30.9 million (2019: \$37.8 million).

On 24 April 2020, a restructure was undertaken by the Company such that a distribution was completed which included a return of capital and a fully franked dividend to the shareholders of the Company. The distribution was compulsorily applied to the subscription for units in Eildon Capital Trust, an entity incorporated on 6 May 2019. An agreement was signed that has the effect of stapling the shares of the Company to the units of Eildon Capital Trust, and although the two entities are separate legal entities, their shares/units are not able to be separately traded. The restructure has no impact on the overall financial position of EDC.

As part of the restructure, a stapled security buy-back was completed to allow those stapled security holders who did not wish to participate in the new investment approach to exit. This resulted in the buyback of 4,548,290 stapled securities on 25 May 2020.

Although the COVID-19 pandemic has created a significant amount of uncertainty in the property market, EDC is pleased to report all investments are performing as expected and are forecast to deliver returns consistent with original investment assumptions. There are currently no investments in the loan portfolio in arrears and all covenants are being maintained. However, we are cognisant there is likely to be increased volatility in the short-medium term as the overall impact of COVID-19 is unknown at this point.

## Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for key management personnel of EDC 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 EDC.

### REMUNERATION PHILOSOPHY

The performance of EDC depends upon its ability to attract and retain quality people. EDC 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 stapled security holders.

## REMUNERATION STRUCTURE

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

Other than the directors and company secretary employed by the Company, EDC does not employ any other key management personnel.

EDC 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

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

		Base Salary Fees \$	Post-Employment Benefits Superannuation \$	Total \$	Base % (a)
<b>DIRECTORS</b>					
Mark Avery (b)	<b>2020</b>	-	-	-	-
(Managing Director)	2019	-	-	-	-
James Davies	<b>2020</b>	<b>45,662</b>	<b>4,338</b>	<b>50,000</b>	<b>100%</b>
(Non-Executive Chairman)	2019	45,662	4,338	50,000	100%
Alexander Beard (b)	<b>2020</b>	-	-	-	-
(Non-Executive Director)	2019	-	-	-	-
Michelle Harpur	<b>2020</b>	<b>38,052</b>	<b>3,615</b>	<b>41,667</b>	<b>100%</b>
(Non-Executive Director)	2019	45,662	4,338	50,000	100%
Craig Treasure	<b>2020</b>	<b>6,088</b>	<b>578</b>	<b>6,666</b>	<b>100%</b>
(Non-Executive Director)	2019	-	-	-	-
<b>OTHER KEY MANAGEMENT PERSONNEL</b>					
John Hunter (b)	<b>2020</b>	-	-	-	-
(Company Secretary)	2019	-	-	-	-
	<b>2020</b>	<b>89,802</b>	<b>8,531</b>	<b>98,333</b>	
	2019	91,324	8,676	100,000	

Notes:

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

(b) The remuneration of Messrs Avery, Beard, and Hunter are paid by an associate of the manager of EDC, 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 EDC.



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

## KEY MANAGEMENT PERSONNEL HOLDING OF STAPLED SECURITIES

The relevant security holding interests of key management personnel in the capital of EDC as at the date of this report is as follows:

Stapled securities	Opening	Purchases	Sales	Other changes during the year	Closing
Mr A.D.H. Beard (a)	709,570	100,000	-		(809,570) -
Mr M. A. Avery	36,285	5,000	-	-	41,285
Ms M. E. Harpur	19,523	-	-	-	19,523
Mr J. R. Davies	27,016	-	-	-	27,016
Mr C. G. Treasure (b)	-	-	-	40,570	40,570
Mr J.A.H. Hunter	6,000	2,300	-	-	8,300

Notes:

(a) Mr Beard resigned as director effective 20 January 2020.

(b) Mr Treasure became a director of the Company from 1 May 2020.

## Consequences of Performance on Stapled Security Holder Wealth

In considering EDC's performance and benefits for stapled security holder wealth, the Directors have regard to the following indicators in respect of the current financial year and previous financial years.

	2020 \$	2019 \$	2018 \$	2017 \$
Net profit after tax (a)	<b>4,730,453</b>	4,386,508	3,006,055	3,659,218
Total comprehensive income (a)	<b>4,730,453</b>	4,386,508	3,006,055	3,610,914
Dividends and distributions paid	<b>9,445,158</b>	3,525,499	3,197,311	2,012,822
Securities bought back on market	<b>812,204</b>	609,994	-	-
Security price	<b>1.00</b>	1.02	1.04	1.05
Net assets per security (b)	<b>1.09</b>	1.06	1.04	1.05
Change in net assets per security (b)	<b>0.03</b>	0.02	(0.01)	0.06

Notes:

(a) Although net profit and total comprehensive income of Eildon Capital Trust, the stapled entity, are identified as net profit and total comprehensive income attributable to non-controlling interest, the shareholders of Eildon Capital Limited are also the unitholders of Eildon Capital Trust by virtue of the stapling arrangement dated 18 March 2020. As such net profit after tax and total comprehensive income for the 30 June 2020 financial year refer to profit after tax and total comprehensive income for the group which represents the actual earnings for the stapled security holders of EDC.

(b) Although a non-controlling interest has been identified the shareholders of Eildon Capital Limited are also the unitholders of Eildon Capital Trust by virtue of the stapling arrangement dated 18 March 2020. As such net assets per security for the 30 June 2020 financial year refers to the group's net assets which represents the actual value attributable to stapled security holders of EDC. Refer note 13.

## Significant Changes in the State of Affairs

On 24 April 2020, a restructure was undertaken by the Company such that a distribution was completed which included a return of capital and a fully franked dividend to the shareholders of the Company. The distribution was compulsorily applied to the subscription for units in Eildon Capital Trust, an entity incorporated on 6 May 2019. An agreement was signed that has the effect of

stapling the shares of the Company to the units of Eildon Capital Trust, and although the two entities are separate legal entities, their shares/units are not able to be separately traded. Following the restructure the principal activity of EDC continues to be an active property investment group which participates in retail, industrial, residential and commercial opportunities. The restructure has no impact on the overall financial position of EDC.

As part of the restructure, a stapled security buy-back was completed to allow those stapled security holders who did not wish to participate in the new investment approach to exit. This resulted in the buyback of 4,548,290 stapled securities on 25 May 2020.

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

## Likely Developments and Future Expectations

EDC will continue to assess Australian investment opportunities. As an investment group, the results of EDC 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.

## Events Subsequent to Reporting Date

A distribution of 1.5569 cents per share amounting to \$637,298 was declared on 24 June 2020 and paid 24 July 2020.

Subsequent to year end EDC has made a commitment to make an investment of \$2.9 million in a loan opportunity in JAK Contributory Mortgage Fund, of which \$1,674,819 has been transferred.

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, the results of those operations or the state of affairs of EDC in financial periods subsequent to 30 June 2020.

## Insurance Premiums

EDC 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 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

EDC appointed HLB Mann Judd (NSW Partnership) as the auditors for the 2020 financial year. During the financial year no non-audit services were provided.

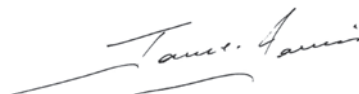
A copy of the Independence Declaration is included on page 14. Further information on Auditors' Remuneration is included in note 3.

Signed in accordance with a resolution of Directors.

Dated at Sydney 31 August 2020



**Mark Avery**  
Director



**James Davies**  
Director

# Auditor's Independence Declaration

FOR THE YEAR ENDED 30 JUNE 2020

To the directors of Eildon Capital Limited:

As lead auditor for the audit of the consolidated financial report of Eildon Capital Limited for the year ended 30 June 2020, 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.

This declaration is in relation to Eildon Capital Limited and its stapled entity.

HLB Mann Judd

**HLB Mann Judd**  
Chartered Accountants



**N J Guest**  
Partner

Sydney, NSW  
31 August 2020



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
<b>INCOME</b>			
Interest income		6,044,041	7,355,087
Fee income		95,976	208,602
Other income		-	2,858
<b>Total income</b>		<b>6,140,017</b>	<b>7,566,547</b>
<b>Share of net profit of associate accounted for using the equity method</b>		<b>1,653,058</b>	<b>70,227</b>
<b>EXPENSES</b>			
Accountancy		10,411	14,410
Audit fees	3	51,894	44,642
Insurance		47,046	62,416
Legal fees		10,329	1,449
Directors fees	19	98,333	100,000
Management and consultancy fees		797,416	818,873
Share registry		62,876	64,752
Restructure cost		136,031	171,493
Other expenses		94,711	92,298
<b>Total expenses</b>		<b>1,309,047</b>	<b>1,370,333</b>
<b>Profit before income tax</b>		<b>6,484,028</b>	<b>6,266,441</b>
<b>Income tax expense</b>	4	<b>1,753,575</b>	<b>1,879,933</b>
<b>Net profit after tax</b>		<b>4,730,453</b>	<b>4,386,508</b>
Net profit attributable to non-controlling interest	16	638,781	-
<b>Net profit attributable to members of the parent entity</b>		<b>4,091,672</b>	<b>4,386,508</b>
<b>Total comprehensive income for the year</b>		<b>4,730,453</b>	<b>4,386,508</b>
Attributable to			
Shareholders		4,091,672	4,386,508
Non-controlling interest		638,781	-
		<b>4,730,453</b>	<b>4,386,508</b>
<b>Basic and diluted earnings per stapled security (cents)</b>	12	<b>10.50</b>	<b>9.56</b>

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 19 to 39.

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	8,486,029	6,936,845
Trade and other receivables	7	51,307	44,693
Financial assets at amortised cost	9	19,915,799	15,547,239
Financial assets at fair value through profit or loss	10	-	10,716,096
<b>Total current assets</b>		<b>28,453,135</b>	<b>33,244,873</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets at amortised cost	9	10,949,440	11,514,784
Investments accounted for using the equity method	8	4,338,592	2,893,434
Financial assets at fair value through profit or loss	10	2,144,638	1,771,712
Deferred tax assets	4	284,282	356,718
<b>Total non-current assets</b>		<b>17,716,952</b>	<b>16,536,648</b>
<b>TOTAL ASSETS</b>		<b>46,170,087</b>	<b>49,781,521</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	1,066,817	1,102,190
Current tax liabilities	4	31,667	493,761
<b>Total current liabilities</b>		<b>1,098,484</b>	<b>1,595,951</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	4	476,649	-
<b>Total non-current liabilities</b>		<b>476,649</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,575,133</b>	<b>1,595,951</b>
<b>NET ASSETS</b>		<b>44,594,954</b>	<b>48,185,570</b>
<b>EQUITY</b>			
Contributed equity	13	7,634,321	43,796,218
Retained earnings	14	(326,836)	(5,483,508)
Profit distribution reserve	15	-	9,872,860
<b>Total parent entity interest</b>		<b>7,307,485</b>	<b>48,185,570</b>
<b>Non-controlling interest</b>	16	<b>37,287,469</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>44,594,954</b>	<b>48,185,570</b>

The above statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 19 to 39.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

	Contributed equity \$	Retained earnings \$	Profit distribution reserve \$	Owners of the parent \$	Non-controlling interest \$	Total \$
<b>At 1 July 2019</b>	<b>43,796,218</b>	<b>(5,483,508)</b>	<b>9,872,860</b>	<b>48,185,570</b>	<b>-</b>	<b>48,185,570</b>
Profit for the year	-	4,091,672	-	4,091,672	638,781	4,730,453
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,091,672</b>	<b>-</b>	<b>4,091,672</b>	<b>638,781</b>	<b>4,730,453</b>
<b>Transactions with stapled security holders:</b>						
Units issued	-	-	-	-	41,530,887	41,530,887
Transaction costs on units issued	-	-	-	-	(35,943)	(35,943)
Stapled securities bought back	(804,593)	-	-	(804,593)	(4,153,043)	(4,957,636)
Transaction costs on stapled security buyback	(10,873)	-	-	(10,873)	(55,915)	(66,788)
Tax on stapled security buyback transaction costs	3,262	-	-	3,262	-	3,262
Return of capital	(35,349,693)	-	-	(35,349,693)	-	(35,349,693)
Dividends/distributions provided or paid	-	-	(8,807,860)	(8,807,860)	(637,298)	(9,445,158)
Transfers (to)/from reserve	-	1,065,000	(1,065,000)	-	-	-
<b>At 30 June 2020</b>	<b>7,634,321</b>	<b>(326,836)</b>	<b>-</b>	<b>7,307,485</b>	<b>37,287,469</b>	<b>44,594,954</b>
<b>At 1 July 2018</b>	<b>44,344,011</b>	<b>(5,483,508)</b>	<b>9,011,851</b>	<b>47,872,354</b>	<b>-</b>	<b>47,872,354</b>
Profit for the year	-	4,386,508	-	4,386,508	-	4,386,508
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,386,508</b>	<b>-</b>	<b>4,386,508</b>	<b>-</b>	<b>4,386,508</b>
<b>Transactions with stapled security holders:</b>						
Shares issued	62,201	-	-	62,201	-	62,201
Shares bought back	(608,121)	-	-	(608,121)	-	(608,121)
Transaction costs on share buyback	(2,676)	-	-	(2,676)	-	(2,676)
Tax on share buyback transaction costs	803	-	-	803	-	803
Dividends provided or paid	-	-	(3,525,499)	(3,525,499)	-	(3,525,499)
Transfers (to)/from reserve	-	(4,386,508)	4,386,508	-	-	-
<b>At 30 June 2019</b>	<b>43,796,218</b>	<b>(5,483,508)</b>	<b>9,872,860</b>	<b>48,185,570</b>	<b>-</b>	<b>48,185,570</b>

The above statement of changes in equity should be read in conjunction with the notes to the financial statements set out on pages 19 to 39.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		104,251	169,270
Cash payments in the course of operations		(1,125,639)	(1,441,844)
Distribution received		520,994	-
Loans repaid		5,841,865	24,413,444
Loans provided		(6,341,524)	(14,921,225)
Interest and fee income received		2,138,002	5,813,974
Income tax paid		(1,663,322)	(1,889,851)
<b>Net cash (used in)/provided by operating activities</b>	6(b)	<b>(525,373)</b>	<b>12,143,768</b>
<b>Cash flows from investing activities</b>			
Payments for financial assets at fair value through profit or loss		(6,210,147)	(11,688,961)
Proceeds from financial assets at fair value through profit or loss		16,842,355	204,400
<b>Net cash provided by/(used in) investing activities</b>		<b>10,632,208</b>	<b>(11,484,561)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(3,497,284)	(3,320,996)
Payment for stapled security issue transaction costs		(35,943)	-
Payment for stapled security buyback		(4,957,636)	(608,121)
Payment for stapled security buyback transaction costs		(66,788)	(2,676)
<b>Net cash used in financing activities</b>		<b>(8,557,651)</b>	<b>(3,931,793)</b>
<b>Net increase/(decrease) in cash held</b>		<b>1,549,184</b>	<b>(3,272,586)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>6,936,845</b>	<b>10,209,431</b>
<b>Cash and cash equivalents at the end of the financial year</b>	6(a)	<b>8,486,029</b>	<b>6,936,845</b>

The above statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 19 to 39.



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

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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.

These accounting policies have been consistently applied by each entity in EDC and are consistent with those of the previous year. 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.

EDC presents assets and liabilities in the statement of financial position as current or non-current.

- Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of EDC's operating cycle and within one year from the reporting date. All other assets are classified as non-current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of EDC's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

The financial report is presented in Australian dollars.

### Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying EDC's accounting policies.

The key estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities are:

- Valuation of investments accounted for using the equity method (refer below);
- Fair value of financial assets at amortised cost (refer note 9); and
- Fair value of financial assets at fair value through profit or loss (refer note 10).

### Valuation of investments accounted for using the equity method

The carrying value of investments have been valued based

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

on the net asset backing methodology, using the most recent reports provided by the entity.

## **Net asset backing methodology**

The net asset backing methodology considers that the net assets of an entity reflects the future value of the business. This is because:

- the underlying value of the business operations may be focused specifically on increasing the value of its assets base; or
- there is insufficient repetitive income or profits to justify the use of different valuation techniques such as discounted cash flows or multiple of earnings.

## **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).

AASB 16 *Leases* is mandatory for the annual reporting period commencing 1 July 2019. EDC does not have any leases. The adoption of AASB 16 has not had any impact on the financial performance or position of EDC. No adjustment was required to be recognised as a result of the adoption of AASB 16 and consequently no further disclosures have been included in this financial report.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by EDC. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## **c) Coronavirus (COVID-19) Impact**

The World Health Organisation declared a global pandemic in March 2020 as a result of COVID-19. The impact of the crisis has had a significant economic impact. The critical accounting estimates and judgements of EDC have required additional consideration and analysis due to the impact of COVID-19. Given the uncertainty of the extent of the impact of the pandemic, changes to the estimates and outcomes that have been applied in the measurement of EDC's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the financial year, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

The effect on the operations of EDC will be dependent on the severity and duration of the pandemic, as well as the economic support provided by the government. The processes applied in the preparation of this Financial Report included a review of:

- all financial assets at amortised cost and associated underlying security to determine if there has been a significant increase in credit risk and determined the expected credit loss on each financial asset. Refer note 9;

- unlisted financial assets at fair value through profit or loss to determine if the investments' carrying value included a consideration of the impact of COVID-19. Refer note 10; and
- impairment of the carrying amount of each associate, by comparing the investment's recoverable amount with its carrying value. Refer note 8.

## **d) Principles of Consolidation**

### **(i) Stapled Entities**

The consolidated financial statements comprise the financial statements of Eildon Capital Limited and the stapled entity, Eildon Capital Trust as at 30 June 2020 from the date it was deemed that EDC has been constructed, 24 April 2020. Although Eildon Capital Limited does not have an ownership interest in Eildon Capital Trust, in accordance with AASB 3 *Business Combinations*, Eildon Capital Limited has been identified as the acquirer and the parent entity for the purpose of preparing the consolidated financial statements and Eildon Capital Trust is deemed to be the acquiree.

In preparing the consolidated financial statements, all inter company balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full and the reporting period and accounting policies of subsidiaries are consistent with those of the parent entity.

The consolidation of the stapled entity is accounted for using the purchase method of accounting which allocates the cost of the business combination to the fair value of the assets acquired and the liabilities assumed at the date of acquisition.

The net assets not held by Eildon Capital Limited are identified as non-controlling interests and presented in the consolidated balance sheet within equity, separately from the Company's equity holders' equity. The profit of Eildon Capital Trust is also separately disclosed as a non-controlling interest in the profit of EDC. Although a non-controlling interest has been identified the shareholders of Eildon Capital Limited are also the unitholders of Eildon Capital Trust by virtue of the stapling arrangement dated 18 March 2020.

### **(ii) Associates**

Associates are those entities, other than partnerships, over which EDC exercises significant influence but not control. In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

## Note 1: Statement of Accounting Policies (Cont.)

### d) Principles of Consolidation (Cont.)

#### (ii) Associates (Cont.)

Dividends received or receivable from associates reduce the carrying amount of the investment. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. EDC's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of profit or loss and other comprehensive income from the date significant influence commences until the date significant influence ceases.

### e) Cash and Cash Equivalents

Cash includes cash on hand and short-term deposits with an original maturity of three months or less.

### f) 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

EDC 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.

#### Dividends and Distribution Income

Revenue from dividends and distributions is recognised when the right to receive payment is established. Dividends received out of pre-acquisition reserves are recognised in revenue and the investment is also assessed for impairment.

### g) Trade and Other Payables

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

### h) Trade and Other Receivables

Trade and other receivables, which generally have 30 day terms, are stated at their amortised cost less any allowance for expected credit losses. Individual debts that are known to be uncollectible are written off when identified. EDC applies the AASB 9 simplified approach to measuring expected credit

losses using a lifetime expected credit loss provision for trade and other receivables. The measurement of expected loss is based on EDC's historical credit losses experienced and then adjusted for current and forward-looking information affecting EDC's debtors.

### i) Financial Assets

#### (i) Classification

Financial assets in the scope of AASB 9 *Financial Instruments* are classified 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 EDC'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.

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

#### (ii) Measurement

At initial recognition, EDC 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 Profit or Loss (FVPL)

Equity investments that do not meet the criteria for amortised cost or have not been elected to present as financial assets at fair value through other comprehensive income 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.

#### (iii) Impairment

EDC assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The expected credit loss is determined based on changes in the financial asset's underlying credit risk and includes forward-looking information. Where there has been a significant increase in credit risk since initial recognition,

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

the expected credit loss is determined with reference to the probability of default. EDC applies its judgement in determining whether there has been a significant increase in credit risk since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes forward-looking information.

Expected credit loss is generally determined based on the contractual maturity of the financial asset and an assessment of the underlying security provided by the counterparty. The expected credit loss is measured as the product of probability of default, loss given default and exposure at default, with increases and decreases in the measured expected credit loss from the date of origination being recognised in the consolidated statement of profit or loss and other comprehensive income as either an impairment loss or gain.

Outcomes within the next financial period that are different from assumptions and estimates could result in changes to the timing and amount of expected credit losses to be recognised.

The loss allowances for expected credit loss are presented in the statement of financial position as a deduction to the gross carrying amount.

## **j) 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.

## **k) 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.

## **l) Segment Reporting**

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

## **m) 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. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. 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.

## **n) 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: Parent Entity Financial Information

### a) Summary Financial Information

The individual financial statements for the parent entity, Eildon Capital Limited, show the following aggregate amounts:

	Notes	2020 \$	2019 \$
<b>Balance Sheet</b>			
Current assets		1,325,284	33,244,873
Total assets		8,092,796	49,781,521
Current liabilities		308,663	1,595,951
Total liabilities		785,311	1,595,951
<b>Shareholders' equity</b>			
Issued capital		7,634,321	43,796,218
Retained earnings		(326,836)	(5,483,508)
Profit distribution reserve		-	9,872,860
<b>Total Equity</b>		<b>7,307,485</b>	<b>48,185,570</b>
<b>Profit for the period</b>		<b>4,091,672</b>	<b>4,386,508</b>
<b>Total comprehensive income</b>		<b>4,091,672</b>	<b>4,386,508</b>

The financial information for the Company has been prepared on the same basis as the consolidated financial statements.

### b) Commitments and Contingent Liabilities of the Parent Entity

The Company did not have any capital commitments as at 30 June 2020 and 30 June 2019. Refer note 20(b) for information about contingent liabilities and note 20(c) for information about guarantees given by the Company.

## Note 3: Auditor's Remuneration

The auditor of EDC 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)	51,894	44,642

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
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## Note 4: Income Tax

### a) Income Tax Expense

Accounting profit before income tax		6,484,028	6,266,441
Income tax expense at the statutory income tax rate of 30%		1,945,208	1,879,933
Trust profit not assessable		(191,633)	-
Income tax expense		1,753,575	1,879,933
The major components of income tax expense are:			
- Current income tax charge		1,216,625	1,844,655
- Deferred income tax		536,950	35,278
Income tax expense reported in the statement of profit or loss and other comprehensive income		1,753,575	1,879,933
Deferred tax benefit relating to items credited directly to equity		3,262	803

### b) Deferred Income Tax

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

	Included in income \$	2020 Included in equity \$	Total \$	Included in income \$	2019 Included in equity \$	Total \$
<b>Deferred tax assets</b>						
Provisions and accrued expenses	12,150	-	12,150	8,250	-	8,250
Tax losses	106,001	-	106,001	106,001	-	106,001
Other	69,291	96,840	166,131	79,486	162,981	242,467
	187,442	96,840	284,282	193,737	162,981	356,718
<b>Deferred tax liabilities</b>						
Equity accounting income	476,649	-	476,649	-	-	-

	2020 \$	2019 \$
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### c) Current Tax Liabilities

Income tax payable		
Balance at the end of the year	31,667	493,761

## Note 5: Dividends and distributions

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

	Cents Per Share/Unit	Total \$	Date of Payment	Tax rate for Franking Credits	Percentage Franked
2020 June quarter distribution on ordinary units	1.5569	637,298	24-Jul-20	0%	0%
Special dividend on ordinary shares	13.59	6,181,195	24-Apr-20	30%	100%
2020 March quarter dividend on ordinary shares	1.925	875,555	24-Apr-20	30%	100%
2019 December quarter dividend on ordinary shares	1.925	875,555	24-Jan-20	30%	100%
2019 September quarter dividend on ordinary shares	1.925	875,555	24-Oct-19	30%	100%
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%

	2020 \$	2019 \$
Dividend franking account:		
Franking credits available to stapled security holders for subsequent financial years	<b>37,879</b>	2,611,447

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 2020

2020  
\$

2019  
\$

## Note 6: 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	8,486,029	6,936,845
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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	4,730,453	4,386,508
<i>Adjustments for:</i>		
Share of equity accounted profit	(1,653,058)	(70,227)
<i>Change in operating assets and liabilities:</i>		
(Increase)/Decrease in other assets	(7,900)	17,470
(Increase)/Decrease in loans and financial assets	(3,884,704)	7,875,166
Decrease/(Increase) in GST	1,283	(1,731)
Increase/(Decrease) in payables	152,611	(61,815)
Increase in deferred tax assets and liabilities	552,347	35,126
Increase in sundry creditors and accruals	45,689	8,313
(Decrease) in tax payable	(462,094)	(45,042)
Net cash (used in)/provided by operating activities	(525,373)	12,143,768



2020  
\$2019  
\$

## Note 7: Trade and Other Receivables

### Current:

Goods and services tax	<b>13,977</b>	15,262
Prepayments and others	<b>37,330</b>	29,431
	<b>51,307</b>	44,693

Trade and other receivables are non-interest bearing and are generally on 30 day terms. EDC applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade and other receivables. The measurement of expected loss is based on EDC's historical credit losses experienced and then adjusted for current and forward-looking information affecting EDC's debtors.

Due to the short-term nature of trade and other receivables, their carrying amount is considered to be the same as their fair value.

## Note 8: Investments Accounted for Using the Equity Method

	Ownership Interest		Investment Carrying Amount	
	2020 %	2019 %	2020 \$	2019 \$
Interest in ordinary shares of associate				
79 Logan Road Trust (a)	<b>35</b>	35	<b>4,338,557</b>	2,893,399
79 Logan Road Pty Limited (b)	<b>35</b>	35	<b>35</b>	35
Kingsgrove (Vanessa Road) Unit Trust (c)	-	25	-	-
			<b>4,338,592</b>	2,893,434

### Notes:

- (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 \$4,338,557 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.

The carrying value of investments in associates has been reviewed for impairment, including considering the impact of COVID-19. The carrying value of the investments in associates has not been impacted.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## Note 8: Investments Accounted for Using the Equity Method (Cont.)

### Summarised Financial Information

The following table illustrates summarised financial information relating to EDC's associate:

	79 Logan Road Trust	
	2020	2019
	\$	\$
<b>Summarised balance sheet</b>		
Current assets	123,356	123,417
Current liabilities	85,122	41,081
Current net assets	38,234	82,336
Non-current assets	23,847,641	19,674,518
Non-current liabilities	11,490,000	11,490,000
Non-current net assets	12,357,641	8,184,518
<b>Net assets</b>	<b>12,395,875</b>	<b>8,266,854</b>
<b>Reconciliation to carrying amounts:</b>		
Opening net assets 1 July	8,266,854	8,650,206
Profit for the period	4,723,021	200,648
Return of capital	(410,490)	(383,352)
Dividend paid	(183,510)	(200,648)
<b>Closing net assets</b>	<b>12,395,875</b>	<b>8,266,854</b>
EDC's share - percentage	35%	35%
EDC's share - dollars	4,338,557	2,893,399
Carrying amount	4,338,557	2,893,399
<b>Summarised statement of comprehensive income</b>		
Revenue	5,676,177	1,205,229
<b>Net profit</b>	<b>4,723,021</b>	<b>200,648</b>
<b>Total comprehensive income</b>	<b>4,723,021</b>	<b>200,648</b>
Dividends received	64,229	70,227

### Individually Immaterial Investments Accounted for Using the Equity Method

In addition to the interest in the investment accounted for using the equity method disclosed above, EDC also has an interest in one immaterial investment that is accounted for using the equity method.

	2020	2019
	\$	\$
Aggregate carrying amount of individually immaterial investments accounted for using the equity method	35	35
Aggregate amounts of EDC's share of profit for the period	-	-
Total comprehensive income	-	-

2020  
\$2019  
\$

## Note 9: Financial Assets at Amortised Cost

**Current:**

Secured loans to other corporations	19,915,799	15,394,144
Secured loans to related entity	-	153,095
	<b>19,915,799</b>	<b>15,547,239</b>

**Non-Current:**

Secured loans to other corporations	<b>10,949,440</b>	<b>11,514,784</b>
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Following the economic consequences of COVID-19 at the reporting date the timing of contractual recovery is subject to evolving regulatory and industry support for counterparties requesting such support.

In the event that a counterparty default on a loan, EDC may take possession of security provided. EDC has not repossessed any assets that have been provided as security.

Expected credit loss on loans are disclosed as a deduction against the gross carrying amount. EDC regularly reviews loans to determine if there is a significant increase in credit risk, which may be evidenced by either qualitative or quantitative factors. These factors include if a counterparty does not pay a scheduled payment of principal and interest, requests a variation to the repayment terms, or management consider that there has been an adverse change in the underlying value of assets securing the loan. The significant increase in credit risk methodology is based on an actual credit risk review approach which considers changes in a counterparty's credit risk since origination. The outcome of the review identifies the probability of default and the loss given default of the loan, which are used to determine the impairment required to be made in relation to a loan.

A loss allowance is identified at the time that there is a significant increase in credit risk of the borrower, and the loan is impaired once it is determined that an amount is not recoverable.

In response to COVID-19 EDC has reviewed its loans for a significant increase in credit risk and expected credit loss. The review considered the counterparty credit quality, the security held, exposure at default and the effect of repayment terms as at reporting date. No expected loss allowance on loan assets has been provided as at 30 June 2020 and 30 June 2019.

For the majority of the non-current financial assets at amortised cost, the fair values are not significantly different from their carrying amounts.

## Note 10: Financial Assets at Fair Value through Profit or Loss

**Current:**

Shares in unlisted corporations	-	10,716,096
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**Non-Current:**

Shares in unlisted corporations	<b>2,144,638</b>	<b>1,771,712</b>
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The carrying value of shares in unlisted corporations has been determined by using valuation techniques. Such techniques include using recent arm's length market transactions; net asset backing; reference to the current market value of another instrument that is substantially the same and discounted cash flow analysis.

Unlisted investments for the current financial year comprise holdings in special purpose vehicles that hold property assets. A review has been undertaken of the underlying property assets held by the entities regarding the impact of COVID-19 and EDC is of the opinion that there has been no impact on underlying property assets and ultimately the carrying value of its investments.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
<b>Note 11: Trade and Other Payables</b>		
<b>Current:</b>		
Trade payables	161,233	8,623
Sundry creditors and accruals	110,717	65,378
Distribution/dividend payable	794,867	1,028,189
	<b>1,066,817</b>	<b>1,102,190</b>

Trade and other payables are non-interest bearing and are generally on 30 day terms.

	2020	2019
<b>Note 12: Earnings Per Share</b>		
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	9.09	9.56
Basic and diluted earnings per stapled security (a)	10.50	9.56
	<b>\$</b>	<b>\$</b>
Net profit attributable to shareholders used in calculation of basic and diluted earnings per share	4,091,672	4,386,508
Net profit used in calculation of basic and diluted earnings per stapled security	4,730,453	n/a
	<b>Number</b>	<b>Number</b>
Weighted average number of shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	45,036,019	45,899,548

Notes:

- (a) Although net profit of Eildon Capital Trust, the stapled entity, is identified as net profit attributable to non-controlling interests, the shareholders of Eildon Capital Limited are also the unitholders of Eildon Capital Trust by virtue of the stapling arrangement dated 18 March 2020. As such earnings per stapled security for the 2020 financial year refers to the group's net profit after tax which represents the actual earnings for the stapled security holders of EDC.



	2020		2019	
	Number of shares	\$	Number of shares	\$

### Note 13: Contributed Equity

#### Issued and paid up share capital:

Ordinary shares fully paid	40,935,102	7,634,321	45,483,392	43,796,218
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#### Ordinary shares:

Balance at the beginning of the year	45,483,392	43,796,218	46,020,079	44,344,011
Return of capital	-	(35,349,693)	-	-
Issue of shares	-	-	63,372	62,201
Shares bought back	(4,548,290)	(804,593)	(600,059)	(608,121)
Transaction costs on share buyback	-	(10,873)	-	(2,676)
Income tax on share transaction costs	-	3,262	-	803
Balance at the end of the year	40,935,102	7,634,321	45,483,392	43,796,218

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.

	2020 \$	2019 \$
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#### Total capital of the Company is as follows:

Net assets attributed to members of the parent	7,307,485	48,185,570
Net assets per share attributed to members of the parent	0.18	1.06

#### Total capital of the stapled group is as follows:

Net assets	44,594,954	48,185,570
Net assets per stapled security (a)	1.09	1.06

#### Notes:

- (a) Although a non-controlling interest has been identified, the shareholders of Eildon Capital Limited are also the unitholders of Eildon Capital Trust by virtue of the stapling arrangement dated 18 March 2020. As such net assets per stapled security for the 2020 financial year refers to the group's net assets which represents the actual value attributable to stapled security holders of EDC.

EDC is not subject to any externally imposed capital requirements. Management's objective is to achieve returns for stapled security holders commensurate with the risks associated with making investments in Australia.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
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## Note 14: Retained Earnings

Retained earnings at the beginning of the year	(5,483,508)	(5,483,508)
Net profit attributable to members	4,091,672	4,386,508
Transfers from/(to) profit distribution reserve	1,065,000	(4,386,508)
Retained earnings at the end of the year	(326,836)	(5,483,508)

## Note 15: Profit Distribution Reserve

Profit distribution reserve at the beginning of the year	9,872,860	9,011,851
Transfers (to)/from retained earnings	(1,065,000)	4,386,508
Dividends paid	(8,807,860)	(3,525,499)
Profit distribution reserve at the end of the year	-	9,872,860

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

	2020 \$
--	------------

## Note 16: Non-controlling Interest

### Reconciliation of Non-controlling Interest in Stapled Entities

Balance at the beginning of the year	-
Share of net profit	638,781
Units issued	41,530,887
Transaction costs on units issued	(35,943)
Units bought back	(4,153,043)
Transaction costs on units buyback	(55,915)
Distributions provided or paid	(637,298)
Balance at the end of the year	37,287,469

The non-controlling interest at the end of the year comprises interests in:

Share capital	37,285,986
Retained profits	1,483
	37,287,469

The net assets not held by Eildon Capital Limited are identified as non-controlling interests. The equity of Eildon Capital Trust is held directly by stapled security holders and is accounted for in accordance with AASB 3 *Business combinations*. The non-controlling interest represents the equity held by unitholders of Eildon Capital Trust.

## Note 17: Financial Instruments

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

EDC 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 risk.

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

### a) Interest Rate Risk

EDC's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the reporting date are as follows:

	Note	Weighted average interest rate \$	Floating interest rate \$	Fixed interest rate 1 year or less \$	Fixed interest rate 1 to 5 years \$	Non-interest bearing \$	Total
<b>2020</b>							
<b>Financial assets</b>							
Cash and cash equivalents	6	0.3%	8,486,029	-	-	-	8,486,029
Trade and other receivables	7	-	-	-	-	51,307	51,307
Financial assets at amortised cost	9	14.4%	-	19,915,799	10,949,440	-	30,865,239
			8,486,029	19,915,799	10,949,440	51,307	39,402,575
<b>Financial liabilities</b>							
Trade and other payables	11	-	-	-	-	1,066,817	1,066,817
<b>2019</b>							
<b>Financial assets</b>							
Cash and cash equivalents	6	0.8%	6,936,845	-	-	-	6,936,845
Trade and other receivables	7	-	-	-	-	44,693	44,693
Financial assets at amortised cost	9	15.8%	-	15,547,239	11,514,784	-	27,062,023
			6,936,845	15,547,239	11,514,784	44,693	34,043,561
<b>Financial liabilities</b>							
Trade and other payables	11	-	-	-	-	1,102,190	1,102,190

EDC holds a significant amount of cash balances which are exposed to movements in interest rates. To reduce the risk EDC typically deposits uncommitted cash in high interest rate accounts with financial institutions. Interest bearing loans and receivables are made at fixed rates. EDC is not charged interest on outstanding trade and other payable balances.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## Note 17: Financial Instruments (Cont.)

### a) Interest Rate Risk (Cont.)

#### Sensitivity

As EDC expects interest rates to stay the same during the 2021 financial year (2020: decreased by 50 basis points), at reporting date there would be no impact on EDC, with all other varieties held constant. The impact for the 2019 financial year was:

	Decrease of 50 bp \$
<b>2019</b>	
Net loss	13,630
Equity movement	13,630

### b) Credit Risk Exposure

Credit risk refers to the loss that EDC would incur if a debtor or counterparty fails to perform under its obligations. EDC is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables and loans to various entities. The carrying amounts of financial assets recognised in the statement of financial position best represent EDC's maximum exposure to credit risk at reporting date.

EDC's significant concentration of credit risk relates to deposits held with financial institutions, which is mitigated by the requirement that deposits are only held with institutions with an "investment grade" credit rating, and loans made to various entities, which are mitigated by collateral held with a value in excess of the counterparty's obligations to EDC, providing a "margin of safety" against loss.

EDC 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.

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

	2020 \$	2019 \$
Cash and cash equivalents	8,486,029	6,936,845
Trade and other receivables		
Government	13,977	15,262
Other – unrated	37,330	29,431
	51,307	44,693
Financial assets at amortised cost		
Other – unrated	30,865,239	27,062,023

## Note 17: Financial Instruments (Cont.)

### c) Liquidity Risk

Liquidity risk is the risk that EDC might be unable to meet its obligations. EDC manages liquidity risk by maintaining sufficient cash balances and holding liquid investments that could be realised to meet commitments. EDC continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details maturity profiles of EDC's contractual liabilities.

	Less than 6 months \$	Total \$
<b>2020</b>		
Trade and other payables	1,066,817	1,066,817
<b>2019</b>		
Trade and other payables	1,102,190	1,102,190

### d) Fair Value of Financial Assets and Liabilities

Fair value reflects the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When an active market does not exist, fair values are estimated using valuation techniques, based on market conditions prevailing at the measurement date. Such techniques include using recent arm's length market transactions; net asset backing and reference to current market value of another instrument that is substantially the same.

The fair value of liquid assets maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities.

Judgements and estimates were made in determining the fair values of certain 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, EDC 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.



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## Note 17: Financial Instruments (Cont.)

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

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) \$	
<b>Year ending 30 June 2020</b>	
<b>Financial assets</b>	
<b>Financial assets at fair value through profit or loss</b>	
Shares in unlisted corporations	2,144,638
<b>Year ending 30 June 2019</b>	
<b>Financial assets</b>	
<b>Financial assets at fair value through profit or loss</b>	
Shares in unlisted corporations	12,487,808

	2020 \$	2019 \$
<i>Reconciliation of Level 3 fair value movements:</i>		
<b>Balance at the beginning of the year</b>	<b>12,487,808</b>	469,668
Purchases	<b>6,201,397</b>	11,688,961
Sales	<b>(16,626,055)</b>	-
Interest and fees	<b>81,488</b>	329,179
<b>Balance at the end of the year</b>	<b>2,144,638</b>	12,487,808

The fair value of Level 3 Financial assets at fair value through profit or loss has been determined with reference to valuation techniques being net asset backing. Refer note 10.

#### Sensitivity analysis

The table below shows the pre-tax sensitivity to reasonable possible alternative assumptions for Level 3 assets whose fair values are determined in whole or in part using unobservable inputs.

	Net profit/(loss)		Equity increase/(decrease)	
	2020 \$	2019 \$	2020 \$	2019 \$
<b>Shares in unlisted corporations</b>				
Favourable changes	<b>214,464</b>	1,248,781	<b>214,464</b>	1,248,781
Unfavourable changes	<b>(214,464)</b>	(1,248,781)	<b>(214,464)</b>	(1,248,781)

## Note 17: Financial Instruments (Cont.)

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

#### Significant unobservable inputs

The following table contains information about the significant unobservable inputs used in Level 3 valuations, and the valuation techniques used to measure fair value. The range of values represent the highest and lowest input used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets.

	Valuation Techniques	Significant Unobservable Inputs	Range of Inputs	
			Minimum	Maximum
Shares in unlisted corporations	Net asset backing	Value per security	Down 10%	Up 10%

## Note 18: Segmental Information

EDC operates in one business segment being an investment group and in one geographical location being Australia.

	2020 \$	2019 \$
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## Note 19: Related Party Information

### a) Key Management Personnel

Salary based payment	89,802	91,324
Post-employment benefits – superannuation	8,531	8,676
	<b>98,333</b>	<b>100,000</b>

The only key management personnel of EDC are the directors and company secretary. EDC does not have any other employees. Detailed remuneration disclosures are provided in the remuneration report.

### b) Transactions with Related Parties

EDC 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 EDC, 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 \$783,116 (2019: \$818,873) were paid to Eildon Funds Management Limited of which \$135,128 (2019: nil) is payable at year end. During the year Messrs Avery and Hunter were directors of Eildon Funds Management Limited.

### c) 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.

### d) Loan with Related Party

\$153,093 has been provided to Kingsgrove (Vanessa Road) Unit Trust during the 2019 financial year. The loan was fully repaid during the year.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
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## Note 20: Commitments and Contingent Liabilities

### a) Loans and Other Investments

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

Related entities	-	245,090
Unrelated entities	107,500	643,453
	107,500	888,543

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

Unrelated entities	1,235,654	7,246,014
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### b) Contingent Liabilities

Commencing 1 January 2016, a performance fee is payable to Eildon Funds Management Limited where EDC 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 EDC in excess of the 9% hurdle rate, after factoring in dividends and other distributions.

No performance fee is payable for the 2020 and 2019 financial years.

### c) 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 (i)	869,400	869,400
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Notes:

- (i) The guarantee provided by EDC 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 21: 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 Suite 4, Level 6, 330 Collins Street, Melbourne Victoria 3000.

## Note 22: Subsequent Events

A distribution of 1.5569 cents per unit amounting to \$637,298 was declared on 24 June 2020 and paid 24 July 2020.

Subsequent to year end EDC has made a commitment to make an investment of \$2.9 million in a loan opportunity in JAK Contributory Mortgage Fund, of which \$1,674,819 has been transferred.

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 EDC, the results of those operations or the state of affairs of EDC in financial periods subsequent to 30 June 2020.

## Note 23: Stapled Entity

The consolidated financial statements include Eildon Capital Trust. On 24 April 2020, a restructure was undertaken by the Company such that a distribution was completed, which included a return of capital and a fully franked dividend to shareholders of the Company. The distribution was compulsorily applied to the subscription for units in Eildon Capital Trust. An agreement was signed on 18 March 2020 that has the effect of stapling the shares of the Company to the units of Eildon Capital Trust, and although the two entities are separate legal entities, their shares/units are not able to be separately traded. The restructure has no impact on the overall financial position of EDC.

Although Eildon Capital Limited does not have an ownership interest in Eildon Capital Trust, the Company has been identified as the acquirer and the parent entity for the purpose of preparing the consolidated financial statements and Eildon Capital Trust is deemed to be the acquiree.

# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2020

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 consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 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 Eildon Capital Limited will be able to pay its debts as and when they become due and payable.

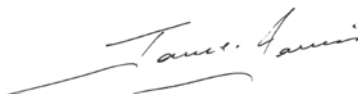
This declaration has been made after receiving the declarations required to be made to the Directors in accordance with s. 295A of the *Corporations Act 2001* for the financial period ended 30 June 2020.

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

Dated at Sydney 31 August 2020.



**Mark Avery**  
Director



**James Davies**  
Director



# Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2020

*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") and its stapled entity Eildon Capital Trust (together referred to as "the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary 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 Group's financial position as at 30 June 2020 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 Group 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
<b>Recoverability of Financial Assets at Amortised Cost (Note 9)</b>	
<p>The Group has a material balance of loan receivable assets as at 30 June 2020 which requires a significant amount of judgement in assessing the recoverable values.</p> <p>A large portion of the balance relates to loans provided to corporate entities associated with property development activities.</p> <p>The Group assesses the recoverability of loans utilising an Expected Credit Loss model. The Group applied judgement in the determination of the expected loss rates in respect of the loan balances. This included an assessment of the creditworthiness of the relevant counterparty and consideration of the estimated value of any secured assets provided as collateral.</p> <p>The expected loss rates included consideration of the economic impacts and impact on property related assets values due to the COVID-19 pandemic in Australia.</p>	<p>We reviewed loan agreements and other supporting documentation to gain an understanding of the loan facilities and any related secured assets provided as collateral by the borrowers.</p> <p>We obtained management's assessment of loan recoverability and expected credit loss assessment. We discussed the assessment methodology and assumptions and judgement adopted with management.</p> <p>We assessed the expected credit loss assessment for reasonableness against our understanding of historical losses experienced by the Group and the observed economic impact of COVID-19 on the loan counterparties and the industries in which they operate.</p> <p>We considered and assessed the estimated value of a sample of the secured assets provided as collateral for the loans.</p>

# Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2020

Key Audit Matter	How our audit addressed the key audit matter
<b>Investments Accounted for using the Equity Method (Note 8)</b>	
<p>The Group accounts for investments held in entities over which it has significant influence utilising the equity method. The initial investments are recognised at cost and subsequently adjusted to recognise the Group's share of profit or loss of the investee. The Group assesses the carrying value of the equity accounted investment for indicators of impairment with reference to the estimated fair value of the assets and liabilities held by the investee.</p> <p>Given the material value of the Group's investments accounted for using the equity method</p> <p>and the degree of judgement and estimation required in assessing any additional impairment loss, it is considered to be a key audit matter.</p>	<p>We reviewed management's assessment and documented considerations of significant influence over the investees for which the equity method of accounting is applied.</p> <p>We reviewed management's calculation of the Group's share of the investees profit or loss for the year with reference to the associate's recent financial statements and supporting information. Recalculations of the movement for the period were performed.</p> <p>We assessed Management's application of judgement and estimation in assessing the carrying value of investments in associates for impairment with reference to external valuations and other supporting documentation.</p> <p>We have assessed the adequacy of the disclosures within the financial statements as at 30 June 2020 for compliance with Australian Accounting Standards.</p>

<b>Fair Value of Unlisted Investments (Note 10)</b>	
<p>The Group holds interests in unlisted investments, held at fair value. Management assess the fair value of unlisted investments via the application of valuation techniques which include recent arm's length transactions in the equity of the investee, net asset backing, discounted cash flow analysis or with reference to the market value of another instrument that is substantially the same.</p> <p>The value of these investments are material to the financial statements and determining the fair value of the investments requires a high degree of judgement and estimation. Therefore, it is considered to be a key audit matter.</p>	<p>Our procedures in relation to the valuation of unlisted investments included; A review of management's adopted valuation methodologies and applied techniques; reviewing valuation inputs including evidence of recent arm's length transactions and agreeing these transactions to external sources; assessing the relevance and sensitivity of various inputs to the applied valuation techniques including reference to market and economic trends and observations as applicable to the industries and markets in which the investee operates.</p> <p>We have assessed the adequacy of the disclosures within the financial statements as at 30 June 2020 for compliance with Australian Accounting Standards.</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 Group's annual report for the year ended 30 June 2020, 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.

## Responsibilities of the Directors for the Financial Report (Cont.)

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group 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 Group'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 Group'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 Group 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 2020.

In our opinion, the Remuneration Report of Eildon Capital Limited for the year ended 30 June 2020 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  
31 August 2020

# Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2020

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 2020.

## **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 Mark Avery, Mr James Davies, Ms Michelle Harpur and Mr Craig Treasure.

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 activities of Eildon Capital to the Managing Director and the Manager under its AFSL.

**Recommendation 1.2 - A listed entity should:**

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and**
- (b) 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:**

- (a) 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;**
- (b) disclose that policy or a summary of it; and**
- (c) 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:**
  - (i) 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**



**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 the company secretary, the board aims to:

- promote the principles of merit and fairness when considering Board member appointments; and
- recruit 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 2020 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 2020

## 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 three Independent Directors:

- James Davies (appointed 18 October 2016);
- Michelle Harpur (appointed 18 October 2016); and

- Craig Treasure (appointed 1 May 2020)

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.

## **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;
- Craig Treasure – Independent Director; and
- Mark Avery – Managing Director

### **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 non-executive 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 Craig Treasure.

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);
- review and monitor risks and the implementation of mitigation measures for those risks as appropriate;

# Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2020

## **Principle 4 – Safeguard integrity in corporate reporting (Cont.)**

### **Recommendation 4.1 (cont.):**

- 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:**

- (a) **have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and**
- (b) **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.eildoncapital.com/investor-info.html](http://www.eildoncapital.com/investor-info.html)

**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.

## **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.

As the business strategy has remained consistent for the last 12 months, a formal review has not been completed by the Audit and Risk Committee during the last 12 months. However, management is in the process of undertaking a full review following the restructure of Eildon Capital into a stapled company and trust on 24 April 2020, as well as assessing the impact of COVID-19.

#### **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.

# Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2020

## **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.**

### **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 2020

The following information was current as at 26 August 2020.

## DISTRIBUTION SCHEDULE

The distribution of stapled security holders and their security holdings was as follows:

Category (size of holding)	Number of ordinary stapled security shareholders
1 – 1,000	43
1,001 – 5,000	102
5,001 – 10,000	80
10,001 – 100,000	170
100,001 – over	28
<b>Total</b>	<b>423</b>

	Minimum parcel size	Number of stapled security holders
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## UNMARKETABLE PARCELS

Minimum \$500.00 parcel at \$0.935 per stapled security	535	32
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## SUBSTANTIAL HOLDERS

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

Stapled security holder	Number of ordinary stapled securities in which interest held
CVC Limited	18,638,972
J P Morgan Nominees Australia Limited	3,459,696
Chemical Trustee Limited	3,069,377

## 20 LARGEST STAPLED SECURITY HOLDERS - ORDINARY STAPLED SECURITIES

As at 26 August 2020, the top 20 stapled security holders and their holdings were as follows:

Stapled security holder	Stapled securities held	% of issued capital held
CVC Limited	18,638,972	45.53
J P Morgan Nominees Australia Pty Limited	3,459,696	8.45
Chemical Trustee Limited	3,069,377	7.50
JKM Securities Pty Ltd <LJK Noms P/L Pen Fund A/C>	2,046,500	5.00
Rubi Holdings Pty Ltd <John Rubino S/F A/C>	1,300,000	3.18
Miss Kate Imogen Leaver	662,026	1.62
Mr Alexander Beard	485,000	1.18
Thirty-Fifth Celebration Pty Ltd <JC McBain Super Fund A/C>	459,614	1.12
Buduva Pty Ltd <Baskerville S/F No 2 A/C>	375,547	0.92
Equitas Nominees Pty Limited <Pb-600755 A/C>	297,753	0.73
JPR Holdings Pty Ltd <JPR Holdings Pension A/C>	288,144	0.70
T & M Properties Pty Limited <T & M Properties Pension A/C>	288,144	0.70
Delta Asset Management Pty Ltd <Super Fund A/C>	260,000	0.64
B & J Hodges Superannuation Pty Ltd <Arakoola Super Fund A/C>	223,687	0.55
Russcas Pty Ltd <Porter Super Fund A/C>	202,856	0.50
AD & MP Beard <AD & MP Beard Super Fund>	200,000	0.49
Careen Holdings Pty Ltd <Peter Lewin Retirement A/C>	175,000	0.43
G & G Millar Pty Limited <Superannuation Fund A/C>	163,872	0.40
New Avalon Pty Ltd <Asian Tools Super Fund A/C>	162,564	0.40
Kate & Jane Pty Ltd <Future Estate S/F A/C>	155,000	0.38
	<b>32,913,752</b>	<b>80.42</b>

## 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 stapled security 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 Suite 4, Level 6, 330 Collins Street, Melbourne VIC 3000.

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**DESIGN - KETTLE OF FISH DESIGN**



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