



Elanor 

Investors Group Annual Report

For the year ended 30 June 2021



Mayfair Hotel, Adelaide, SA

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Meeting of Securityholders

Monday 22 November 2021
10:30am (Sydney time)
via live webcast.

Financial Calendar

- NOV** 22 November 2021
Meeting of Securityholders
- DEC** December 2021
Estimated interim distribution announcement
and securities trade ex-distribution
- FEB** February 2022
Interim results announcement and
Interim distribution payment
- JUN** June 2022
Estimated final distribution announcement and
securities trade ex-distribution
- AUG** August 2022
Full-year results announcement and
Final distribution payment
- SEP** September 2022
Annual tax statements

Responsible Entity

Elanor Funds Management Limited (ABN 39 125 903 031), AFSL 398196. Elanor Investors Group comprises Elanor Investors Limited (ABN 33 169 308 187) and Elanor Investment Fund (ARSN 169 450 926).

Highlights

Core Earnings

For the financial year 2021

\$15.15m

↓ 2.0%¹

Distributions

per security

11.27c

↑ 18.5%

Funds under Management

As at 30 June 2021

\$2.07bn

↑ 23%

Recurring Funds Management Income

excl. acquisition fees

\$21.8m

↑ 40.7%

Funds Management Income

\$29.7m

↑ 38.2%

Net Tangible Assets

per security

\$1.43

↑ 11%

Gearing

As at 30 June 2021

21.0%

↓ from 29.7%

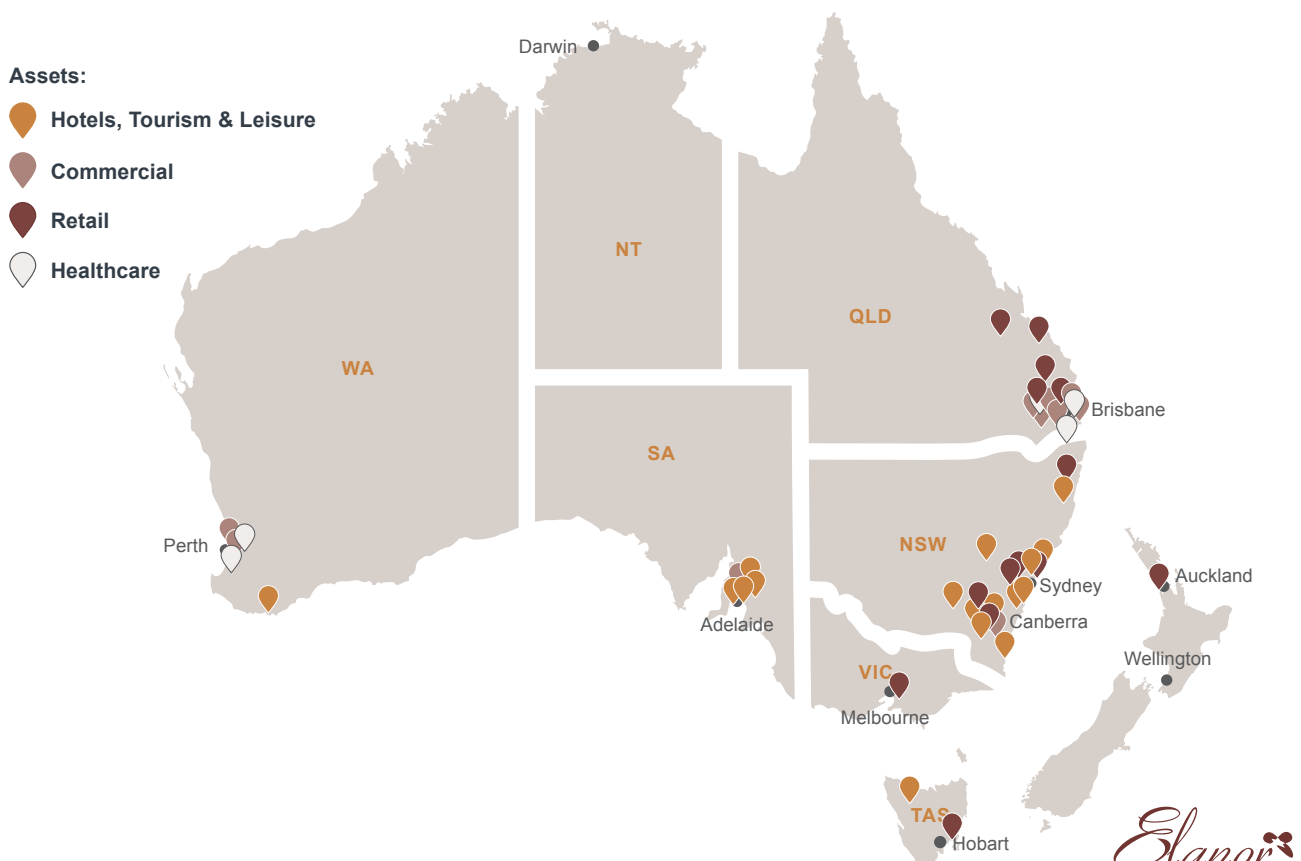
1) ~200% increase on FY20 Core Earnings pre transactional income

COVID-19 vaccination clinics at Tweed Mall, Tweed Heads NSW and Clifford Gardens Shopping Centre, Toowoomba QLD

Diversified FUM across Elanor's investment sectors of focus

| | Retail | Office | Healthcare | Hotels, Tourism and Leisure | Total |
|-------------|---|---|---------------|--|-----------------|
| 2021 | \$930m | \$511m | \$209m | \$425m | \$2,075m |
| | ASX:ERF \$247m Waverley: \$182m Fairfield: \$106m Riverside: \$66m Hunters: \$60m Bluewater: \$56m Belconnen: \$67m Clifford: \$145m | ASX:ECF \$394m Burke: \$82m Stirling: \$36m | EHREF \$209m | EMPR \$180m ELHF \$179m EWPF \$65m | |
| 2020 | \$765m | \$415m | \$128m | \$384m | \$1,692m |
| 2019 | \$769m | \$300m | \$Nil | \$318m | \$1,387m |

The Group's investments are located across Australia and New Zealand



Making a positive impact

The Smith Family

Elanor's three-year strategic partnership with The Smith Family to initially support 112 Senior Secondary students in the Learning for Life scholarship program. We are pursuing a range of other exciting initiatives with The Smith Family to leverage Elanor's networks, staff, and portfolio of assets around Australia.

Building resilience and strength within communities

We commemorated the reopening of Mogo Wildlife Park following the catastrophic 2020 bush fires that ravaged the NSW South Coast. Mogo Wildlife Park holds particular significance to the local community – its survival and future reflects the communities hope for their own futures.

Strategic renewable energy initiative

Through our collaboration with Solar Bay and Momentum Energy we will deliver a combination of on-site and off-site renewables that will meet 100% of the energy needs at the Waverley Gardens Shopping Centre, making it one of Australia's first totally renewable-powered shopping centres. This model will be implemented across a number of other assets in the Group's retail portfolio including Tweed Mall, Neeta City, Riverside Plaza, Gladstone Square and Hunters Plaza.



Driving energy efficiency across the Group's Commercial Office investments

Workzone West
202 Pier Street (WA)



Garema Court
140-180 City Walk (ACT)



Nexus Centre
Upper Mt. Gravatt (QLD)

34 Corporate Drive
Cannon Hill (QLD)



The critically endangered
Plains Wanderer



Promoting the conservation of native species at our Wildlife Parks

Working with the Office of Environment & Heritage, Elanor has been instrumental in the establishment and support of the 'Saving our Species' program for the Plains Wanderer, one of the most taxonomically significant bird species in Australia.

In partnership with the Australian Museum, Elanor supported its work to map the full genome sequence of the koala. This work is crucial for the long term survival of the species.

Across the three Elanor Wildlife Parks there are 50 endangered species of Australian animals which are involved in active breeding programs, some of which are not present in any other park worldwide.

Message from the Chairman

On behalf of the Board, I am pleased to present Elanor Investors Group's Annual Report, including its Financial Statements for the year ended 30 June 2021



Despite the on-going challenging times, the year ended 30 June 2021 has been another successful year for the Group, both financially and strategically. Financially, the Group achieved Core Earnings of \$15.15 million and funds under management grew to \$2.07 billion (up 23% since 30 June 2020).

Strategically, the 23% growth in funds under management and the 38% growth in our funds management income are very much in line with our ongoing strategy of growing our recurring income. Also, the post balance-date sale of a substantial interest in the Elanor Luxury Hotel Fund (approved unanimously by security holders at the September 29th Extraordinary General Meeting) from Elanor Investors Group to the newly launched \$346 million Elanor Hotel and Accommodation Fund, realises a significant step in the execution of Elanor's capital-lite strategy. This entails Elanor selling down its larger co-investment holdings, with the key objective of holding no more than 15% in our listed and unlisted REITs, and recycling the released capital to support further growth in FUM.

Results

The results for the 2021 Financial Year reflect the continuing growth and reliability of our funds management platform. Core Earnings for the period was \$15.15 million, or 12.52 cents per stapled security. Underpinning this result is the strong performance of the funds management business, with

revenues from funds management being \$29.69 million, which includes an increase of 40.7% in recurring funds management fees. Growing recurring management fees is a major focus of the business. Elanor's conservative gearing of 21.0% as at 30 June 2021 combined with available capital for growth provides the Group with capacity to continue to grow our funds under management.

Achievements

The primary achievement in the 2021 Financial Year is Elanor's continuing ability to grow funds under management, reaching \$2.07 billion, a growth rate of 23% over the year. This growth was supported by the good performance of the vast majority of our funds over the period (despite challenging conditions), with the value of assets increasing in all sectors. The establishment of new managed funds across the Group's retail, commercial, healthcare and hotels, tourism and leisure sectors was the prime driver of the Group's FUM growth.

Further detail and commentary of the 2021 Financial Year results and specific achievements can be found in the CEO's Message that follows.

Market Conditions

The COVID-19 pandemic has, and continues to present, challenging operating and market conditions. It is difficult to predict future market conditions with the lifting of COVID-19 related restrictions still ahead of us. While the Group has

been impacted by the effects of the COVID-19 pandemic, the solid and resilient performance of our assets and funds is encouraging.

Governance

The Board continues to strengthen the Group's corporate governance structure and processes consistent with Elanor's strategic intent and operating activities. The Group's Environmental, Social and Governance (ESG) Management Committee, chaired by the CEO, and the further development of the Group's Risk Management Framework and Work, Health and Safety regimes combine to enable Elanor to execute on its sustainability and governance objectives.

Acknowledgements

The management team, led by CEO, Glenn Willis, have never worked harder than the past financial year, with nearly all staff working longer hours in these challenging times. This is very much acknowledged and appreciated.

The loyal support of securityholders and investors in our funds is much appreciated. Elanor's management team work hard for you and in the 2021 Financial Year have demonstrated an ability to solve the many business issues presented by the pandemic, while, as evidenced by this year's results, still growing the business.

Thank you to my colleagues on the Board for your input at the many meetings over the past year. Lim Kin Song, representing major shareholder Rockworth Capital Partners, retired in the 2021 Financial Year. We wish him well and thank him for his input since joining the board in 2019. Due to Lim Kin Song's retirement, we welcome Lim Su Kiat, who was recently (1 October 2021) appointed to the board as Rockworth's new nomination.

I look forward to discussing the business further at our Annual General Meeting in Sydney on 22 November 2021.

Yours sincerely,



Paul Bedbrook
Chairman

Funds under Management

As at 30 June 2021

\$2.07bn

↑ 23%

Clifford Gardens Shopping Centre,
Toowoomba, QLD



CEO's Message

I am pleased to present Elanor Investors Group's Annual Report for the year ended 30 June 2021



Over the year we made significant progress toward our mission for the Group: to grow Elanor into a leading real estate funds management group known for delivering exceptional investment returns and making positive and impactful social and environmental contributions to the communities in which we operate, and more broadly.

The management team has achieved strong growth in our funds management business over the period despite the prevailing market conditions impacting some of our investment sectors of focus.

We are pleased with the 23% growth in our Funds Under Management from \$1.69 billion to \$2.07 billion over the year and the 38% growth in our funds management income over the period. We are particularly pleased with the growth in recurring funds management income, increasing 40.7% to \$21.8 million as at 30 June 2021.

We are equally pleased with the significant sustainability outcomes the Group has achieved over the year, including our partnership with The Smith Family to support disadvantaged youth, our Solar Bay partnership initiatives, the improvements in energy efficiency across the Group's commercial office portfolio, the sustainable procurement initiatives for our hotels, and our significant species preservation initiatives across the Group's Wildlife Parks.

The Group's managed funds have performed well over the period notwithstanding challenging market

conditions in some of our sectors of focus. Valuations in aggregate across all comparable assets at 30 June 2021 have increased by 5% or \$70 million. A significant number of funds management initiatives were successfully completed during the year, including the successful repositioning and divestment of the Auburn Central shopping centre for securityholders in the Elanor Retail Property Fund (ERF). The delivery of strong investment performance during the year has maintained Elanor's exceptional investment track record with an average Internal Rate of Return (IRR) of 19% p.a. on realised investments. We remain confident that our funds management platform will continue to deliver strong investment performance for both Elanor securityholders and the Group's capital partners.

Strategically, we executed on a range of initiatives during the year including our capital-led growth objectives, with a significant expansion in our wholesale private investor base and institutional capital partners. Our strengthened capital origination and asset management teams, combined with the Group's growth capital and strong pipeline of funds management opportunities, position Elanor for further significant growth in funds under management and securityholder value.

In addition to our core sectors of focus – retail real estate, commercial real estate, healthcare real estate and hotels, tourism and leisure – we continue to investigate other real estate sectors that

present high investment quality funds management opportunities. Furthermore, we continue to evaluate strategic opportunities to achieve our growth objectives.

Investment Approach

Whilst a key strategic objective of the Group is to grow funds under management, it is critical that we deliver strong investment returns for both the Group's funds management capital partners and Elanor securityholders in a sustainable and socially positive manner. As such, we evaluate acquisition opportunities through both a value-for-risk and sustainability lens. Furthermore, our highly active approach to asset management is central to us delivering strong investment performance.

The Group will continue to execute on its key strategic objective of growing funds under management in an increasingly capital efficient manner.

Key Results

- Core Earnings for the period of \$15.2 million, 11.27 cents per security
- Distribution for the period of 11.27 cents per security (90% Payout ratio)
- Growth in Funds Under Management of \$0.4 billion to approximately \$2.1 billion
- Funds management income of \$29.7 million for the year, an increase of 38.2%
- Recurring funds management income increased 40.7% to \$21.8 million

Funds Management Income

\$29.7m

↑ 38.2%

Recurring Funds Management Income

\$21.8m

↑ 40.7%

- The valuations of the Group's comparable Managed Funds asset portfolio at 30 June 2021 reflected an increase of 5% (\$70 million) from 30 June 2020
- Net Tangible Assets per security grew by 11% to \$1.43, reflecting growth in the value of the underlying properties in ENN Managed Funds
- Gearing of 21.0%, down from 29.7% at 30 June 2020

Funds Management

The Group completed the following funds management initiatives during the year:

- Establishment of the Clifford Gardens Fund in June 2021 which acquired the Clifford Gardens shopping centre in Toowoomba QLD for \$145 million
- Establishment of the Burke Street Fund in November 2020 which acquired the commercial office and healthcare properties at 2 Burke Street and 163 Ipswich Road, Woolloongabba QLD for \$80.2 million
- Three acquisitions by the Elanor Healthcare Real Estate Fund, growing the value of the fund's portfolio to approximately \$209 million:
 - Woolloongabba Community Health Centre in Brisbane, QLD for \$37.3 million in October 2020
 - 2 Civic Boulevard in Rockingham, WA for \$22.9 million in December 2020
 - Broadway Medical Centre in Ellenbrook, WA for \$12 million in May 2021

- The acquisition of the Hunter Valley Zoo in May 2021 for the Elanor Wildlife Park Fund, growing the Elanor Wildlife Park Fund to over \$60 million
- The establishment of the Riverside Plaza Syndicate in September 2020 which acquired the Riverside Plaza neighbourhood shopping centre in Queanbeyan, NSW for \$60 million
- Elanor Retail Property Fund completed the sale of Auburn Central in December 2020 for \$129.5 million (3.0% premium to book value), following its transformation to a triple-supermarket anchored, metropolitan neighbourhood shopping centre.

Subsequent to 30 June 2021, Elanor completed the following significant funds management initiatives:

- On 2 August 2021, the Elanor Commercial Property Fund (ASX: ECF) acquired the commercial office property located at 50 Cavill Avenue, Surfers Paradise, QLD for \$113.5 million, growing ECF's portfolio to 8 commercial office assets valued at \$498 million
- On 19 August 2021, the Group announced the establishment of the \$346 million Elanor Hotel Accommodation Fund (EHAF) (through the acquisition of the Elanor Luxury Hotel Fund and the Albany Hotel Syndicate by the Elanor Metro and Prime Regional Hotel Fund), thereby releasing \$25 million of growth capital for Elanor and generating a \$10.5 million gain on sale for ENN in 1HFY22

- On 22 August 2021, the Elanor Retail Property Fund (ASX: ERF) successfully executed its strategy to divest the Fund's Income Assets with the sale of the Moranbah Fair property at its book value of \$28 million

The Group's strong track record and growing investor base continues to be evidenced by the increasing demand from its capital partners for newly established funds. Furthermore, the Group has significantly increased its investment origination and capital raising capability during the year, with several key appointments to the funds management team.

Investment Portfolio

The value of the Group's investment portfolio totalled \$211 million as at 30 June 2021. Elanor's investment portfolio consists of the Group's co-investments in funds managed by Elanor and wholly owned assets that provide opportunities for future co-investment by external capital partners.

Capital Management

The Group remains conservatively geared at 21.0%, which primarily reflects the \$60 million of unsecured 5-year Corporate Notes.

The Group holds significant growth capital, with cash and available facilities of \$38 million at 30 June 2021. Completion of the recently announced EHAF transaction has released \$25 million, with a further \$58 million of growth capital to be released as we sell down to a 15% co-investment level in the Fund.

CEO's Message

200 Adelaide St, Brisbane, QLD



This capital, in conjunction with available bank facilities, will be used to fund the Group's short to medium term funds management growth objectives. We estimate that this available growth capital will support the growth of the Group's funds under management to approximately \$4.5 billion, based on future co-investment levels of 10%.

Our intention remains for the Group's balance sheet to be conservatively geared, while maintaining capital capacity to take advantage of opportunities arising from asset valuation cycles.

Impact of COVID-19

The COVID-19 pandemic has created challenging trading conditions for some of the Group's managed fund assets, particularly in the hotels, tourism and leisure and retail real estate sectors.

The Group was well positioned for the challenges created by the COVID-19 pandemic with a portfolio of high investment quality assets and a highly capable funds management and asset management team. The Group continues to respond to these challenging and uncertain market conditions to minimise any potential impacts on Elanor's managed funds.

Our Approach to Sustainability

As a funds management business we understand the importance of managing environmental, social and governance factors in how we deliver value for our investors and other stakeholders. We are acutely aware of our responsibility to the communities in which we operate and to society more generally. Making a positive impact for the communities we rely on is implicit in how we undertake our funds management business. Our recent partnership with The Smith Family to support disadvantaged young Australians with their education needs is a significant social investment for the Group – one where we seek to make a major impact over the coming years.

Outlook

The Group's key strategic objectives remains unchanged: To grow our funds under management in a sustainable and socially positive way, to deliver strong investment returns for our capital partners and securityholders, and to grow Elanor in a capital lite manner.

Elanor is committed to the investment philosophy of acquiring assets that have strong and differentiated market positions. While market conditions in some of our sectors of focus remain challenging and uncertain, we have a strong and mature pipeline of funds management opportunities.

Furthermore, we are actively pursuing opportunities in new real estate sectors and continue to explore strategic opportunities to deliver our growth objectives.

I wish to sincerely thank my fellow executives across the Group, our Seniors Advisors, and my fellow Executive Management Committee and Board members. The progress we have achieved over the year is a testimony to your commitment to growing Elanor into a leading real estate funds management group.

Yours sincerely,

Glenn Willis
Managing Director and
Chief Executive Officer

Financial Report

*for the year ended
30 June 2021*

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Directors' Report

The Directors of Elanor Investors Limited (Company), and the Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Investment Fund, present their report together with the consolidated financial report of Elanor Investors Group (Group, Consolidated Group or Elanor) and the consolidated financial report of the Elanor Investment Fund (EIF Group) for the year ended 30 June 2021 (period).

The annual financial report of Elanor Investors Group comprises the Company and its controlled entities, including Elanor Investment Fund (Trust) and its controlled entities. The annual financial report of the EIF Group comprises Elanor Investment Fund and its controlled entities.

Elanor Investors Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 38, 259 George Street, Sydney NSW 2000.

The Trust was registered as a managed investment scheme on 21 May 2014 and the Company was incorporated on 1 May 2014.

The units of the Trust and the shares of the Company are combined and issued as stapled securities in the Group. The Group's securities are traded on the Australian Securities Exchange (ASX: ENN). The units of the Trust and shares of the Company cannot be traded separately and can only be traded as stapled securities. Although there is no ownership interest between the Trust and the Company, the Company is deemed to be the parent entity of the Group under Australian Accounting Standards.

The Directors' report is a combined Directors' report that covers both the Company and the Trust. The financial information for the Group is taken from the consolidated financial reports and notes.

1. Directors

The following persons have held office as Directors of the Responsible Entity and Company during the period and up to the date of this report:

- Paul Bedbrook (Chairman)
- Glenn Willis (Managing Director and Chief Executive Officer)
- Nigel Ampherlaw
- Lim Kin Song (Resigned 25 January 2021)
- Anthony Fehon

2. Principal activities

The principal activities of the Group are the management of investment funds and syndicates and the investment in, and operation of, a portfolio of real estate assets and businesses.

3. Distributions

Distributions relating to the year ended 30 June 2021 comprise:

| Distribution | Year Ended 30 June 2021 |
|---|--------------------------------|
| Interim Distribution | |
| Amount payable (cents per stapled security) | 4.13 |
| Payment date | 5 March 2021 |
| Final Distribution | |
| Amount payable (cents per stapled security) | 7.14 |
| Payment date | 3 September 2021 |

The Final Distribution of 7.14 cents per stapled security brings distributions in respect of the year ended 30 June 2021 to 11.27 cents per stapled security.

4. Operating and financial review

OVERVIEW AND STRATEGY

The key strategic objective of Elanor is to invest in real estate assets that deliver strong returns for both Elanor's funds management capital partners and Elanor's securityholders.

Elanor's investment focus is centred on acquiring and unlocking value in assets that provide strong income and capital growth potential. Acquisition opportunities are evaluated through both a value for risk and sustainability lens. Elanor's highly active approach to asset management is a critical driver to delivering investment performance. The Group seeks to co-invest with its funds management capital partners for both strategic and alignment purposes. The Group also originates and holds investments on balance sheet to provide opportunities for future co-investment by Elanor's capital partners.

Elanor's key investment sectors of focus are the commercial office, healthcare real estate, retail real estate and accommodation hotels, tourism and leisure sectors.

During the year, Elanor increased its funds under management from \$1,692.0 million to \$2,073.2 million and its co-investments and balance sheet investments from \$203.2 million to \$216.4 million. The growth in assets under management has been supported by strong growth in capital sourced through institutional and wholesale capital partners.

The significant funds management initiatives completed during the year included:

- The establishment of the Riverside Plaza Syndicate in September 2020 which acquired the Riverside Plaza neighbourhood shopping centre in Queanbeyan, NSW, for \$60.0 million.
- Three property acquisitions by the Elanor Healthcare Real Estate Fund, growing the value of the fund's portfolio to approximately \$209 million:
 - Woolloongabba Community Health Centre in Brisbane, QLD for \$37.3 million in October 2020,
 - 2 Civic Boulevard property in Rockingham, WA for \$22.9 million in December 2020,
 - Broadway Medical Centre in Ellenbrook, WA for \$12.0 million in May 2021.
- The establishment of the Burke Street Fund in November 2020 which acquired the commercial office and healthcare properties in 2 Burke Street and 163 Ipswich Road, Woolloongabba QLD for \$80.2 million.
- The sale of Auburn Central from the Elanor Retail Property Fund (ASX: ERF) which completed in December 2020 for \$129.5 million (4.0% premium to book value), following its transformation into a triple-supermarket anchored, metropolitan neighbourhood shopping centre.
- The establishment of Clifford Gardens Fund in June 2021 which acquired the Clifford Gardens shopping centre in Toowoomba QLD for \$145.0 million.
- The acquisition of the Hunter Valley Zoo in May 2021, for \$9.0 million, into the Elanor Wildlife Park Fund, growing the value of the fund's portfolio to over \$60 million.

Furthermore, subsequent to 30 June 2021, Elanor has completed the following significant funds management initiatives:

- On 2 August 2021, the Elanor Commercial Property Fund (ASX: ECF) acquired the commercial office property located at 50 Cavill Avenue, Gold Coast, QLD for \$113.5 million, growing ECF's portfolio to 8 high investment quality commercial property assets valued at \$498 million.
- On 22 August 2021, the Elanor Retail Property Fund (ASX: ERF) successfully divested the Moranbah Fair property at book value, for \$28.0 million.

Directors' Report

4. Operating and financial review (continued)

ENN's strong investment track record (average realised IRR of 19%) continues to drive demand from wholesale and institutional investors for the Group's funds. Elanor has a high calibre and scalable funds management platform with substantial capacity for growth. Further investment has been made in the platform during the year. Elanor is well positioned to grow its funds management business.

MANAGED FUNDS AND INVESTMENT PORTFOLIO

The following tables show the Group's Managed Funds and investment portfolio:

Managed Funds

| Funds | Location | Type | Gross Asset Value |
|--|----------------------------------|---|--------------------------|
| | | | \$'m |
| Elanor Commercial Property Fund (ASX: ECF) | QLD (4), SA (1), WA (1), ACT (1) | Commercial office buildings | 394.2 |
| Elanor Retail Property Fund (ASX: ERF) | NSW (2), QLD (3), TAS (1) | Sub-regional and neighbourhood shopping centres | 246.5 |
| Waverley Gardens Fund | Mulgrave, VIC | Sub-regional shopping centre | 181.5 |
| Elanor Luxury Hotel Fund | SA (2), TAS (1) | Accommodation hotels | 179.2 |
| Elanor Metro and Prime Regional Hotel Fund | NSW (6), ACT (2), SA (2) | Accommodation hotels | 180.4 |
| Elanor Healthcare Real Estate Fund | Brisbane and Gold Coast, QLD | Commercial office buildings | 128.1 |
| Fairfield Centre Syndicate | Fairfield, NSW | Sub-regional shopping centre | 106.3 |
| Belconnen Markets Syndicate | Canberra, ACT | Shopping centre | 66.7 |
| Hunters Plaza Syndicate | Auckland, NZ | Sub-regional shopping centre | 59.8 |
| Bluewater Square Syndicate | Redcliffe, QLD | Neighbourhood shopping centre | 55.8 |
| Elanor Wildlife Park Fund | Sydney and Mogo, NSW | Wildlife parks | 55.9 |
| Stirling Street Syndicate | Perth, WA | Commercial office building | 35.5 |
| Additions since 30 June 2020 | | | |
| Elanor Healthcare Real Estate Fund | QLD (1), WA (2) | Commercial office buildings | 81.0 |
| Burke Street Fund | Woolloongabba, QLD | Commercial office buildings | 82.1 |
| Riverside Plaza Syndicate | Queanbeyan, NSW | Neighbourhood shopping centre | 66.1 |
| Clifford Gardens Fund | Toowoomba, QLD | Neighbourhood shopping centre | 145.0 |
| Elanor Wildlife Park Fund | Hunter Valley, NSW | Wildlife park | 9.0 |
| Total Managed Funds | | | 2,073.2 |

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

Investment Portfolio

| Asset | Location | Type | Note | Carrying Value \$'m |
|---|----------------------------------|---|------|--|
| Hotel Ibis Styles Albany | Albany, WA | Accommodation hotel | 1 | 3.2 |
| 1834 Hospitality | Adelaide, SA | Hotel management | | 2.1 |
| | | | | Equity accounted value \$'m |
| Managed Fund | | | | |
| Co-Investments | | | | |
| Elanor Luxury Hotel Fund | SA (2), TAS (1) | Accommodation hotels | 1, 3 | 66.7 |
| Elanor Metro and Prime Regional Hotel Fund | NSW (6), ACT (2), SA (2) | Accommodation hotels | 1, 3 | 46.0 |
| Elanor Commercial Property Fund (ASX: ECF) | QLD (4), SA (1), WA (1), ACT (1) | Commercial office buildings | 2 | 38.4 |
| Elanor Retail Property Fund (ASX: ERF) | NSW (2), QLD (3), TAS (1) | Sub-regional and neighbourhood shopping centres | 2 | 31.4 |
| Waverley Gardens Fund | Mulgrave, VIC | Sub-regional shopping centre | 2 | 10.7 |
| Bluewater Square Syndicate | Redcliffe, QLD | Neighbourhood shopping centre | 3 | 7.9 |
| Elanor Wildlife Park Fund | Sydney and Mogo, NSW | Wildlife parks | 2 | 8.0 |
| Elanor Healthcare Real Estate Fund | QLD (3), WA (2) | Commercial office buildings | 2 | 5.9 |
| Hunters Plaza Syndicate | Auckland, NZ | Sub-regional shopping centre | 2 | 1.3 |
| Belconnen Markets Syndicate | Canberra, ACT | Shopping centre | 2 | 0.6 |
| Stirling Street Syndicate | Perth, WA | Commercial office buildings | 2 | 0.2 |
| Disposals since 30 June 2020 | | | | |
| Elanor Healthcare Real Estate Fund | QLD (3), WA (1) | Commercial office buildings | 2 | (5.9) |
| Total Investment Portfolio | | | | 216.4 |
| Total Managed Funds and Investment Portfolio | | | | 2,289.6 |

Note 1: All owner-occupied properties in the Hotel, Tourism and Leisure business are held for use by the Group for the supply of services and are classified as property, plant and equipment and stated at fair value in the financial statements.

Note 2: Managed Fund co-investments are associates and accounted for using the equity method.

Note 3: The co-investments in Elanor Metro and Prime Regional Hotel Fund (EMPR), Elanor Luxury Hotel Fund (ELHF) and the Bluewater Square Syndicate (Bluewater) have been consolidated in the financial statements. The amount shown assumes that the investments were accounted for using the equity method.

Directors' Report

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

Update on the Impact of COVID-19 on the Group's Operations

The operating and financial conditions across the Australian economy continue to be impacted by the COVID-19 pandemic. However, with ongoing government support packages and the improving management of COVID-19 related health outcomes, it is apparent that the Australian economy is well placed for recovery.

Commercial Office

The performance of the Group's commercial office managed funds continues to be strong. In particular, the listed Elanor Commercial Property Fund (ASX: ECF) significantly exceeded PDS forecasts, with COVID-19 having a negligible impact to Funds from Operations (FFO) for the period.

The valuation of ECF's portfolio of investment properties as at 30 June 2021 increased by 2.9% or \$11.0 million since 30 June 2020, reflecting the strength of the Fund's high investment quality commercial office properties. This increase in portfolio valuation was primarily driven by improved valuation assumptions relating to rental growth, re-leasing downtime and incentives over the next twelve months. This valuation result also reflects the strength of the Fund's tenancy profile.

As noted earlier, the Group established the Burke Street Fund during the period, with investors continuing to demand high investment quality commercial office real estate.

Healthcare Real Estate

The healthcare real estate assets in the Elanor Healthcare Real Estate Fund (EHREF) have continued to perform strongly following establishment of the Fund in March 2020. The COVID-19 pandemic had a minimal impact on the Fund's earnings.

As noted earlier in this report, the Group added three additional properties to the EHREF portfolio during the period, growing the Fund to over \$200 million. The Fund continues to experience strong investor demand.

Retail Real Estate

The relaxation of government imposed restrictions on shopping centres nationally during the period, together with easing of social distancing measures, facilitated improved levels of trading and customer visitation across the Group's shopping centre portfolio.

Any rental relief arrangements provided to tenants were consistent with the governments' Code of Conduct, with no material impact arising from new arrangements entered into with tenants. Debtor collections have been strong across the Group's non-discretionary focussed retail portfolio.

As noted earlier, the Group established the Riverside Plaza Syndicate and Clifford Gardens Fund during the period. Investor demand for value-add neighbourhood retail real estate assets remains strong.

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

Hotels, Tourism and Leisure

The accommodation hotels sector and the broader tourism and leisure industry continues to experience challenging trading conditions as a result of the COVID-19 pandemic. During the year, international borders remain closed, and most interstate borders were closed at various times during the year.

The Elanor Luxury Hotel Fund's (ELHF) hotels, Cradle Mountain Lodge and Mayfair Hotel, were affected by the closure of interstate borders. As interstate borders reopened during the year, occupancy at these hotels improved as tourism activity recovered. The Group's hotels are benefitting from the operating efficiencies implemented during the COVID period.

Domestic intrastate tourism increased during the period due substantially to international borders remaining closed. The Elanor Metro and Prime Regional Hotel Fund's (EMPR) regional hotel portfolio benefited from the increased intrastate tourism, experiencing strong trading during the year.

The Group's hotel portfolio experienced a valuation uplift 8.2% or \$26.1 million from its value at 30 June 2020, increasing from \$320.0 million to \$346.1 million. This reflects the strength of the Group's hotel portfolio and the recovery of the markets where the Group's properties operate.

Elanor Wildlife Park Fund

The Mogo Wildlife Park experienced strong trading in the period, benefiting from increased domestic tourism in the NSW South Coast region. Featherdale Wildlife Park continues to be impacted by the closure of international borders, where historically international travellers constituted a substantial proportion of its visitors. Following recent NSW Government restrictions, Featherdale Wildlife Park has remained closed since July 2021.

Summary

The trading results and outlook for the Group's Managed Funds and underlying assets improved during the year. Notwithstanding uncertainty regarding the short term economic impacts of the evolving COVID-19 pandemic, the Group remains well positioned for strong growth as market conditions recover. While the Group has a portfolio of high investment quality assets and highly capable funds management and asset management teams, prolonged border closures and shutdowns will impact negatively on the operating results of the Group.

REVIEW OF FINANCIAL AND OPERATING RESULTS

The Consolidated Group recorded a statutory profit after tax from continuing operations of \$7.8 million for the year ended 30 June 2021.

At the balance date, Elanor held a 42.94% interest in the Elanor Metro and Prime Regional Hotel Fund (EMPR), a 100% interest in the Elanor Luxury Hotel Fund (ELHF) and a 42.27% interest in the Bluewater Square Syndicate (Bluewater). For accounting purposes, Elanor is deemed to have a controlling interest in EMPR, ELHF and Bluewater given its level of ownership and role as manager of the funds. This means that the financial results and financial position of EMPR, ELHF and Bluewater are consolidated into the financial statements of the Group for the year ended 30 June 2021.

All other managed fund co-investments are accounted for using the equity method in the Group's consolidated financial statements.

Presenting the summary consolidated financial results of the Group on the basis that EMPR, ELHF and Bluewater are accounted for using the equity method is important because Elanor considers that this gives the most appropriate presentation consistent with management and reporting of the Group, and to provide a comparable basis to the presentation of the results for prior periods.

Directors' Report

4. Operating and financial review (continued)

REVIEW OF FINANCIAL AND OPERATIONAL RESULTS (CONTINUED)

Revenue from ordinary activities for the Consolidated Group for the year ended 30 June 2021 was \$82.6 million, an increase of 24.3% compared to the prior year, reflecting strong growth in the Group's funds management income and improved trading activities at the Group's hotels.

As a result of the growth in the Group's Funds Under Management the Group continues to grow recurring funds management income. The Group generated \$29.7 million of fund management income during the period (an increase of 38.2%) and had funds under management of \$2,073.2 million at 30 June 2021 (an increase of 23% from 30 June 2020).

The Group's balance sheet as at 30 June 2021 reflects Net Assets of \$244.0 million and cash on hand of \$20.8 million.

Statutory net profit for the year ended 30 June 2021 increased to \$7.8 million, an increase of \$31.2 million compared to the prior year. This reflected the significant improvement in revenue, improved share of profit from equity accounted investments and fair value gains on the revaluation of assets and investment properties.

Core or Distributable Earnings for the period was \$15.1 million or 12.52 cents per stapled security. Core Earnings represents an estimate of the underlying recurring cash earnings of the Group. Core Earnings is used by the Board to make strategic decisions and as a guide to assessing appropriate distribution declarations.

A summary of the Group and EIF Group's results for the period is set out below:

| | ENN Group 30 June 2021 | ENN Group 30 June 2020 | EIF Group 30 June 2021 | EIF Group 30 June 2020 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Summary Financial Results | | | | |
| Net profit / (loss) after tax (\$'000) | 7,817 | (23,390) | 4,977 | (11,219) |
| Net profit / (loss) after tax (\$'000) (EMPR, ELHF and Bluewater equity accounted) | 5,939 | (17,988) | 1,947 | (8,503) |
| Core Earnings (\$'000) | 15,146 | 15,434 | 13,174 | 15,132 |
| Distributions paid/ payable to security holders (\$'000) | 13,632 | 11,174 | 11,856 | 11,174 |
| Core Earnings per stapled security (cents) | 12.52 | 13.09 | 10.89 | 13.09 |
| Core Earnings per weighted average stapled security (cents) | 11.32 | 14.73 | 9.84 | 14.73 |
| Distributions (cents per stapled security / unit) | 11.27 | 9.51 | 9.80 | 9.51 |
| Net tangible assets (\$ per stapled security) | 2.01 | 1.77 | 1.77 | 1.55 |
| Net tangible assets (\$ per stapled security) (EMPR, ELHF and Bluewater equity accounted) | 1.43 | 1.29 | 1.03 | 0.91 |
| Gearing (net debt / total assets less cash) (%) | 47.2 | 53.2 | 37.7 | 44.8 |
| Gearing (net debt / total assets less cash) (%) (EMPR, ELHF and Bluewater equity accounted) | 20.9 | 29.7 | 0.0 | 10.2 |

The table below provides a reconciliation from the Group's statutory net profit / (loss) after tax to the adjusted net profit / (loss) after tax, presented on the basis that EMPR, ELHF and Bluewater are equity accounted. Elanor considers that presenting the operating performance of the Group on this adjusted basis gives the most appropriate presentation of the Group consistent with management and reporting of the Group, and to provide a comparable basis to the presentation of prior period results. The results provided on this basis are presented as the 'ENN Group'.

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS (CONTINUED)

| | ENN Group 30 June 2021 \$'000 | ENN Group 30 June 2020 \$'000 |
|---|--|--|
| Statutory Net Profit / (Loss) After Tax | 7,817 | (23,390) |
| Adjustment to remove the impact of consolidation of EMPR, ELHF and Bluewater | 1,457 | 16,277 |
| Adjustment to include the impact of accounting for EMPR, ELHF and Bluewater using the equity method | (3,335) | (10,875) |
| Adjusted Net Profit / (Loss) After Tax | 5,939 | (17,988) |

Adjusted Statement of Profit or Loss

Set out below is a build up by component of the adjusted net profit / (loss) after tax, presented on the basis that EMPR, ELHF and Bluewater are equity accounted.

| | ENN Group 30 June 2021 \$'000 | ENN Group 30 June 2020 \$'000 |
|--|--|--|
| Funds management income | 29,689 | 21,487 |
| Share of profit/(loss) from equity accounted investments | 5,679 | (16,984) |
| Revenue from investment portfolio | 2,137 | 1,601 |
| Operating expenses | (24,266) | (18,198) |
| EBITDA | 13,239 | (12,094) |
| Depreciation and amortisation | (2,450) | (2,176) |
| EBIT | 10,789 | (14,270) |
| Fair value gain/(loss) on investment properties | (1,902) | (1,831) |
| Gain / (loss) sale on investments | 2,528 | 1,449 |
| Interest income | 1,320 | 1,926 |
| Borrowing costs | (5,268) | (5,424) |
| Net profit / (loss) before income tax | 7,467 | (18,150) |
| Income tax (expense) / benefit | (1,528) | 162 |
| Adjusted net profit / (loss) after income tax | 5,939 | (17,988) |

Funds Management Income

The table below provides a breakdown of the Group's funds management income.

| | ENN Group 30 June 2021 \$'000 | ENN Group 30 June 2020 \$'000 |
|---|--|--|
| Management fees | 18,732 | 15,504 |
| Leasing and development management fees | 3,090 | – |
| Acquisition fees | 6,061 | 4,228 |
| Performance fees | 1,806 | 1,755 |
| Total funds management income | 29,689 | 21,487 |

Directors' Report

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS (CONTINUED)

Funds Management Income (continued)

As at 30 June 2021, the Group's annualised recurring funds management fees and cost recoveries was \$18.7 million, an increase of 20.8% from 30 June 2020.

The Group's leasing and development management fees continue to grow, with a strong pipeline of scheduled development and repositioning projects across the Group's Managed Funds.

Acquisition fees for the period of \$6.1 million (2020: \$4.2 million) were generated from new funds management initiatives during the period as discussed earlier in this report.

Distributions from Co-Investments

The Group measures the performance of its co-investments based on distributions received / receivable from these co-investments, rather than the share of equity accounted profit / (loss) from these co-investments. This is consistent with the treatment within Core Earnings.

The table below provides a breakdown of the Group's distributions received and/or receivable from its Managed Funds for the year ended 30 June 2021.

| | ENN Group 30 June 2021 \$'000 | ENN Group 30 June 2020 \$'000 |
|---|--|--|
| Elanor Commercial Property Fund | 3,202 | 1,809 |
| Elanor Healthcare Real Estate Fund | 135 | 246 |
| Elanor Retail Property Fund | 4,707 | 1,206 |
| Auburn Office Syndicate | – | 111 |
| Hunters Plaza Syndicate | 51 | 49 |
| Fairfield Centre Syndicate | 2 | 243 |
| Waverley Gardens Partnership | 421 | 669 |
| Stirling Street Syndicate | 115 | – |
| Elanor Metro and Prime Regional Hotel Fund | 2,200 | 1,372 |
| Elanor Luxury Hotel Fund | – | 128 |
| Elanor Wildlife Park Fund | 227 | – |
| Total distributions received/receivable from Managed Funds | 11,060 | 5,832 |

Total co-investment distributions received or receivable during the year amounted to \$11.1 million, compared to \$5.8 million received or receivable during the FY20.

The FY21 distribution received/receivable from Elanor Retail Property Fund included an amount of \$2.8 million relating to the special distribution of 12 cents per security declared by the Fund in relation to capital gains realised on the sale of the Auburn Central asset.

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

The table below provides a reconciliation from adjusted net profit / (loss) after tax to distributable Core Earnings:

| | Note | ENN Group 30 June 2021 \$'000 | ENN Group 30 June 2020 \$'000 |
|---|----------|--|--|
| Adjusted Net Profit / (Loss) After Tax | | 5,939 | (17,988) |
| Adjustments for items included in statutory profit / (loss) | | | |
| Increase in equity accounted investments to reflect distributions received / receivable | 2 | 5,424 | 22,666 |
| Net (gain) / loss on disposals of equity accounted investments | 3 | (2,468) | (1,279) |
| Profit on Sale of Featherdale Wildlife Park | | – | 26,000 |
| Profit on Sale of Featherdale Wildlife Park Retained | | – | (20,000) |
| Profit on Sale of Cradle Mountain Lodge | | – | 4,178 |
| Building depreciation expense | 4 | 34 | 34 |
| Non-cash interest expense from right of use lease liability | | 182 | (44) |
| Amortisation amounts | 5 | 4,317 | 2,681 |
| Tax and other non-cash adjustments | | 1,718 | (815) |
| Core Earnings | 1 | 15,146 | 15,434 |

Note 1: Core Earnings has been determined in accordance with ASIC RG 230 and represents the Directors view of underlying earnings from ongoing operating activities on group level for the period, being net profit / (loss) after tax, adjusting for one-off realised items (being formation or other transaction costs that occur infrequently or are outside the course of ongoing business activities), non-cash items (being fair value movements, depreciation charges on the buildings held by the Trust, amortisation of intangibles, straight lining of rental expense, and amortisation of equity settled STI and LTI amounts), and restating share of profit from equity accounted investments to reflect distributions received / receivable in respect of those investments.

Note 2: Share of profit from equity accounted investments includes depreciation and amortisation and fair value adjustments on investment property that were added back in the determination of distributable earnings for those managed funds. The Group's share of those adjustments to distributable earnings in the relevant managed funds have been added back for the purposes of calculating Core Earnings so that the Group's Core Earnings reflects the distribution received / receivable by the Group from those investments in Elanor managed funds.

Note 3: Net (gain) / loss on disposals of equity accounted investments includes adjustments for realised non-cash accounting (gains) / losses on the sale of equity accounted investments during the period, so as to only include net cash profit for the purposes of calculating Core Earnings.

Note 4: During the period, the Group (on the basis that EMPR, ELHF and Bluewater are equity accounted) incurred total depreciation charges of \$1.4 million, however only the depreciation expense on buildings of \$0.03 million has been added back for the purposes of calculating Core Earnings.

Note 5: During the period, the Group incurred non-cash profit and loss charges in respect of the amortisation of certain amounts including the equity component of the Group's Short Term Incentive (STI), Long Term Incentive (LTI) amounts, intangibles and borrowing costs. These amounts have been added back for the purposes of calculating Core Earnings.

Directors' Report

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Summary and Outlook

Our mission is to grow Elanor into a leading real estate funds management group known not only for delivering exceptional investment returns but also for making positive and impactful social and environmental contributions to the communities in which we operate, and more broadly.

The Group's key strategic objective remains unchanged: to deliver strong investment returns for Elanor's capital partners and security holders, and grow funds under management. The Group will look to grow income from managed funds, recycle co-investment capital to facilitate future growth in funds under management in a 'capital-lite' manner, and seed new managed funds with Group owned investments.

Risks to the Group in the coming year primarily comprise the potential earnings variability associated with general economic and market conditions including inbound tourism (including the impact of recent global viruses – refer to commentary earlier in the Directors' Report), domestic retail spending, the availability of capital for funds management opportunities, movement in property valuations, tightening debt capital markets, the general increase in cyber security risks, climate related risks and possible weather related events. The Group manages these risks through its active asset management approach across its investment portfolio, its continued focus on broadening the Group's capital partner base, insurance arrangements and through the active management of its capital structure.

The Group is committed to growing funds under management through the acquisition of high investment quality assets based on the Group's investment philosophy and criteria. The Group has a strong pipeline of funds management opportunities across all sectors of focus. Furthermore, the Group is actively pursuing opportunities in new real estate sectors and continues to explore strategic opportunities to deliver its growth objectives.

5. Interests in the Group

The movement in stapled securities of the Group during the period is set out below:

| | Consolidated Group 30 June 2021 '000 | Consolidated Group 30 June 2020 '000 |
|---|---|---|
| Stapled securities on issue at the beginning of the period | 119,579 | 99,822 |
| Stapled securities issued through Institutional Placement and SPP | – | 17,347 |
| Stapled securities issued under the short term incentive scheme | 1,395 | 2,410 |
| Stapled securities on issue at the end of the period | 120,974 | 119,579 |

6. Directors

| Name | Particulars |
|---------------|---|
| Paul Bedbrook | <p>Independent Non-Executive Chairman Chairman, Remuneration and Nominations Committee</p> <p>Paul was appointed a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF and ECF) in June 2014. Paul has had a career of over 30 years in financial services, originally as an analyst, fund manager and then the GM & Chief Investment Officer for Mercantile Mutual Investment Management Ltd (ING owned) from 1987 to 1995.</p> <p>Paul was an executive for 26 years with the Dutch global banking, insurance and investment group, ING, retiring in 2010. Paul's career included the roles of: President and CEO of ING Direct Bank, Canada (2000 – 2003), CEO of the ING Australia/ANZ Bank Wealth JV (2003 - 2008) and Regional CEO, ING Asia Pacific, Hong Kong (2008 – 2010). Paul is currently the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies, and a non-executive director of Credit Union Australia and the National Blood Authority.</p> <p>Former listed directorships in the last three years: None Interest in stapled securities: 306,137 Qualifications: B.Sc, F FIN, FAICD</p> |
| Glenn Willis | <p>Managing Director and Chief Executive Officer</p> <p>Glenn has over 30 years' experience in the Australian and international capital markets. Glenn was the co-founder and Chief Executive Officer of Moss Capital, prior to its ASX listing as Elanor Investors Group in July 2014. Prior to Elanor, Glenn co-founded Grange Securities and led the team in his role as Managing Director and CEO.</p> <p>After 12 years of growth, Grange Securities was acquired by Lehman Brothers International in 2007 as the platform for Lehman's Australian investment banking and funds management operations. Glenn was appointed Managing Director and Country Head in March 2007. In 2008, Glenn was appointed executive Vice Chairman of Lehman Brothers Australia.</p> <p>Glenn is a Director of FSHD Global Research Foundation.</p> <p>Former listed directorships in the last three years: None Interest in stapled securities: 5,351,996 Qualifications: B.Bus (Econ & Fin)</p> |

Directors' Report

6. Directors (continued)

| Name | Particulars |
|-----------------|---|
| Nigel Ampherlaw | <p>Independent Non-Executive Director Chairman, Audit and Risk Committee</p> <p>Nigel was appointed a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF and ECF) in June 2014. Nigel was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses.</p> <p>He also held a number of senior client Lead Partner roles. Nigel has extensive experience in risk management, technology, consulting and auditing in Australia and the Asia-Pacific region.</p> <p>Nigel's current Directorships include as Chairman of Credit Union Australia and non-executive Director of the Australia Red Cross Blood Service, where he is a member of the Finance and Audit Committee and a member of the Risk Committee.</p> <p>Former listed directorships in the last three years: Quickstep Holdings Ltd Interest in stapled securities: 200,000 Qualifications: B.Com, FCA, MAICD</p> |
| Lim Kin Song | <p>Non-Executive Director</p> <p>Kin Song was appointed as a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF and ECF) in May 2019. Kin Song is the CEO of Rockworth Capital Partners (which holds a 15% ownership interest in the Group) and is responsible for all aspects of Rockworth's business with a focus on strategy, transactions, business development and investor relations.</p> <p>With over 20 years of experience in the real estate sector, Kin Song specialises in acquisitions, asset management, business development and leasing. He has extensive experience across multi-core real estate sectors in Australia and South East Asia.</p> <p>Kin Song has been the key driver of Rockworth's rapid growth in its assets under management since its inception in 2011, and provided leadership and strategic direction in transactions, corporate development, capital allocation and asset management. Prior to founding Rockworth in 2011, Kin Song held various positions in leading property groups in Asia, including Frasers Centrepoint Ltd, Ascendas-MGM Funds Management and the CapitaLand Group.</p> <p>Former listed directorships in the last three years: None Interest in stapled securities: Nil Qualifications: MBA, B.Sci, SISV, RICS</p> <p>Resigned: 25 January 2021</p> |

6. Directors (continued)

| Name | Particulars |
|----------------------|--|
| Anthony (Tony) Fehon | <p>Independent Non-Executive Director</p> <p>Tony was appointed as a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF and ECF) in August 2019. Tony has more than 30 years' experience working in senior roles with some of Australia's leading financial services and funds management businesses. He has broad experience in operational and leadership roles across many industries.</p> <p>Tony is an Executive Director of Volt Bank Limited and has primary responsibility for capital management. He is also director of enLighten Australia Pty Limited, Global Bioprotect Pty Limited, Maker Films and Team Mates Pty Limited. Previously Tony was an Executive Director of Macquarie Bank Limited where he was involved in the formation and listing of several of Macquarie's listed property trusts including being a director of the listed leisure trust.</p> <p>Tony continues to be involved in developing and completing investment structures for real estate investment and development, financial assets and leisure assets.</p> <p>Former listed directorships in the last three years: None Interest in stapled securities: 6,666 Qualifications: B. Com, FCA</p> |

7. Directors' relevant interests

| | Stapled securities At 1 July 2020 | Net Movement | Stapled securities at the date of this report |
|---------------------------|--------------------------------------|--------------|---|
| Paul Bedbrook | 306,137 | – | 306,137 |
| Glenn Willis ¹ | 5,108,447 | 243,549 | 5,351,996 |
| Nigel Ampherlaw | 200,000 | – | 200,000 |
| Anthony (Tony) Fehon | 6,666 | – | 6,666 |
| Lim Kin Song ² | – | – | – |

Note 1: Glenn Willis has an entitlement to an additional 5,000,000 securities under equity based executive incentive plans.

Note 2: Lim Kin Song resigned as director on 25 January 2021.

Other than as disclosed in the Annual Financial Report, no contracts exist where a director is entitled to a benefit.

Directors' Report

8. Meetings of Directors

The attendance at meetings of Directors of the Responsible Entity and the Company during the year is set out in the following table:

| | Elanor Board (Responsible Entity & the Company) | | Audit & Risk Committee | | Remuneration and Nominations Committee | |
|----------------------|---|----------|---------------------------|----------|--|----------|
| | Held | Attended | Held | Attended | Held | Attended |
| Paul Bedbrook | 18 | 18 | 8 | 8 | 6 | 6 |
| Glenn Willis | 18 | 18 | 8 | 8 | – | – |
| Nigel Ampherlaw | 18 | 18 | 8 | 8 | 6 | 5 |
| Anthony (Tony) Fehon | 18 | 18 | – | – | 6 | 6 |
| Lim Kin Song | 9 | 9 | – | – | – | – |

9. Remuneration Report (Audited)

The remuneration report for the year ended 30 June 2021 outlines the remuneration arrangements, philosophy and framework of the Elanor Investors Group (Group) in accordance with the requirements of the Corporations Act 2001 (Cth) and its regulations.

The remuneration report is set out under the following main headings:

- a) Remuneration Policy and Approach
- b) Key Management Personnel
- c) Executive Remuneration Arrangements
- d) Executive Remuneration Outcomes
- e) Non-Executive Director Remuneration Arrangements and Outcomes
- f) Additional Disclosures Relating to Long Term Incentive Plans and Securities
- g) Loans to Key Management Personnel
- h) Other Transactions and Balances with Key Management Personnel and their Related Parties

The information provided in the Remuneration Report has been audited as required by section 308 (3C) of the Corporations Act 2001 (Cth).

a) Remuneration Policy and Approach

The Elanor Investors Group aims to attract, retain and motivate highly skilled people and therefore ensures its remuneration is competitive with prevailing employment market conditions and also provides sufficient motivation by ensuring that remuneration is aligned to the Group's results.

The Group's remuneration framework seeks to align executive reward with the achievement of strategic objectives and in particular, the creation of sustainable value and earnings growth for investors. In addition, the Board seeks to have reference to market best practice to ensure that executive remuneration remains competitive, fair and reasonable.

The Group has a formally constituted Remuneration and Nomination Committee which comprises three Non-Executive Director (NED) members, Mr Anthony Fehon (Chair), Mr Nigel Ampherlaw and Mr Paul Bedbrook.

The Remuneration and Nomination Committee met 6 times during the year for the purposes of reviewing and making recommendations to the Elanor Investors Group Board on the level of remuneration of the senior executives and the Directors.

Specifically, the Board approves the remuneration arrangements of the Managing Director and other executives and all aggregate and individual awards made under the short term (STI) and long-term incentive (LTI) plans, following recommendations from the Remuneration and Nomination Committee. The Board also sets the aggregate remuneration of NED's, which is then subject to security holder approval.

9. Remuneration Report (Audited) (continued)

When the Remuneration and Nomination Committee meets, the Managing Director is not present during any discussions related to his own remuneration arrangements.

The Remuneration and Nomination Committee endeavours to ensure that the remuneration outcomes strike an appropriate balance between the interests of the Group's security holders and rewarding, retaining and motivating the Group's executives and the Directors.

Further information on the Remuneration and Nomination Committee's role and responsibilities can be viewed at www.elanorinvestors.com.

b) Key Management Personnel

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP), who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including the directors (whether executive or otherwise). The KMP of the Elanor Investors Group for the year ended 30 June 2021 were:

| Executive | Position |
|------------------|---|
| Mr Glenn Willis | Managing Director and Chief Executive Officer |
| Mr Paul Siviour | Chief Operating Officer |
| Mr Symon Simmons | Chief Financial Officer and Company Secretary |

| Non-Executive | Position |
|----------------------|---|
| Mr Paul Bedbrook | Independent Chairman and Non-Executive Director |
| Mr Nigel Ampherlaw | Independent Non-Executive Director |
| Mr Anthony Fehon | Independent Non-Executive Director |
| Mr Lim Kin Song | Non-Executive Director (Resigned 25 January 2021) |

c) Executive Remuneration Arrangements

The Group's executive remuneration framework has three components:

- Base pay, including superannuation;
- Short term incentives; and
- Long term incentives.

Remuneration levels are considered annually through an assessment of each executive based on the individual's performance and achievements during the financial year and taking into account the overall performance of the Elanor Investors Group and prevailing remuneration rates of executives in similar positions.

Remuneration Structure

- Base pay, including superannuation

Base pay is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience. There are no guaranteed base pay increases in any executive's contracts.

- Short term incentive

The Group has implemented an STI scheme (the STI Scheme), based on an annual profit share, which is available to all staff. The STI Scheme is based on a profit share pool, to be calculated each year based on the Group's financial performance for the relevant year.

Directors' Report

9. Remuneration Report (Audited) (continued)

c) Executive Remuneration Arrangements (continued)

The purpose of the STI Scheme is to provide an annual bonus arrangement that incentivises and rewards management for achieving annual pre-tax ROE for security holders in excess of 10% per annum. The profit share pool is based on 20% of ROE above 10%, 22.5% of the ROE above 15%, 25% of the ROE above 17.5% and 30% of the ROE above 20%. The STI Scheme provides that 50% of any awards to individuals from the profit share pool may be delivered in deferred securities, which vest two years after award, provided that the employee remains with the Group and maintains minimum performance standards.

The Elanor Investors Group Board monitors the appropriateness of the profit share scheme and any distribution of the profit share pool will be at the Board's discretion, taking into consideration the forecast and actual financial performance and position of the Group.

- Long term incentive

The Group has implemented an LTI scheme (the LTI Scheme), based on an executive loan security plan and an executive options plan.

During the year, the Board reviewed the Group's LTIP and determined that the Loan Securities and Executive Options remained the most appropriate equity award vehicles for the 2020 LTIP awards, encouraging a continued focus on security price growth, distributions and strong alignment of executives to Securityholders.

On 28 August 2020, the Board assessed the performance hurdles for the 2017 Loan Securities and Executive Options and noted that the three-year TSR hurdle for the Executive Options and Loan Securities had not been met. As a result, the 2017 Loan Securities were cancelled on the basis the TSR performance hurdle was not achievable by the end of the vesting period.

The Remuneration and Nomination Committee retained a leading professional services firm to undertake a review of a proposed 2020 LTI Plan to consider the proposed design and quantum of the grant, with reference to market practice and Elanor's stated LTI Plan and business objectives. The Remuneration and Nomination Committee resolved to recommend the Board approve the Plan. No remuneration recommendations as defined under Division 1, Part 1.2.98(1) of the Corporations Act 2001, were made by the professional services firm.

To ensure executives remain motivated to achieve security price growth on behalf of Securityholders, the Board has determined to make new 2020 LTIP awards, utilising the surrendered 2017 award securities in addition to new Loan Securities, to ensure that the new LTIP awards will not be outstanding at the same time as the 2017 Loan Securities and Executive Options.

On 28 August 2020, following the surrender of the 2017 LTI Award securities by the 2017 LTI Plan participants, the Board approved the issue of 2020 LTI Awards, under similar terms and conditions to the 2017 LTI Awards. A total of 17 million 2020 LTI Awards were approved and issued.

On 28 August 2020 the Board approved the issue of 2 million options under the Group's option plan to Glenn Willis. These options have an exercise price of \$1.65, being a 43% premium to the issue price. The issue of options and 2020 LTI Awards to Glenn Willis was approved by security holders on 21 October 2020, at the Group's Annual General Meeting (AGM).

Under the executive loan security plan, awards (comprising the loan of funds to eligible Elanor employees to acquire Securities which are subject to vesting conditions) have been issued to certain employees. Awards totalling 17.0 million Securities were on issue at 30 June 2021.

The limited recourse loan provided by the Group under the loan security plan carries interest of an amount equal to any cash dividend or distribution but not including any dividend or distribution of capital, or an abnormal distribution.

9. Remuneration Report (Audited) (continued)

c) Executive Remuneration Arrangements (continued)

In addition to the loan security plan, the Group has implemented an executive option plan comprising rights to acquire Securities at a specified exercise price, subject to the achievement of vesting conditions, which may be offered to certain eligible employees (including the Chief Executive Officer, direct reports to the Chief Executive Officer and other selected key executives) as determined by the Board. Options have been issued to the Chief Executive Officer only, over 2.0 million Securities.

The purpose of the LTI Scheme is to assist in attracting, motivating and retaining key management and employees. The LTI Scheme operates by providing key management and employees with the opportunity to participate in the future performance of Group securities. The vesting conditions of LTI plans and related awards include both a service based hurdle and an absolute total security holder return (TSR) performance hurdle. The service based hurdle is 2, 3 and 4 years in the case of the loan security plan. The TSR is 10% per annum for the first year and 8% per annum thereafter in the case of the loan security plan and 15% per annum in the case of the options plan. The 2020 loan security plan reflects loan amounts of \$1.15 per security (\$1.37 per security for the Chief Executive Officer's securities). The 2020 option plan has an exercise price of \$1.65 per security (43% premium to the \$1.15 offer price).

TSR was selected as the LTI performance measure to ensure an alignment between the security holder return and reward for executives.

d) Executive Remuneration Outcomes

The table below sets out summary information about the Group's earnings and movements in security holder wealth for the year ended 30 June 2021:

| | 30 June 2021 | 30 June 2020 | 30 June 2019 | 30 June 2018 | 30 June 2017 |
|--|--------------|---------------|--------------|--------------|--------------|
| Net (loss) / profit before tax (\$'000) | 9,467 | (26,419) | 19,867 | (2,270) | 12,394 |
| Net (loss) / profit before tax (\$'000) (EMPR, ELHF and Bluewater equity accounted) | 7,468 | (18,151) | 22,412 | 8,780 | 12,825 |
| Net (loss) / profit after tax (\$'000) | 7,817 | (23,390) | 16,044 | (2,036) | 11,626 |
| Net (loss) / profit after tax (\$'000) (EMPR, ELHF and Bluewater equity accounted) | 5,939 | (17,988) | 17,601 | 3,944 | 11,400 |
| Core earnings (\$'000) | 15,146 | 15,434 | 17,548 | 16,270 | 12,670 |
| Security price at start of year | \$1.12 | \$1.83 | \$2.06 | \$2.14 | \$1.88 |
| Security price at end of year | \$1.89 | \$1.12 | \$1.83 | \$2.06 | \$2.14 |
| Interim distribution | 4.13 cents | 9.51 cents | 6.32 cents | 7.16 cents | 7.77 cents |
| Final distribution | 7.14 cents | – | 9.74 cents | 8.61 cents | 5.01 cents |
| Total distributions | 11.27 cents | 9.51 cents | 16.06 cents | 15.77 cents | 12.78 cents |
| Basic earnings per security | 6.73 cents | (16.59) cents | 16.04 cents | 3.32 cents | 13.29 cents |
| Basic earnings per security (EMPR, ELHF, and Bluewater equity accounted) | 5.08 cents | (17.39) cents | 18.31 cents | 4.24 cents | 13.03 cents |

The financial performance measure driving STI payment outcomes is pre-tax return on equity (ROE). The required pre-tax return hurdle was not achieved for the financial year. Reported earnings before tax from continuing operations for the year were \$9.5 million or \$7.8 million after tax. This reflects a basic earnings per security of 6.73 cents based on average equity employed for the period.

For the year ended 30 June 2021 the Group achieved Core Earnings of \$15.1 million. Total distributions per security in respect of the period were 11.27 cents.

The Group's closing trading price on 30 June 2021 was \$1.89 per security, a 68.8% increase on the \$1.12 price at 1 July 2020.

On 25 June 2021, the Board confirmed the vesting and removal of trading restrictions over the 2019 STI award securities, with effect on 27 June 2021.

9. Remuneration Report (Audited) (continued)

d) Executive Remuneration Outcomes (continued)

Table 1: Remuneration of Key Management Personnel

| | Short-term employee benefits | | | Non-Monetary | Post-employment benefits | | | Long-term employee benefits | | | Share-based payments | | | Total |
|---------------------------|------------------------------|----------------|---------|--------------|--------------------------|---------------------------|---------------------------------|---|-------------------|----------------------------------|----------------------|----|--|-------|
| | Salary ³ | STI Cash Bonus | \$ | | Super | Annual leave ¹ | Long Service Leave ¹ | LTI Loan Security Payments ² | Deferred Security | LTI Option Payments ² | \$ | \$ | | |
| Executive Officers | | | | | | | | | | | | | | |
| G. Willis | 2021 | 608,306 | – | – | 21,694 | 30,415 | 11,161 | 403,279 | 385,763 | 46,667 | 1,507,285 | | | |
| | 2020 | 577,497 | 169,000 | – | 21,003 | 37,478 | 8,146 | 138,806 | 274,213 | 22,000 | 1,248,143 | | | |
| P. Siviour | 2021 | 513,125 | – | – | 25,000 | 35,753 | 9,028 | 110,751 | 286,449 | – | 980,106 | | | |
| | 2020 | 486,219 | 100,000 | – | 25,000 | (10,555) | 6,898 | 57,156 | 200,417 | – | 865,135 | | | |
| S. Simmons | 2021 | 500,000 | – | – | 25,000 | 11,615 | 8,798 | 82,202 | 269,508 | – | 897,123 | | | |
| | 2020 | 473,750 | 100,000 | – | 25,000 | (17,317) | 6,741 | 40,825 | 192,083 | – | 821,082 | | | |

¹ Annual leave and long service leave represent the movement in the accrued leave balances for the year, being the current year's leave entitlement of the key management personnel less leave taken during the year. Comparative period amounts have been restated as they had previously only included amounts relating to leave taken in the comparative period.

² The value of the loan securities and options granted to key management personnel as part of their remuneration is calculated as at the grant date using a Monte Carlo Simulation. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from beginning of performance period to vesting date.

³ In FY2020, in response to the COVID-19 pandemic, the Executive Officers agreed to a 20% salary reduction for the 3 months ended 30 June 2020.

9. Remuneration Report (Audited) (continued)

d) Executive Remuneration Outcomes (continued)

Table 2: Remuneration components as a proportion of total remuneration on an annualised basis

| | | Fixed remuneration (%) | Remuneration linked to performance (%) | Total (%) |
|---------------------------|------|------------------------|--|-----------|
| Executive Officers | | | | |
| G. Willis | 2021 | 44.56 | 55.44 | 100 |
| | 2020 | 51.61 | 48.39 | 100 |
| P. Siviour | 2021 | 59.47 | 40.53 | 100 |
| | 2020 | 58.67 | 41.33 | 100 |
| S. Simmons | 2021 | 60.80 | 39.20 | 100 |
| | 2020 | 59.45 | 40.55 | 100 |

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Remuneration and other terms of employment for the key management personnel are formalised in employment contracts. The key provisions of the employment contracts for key management personnel are set out below.

The Remuneration and Nomination Committee undertook a review of executive remuneration in June 2021, including retaining a leading professional services firm to consider market remuneration practices, and resolved to increase the remuneration to the amounts shown in the tables below, with effect from 1 July 2021.

Table 3: Employment contracts of key management personnel

| Executive | G. Willis | P. Siviour | S. Simmons |
|--|--|--|--|
| Position | Managing Director and Chief Executive Officer | Chief Operating Officer | Chief Financial Officer and Company Secretary |
| Term | No fixed term | No fixed term | No fixed term |
| Salary (including Superannuation) | \$693,000 | \$565,031 | \$551,250 |
| Incentive remuneration | Eligible for an award of short term and long-term incentive remuneration (if any) as described above | Eligible for an award of short term and long-term incentive remuneration (if any) as described above | Eligible for an award of short term and long-term incentive remuneration (if any) as described above |

Directors' Report

9. Remuneration Report (Audited) (continued)

d) Executive Remuneration Outcomes (continued)

| | | | |
|----------------------|---|--|---|
| Benefits | Entitled to participate in Elanor Investors Group benefit plans that are made available | Entitled to participate in Elanor Investors Group benefit plans that are made available | Entitled to participate in Elanor Investors Group benefit plans that are made available |
| Notice period | Employment shall continue with the Group unless either party gives 12 months' notice in writing | Employment shall continue with the Group unless either party gives 9 months' notice in writing | Employment shall continue with the Group unless either party gives 4 weeks' notice in writing |
| Restraint | 12 months from the time of Termination | N/A | N/A |

e) Non-Executive Director Remuneration Arrangements and Outcomes

The Elanor Board determines the remuneration structure for NED's based on recommendations from the Remuneration and Nomination Committee. The NED's individual fees are annually reviewed by the Remuneration and Nomination Committee taking into consideration the level of fees paid to NED's by companies of similar size and stature. The Remuneration and Nomination Committee undertook a review of the remuneration of NEDs in June 2021, including retaining a leading professional services firm to consider market remuneration practices, and resolved to change the amount of fees paid to increase by approximately 14% effective 1 July 2021. The maximum aggregate amount of fees that can be paid to NEDs is subject to approval by security holders at the Annual General Meeting (currently \$750,000, as approved by security holders in October 2019).

The NEDs receive a fixed remuneration amount, in respect of their services provided to the Responsible Entity and Elanor Investors Limited. They do not receive any performance-based remuneration or any retirement benefits other than statutory superannuation.

Table 4: Remuneration of Non-Executive Directors

| | | Short-term employee benefits | | Total | Post-employment benefits | |
|--------------------------------|------|------------------------------|----------------|---------|--------------------------|---------|
| | | Salary ¹ | Committee Fees | | Super | Total |
| | | \$ | \$ | \$ | \$ | \$ |
| Non-Executive Directors | | | | | | |
| P. Bedbrook | 2021 | 153,954 | 8,676 | 162,630 | 7,370 | 170,000 |
| | 2020 | 138,822 | 8,676 | 147,498 | 14,012 | 161,510 |
| N. Ampherlaw | 2021 | 85,500 | 9,500 | 95,000 | – | 95,000 |
| | 2020 | 80,750 | 9,500 | 90,250 | – | 90,250 |
| W. Moss | 2021 | – | – | – | – | – |
| | 2020 | 18,463 | – | 18,463 | 1,754 | 20,217 |
| L. Kin Song ² | 2021 | 45,284 | – | 45,284 | 4,302 | 49,586 |
| | 2020 | 73,744 | – | 73,744 | 7,006 | 80,750 |
| A. Fehon | 2021 | 77,630 | – | 77,630 | 7,370 | 85,000 |
| | 2020 | 63,299 | – | 63,299 | 6,013 | 69,312 |

¹In response to the COVID-19 pandemic, the NEDs agreed to a 20% salary reduction for the 3 months ended 30 June 2020.

²Mr Lim Kin Song resigned as director on 25 January 2021.

9. Remuneration Report (Audited) (continued)

e) Non-Executive Director Remuneration Arrangements and Outcomes (continued)

During the year no options were issued to the NEDs.

The following options were issued to the NEDs under the FY17 Fee Sacrifice Offer, approved by security holder on 10 November 2016.

| Name | Award Type | Year | Number Granted | Number Vested | % of | | |
|--------------|------------|------|-------------------|------------------|-----------------|-------------------|-----------------------|
| | | | | | Grant Vested | Number Expired | % of Grant Expired |
| P. Bedbrook | Options | 2017 | 851,064 | – | 0% | 851,064 | 100% |
| N. Ampherlaw | Options | 2017 | 1,063,830 | – | 0% | 1,063,830 | 100% |
| L. Kin Song | Options | 2017 | – | – | 0% | – | N/A |
| A. Fehon | Options | 2017 | – | – | 0% | – | N/A |

The fair value at grant date of each Option was \$0.04. The NED option vesting period ended on 30 June 2017. The options issued under the FY17 Fee Sacrifice Offer have an exercise price of \$3.08 per security (43% premium to the \$2.15 offer price). The NED options were available to be exercised until 10 November 2020 and have since expired.

Remuneration and other items of appointment of the NEDs are formalised in contracts.

The NEDs are employed on employment contracts with no fixed term. The NEDs employment is subject to the Constitution of the Group, the Corporations Act, and the 3 year cycle of the rotation and election of Directors

Directors' Report

9. Remuneration Report (Audited) (continued)

f) Additional Disclosures Relating to Short Term incentive plans, Long Term Incentive Plans and Securities

Details of Short Term Incentive Plan payments granted or vested as deferred securities compensation to Key Management Personnel during the current financial year:

| Name | Award Type | Grant Date | Vesting Date | Number Granted | During the financial year | | | | | |
|------------|---------------------|-------------|--------------|----------------|---------------------------|---------------|-------------------|------------------|----------------------|-----------------------|
| | | | | | Fair Value at Grant Date | Number Vested | % of Grant Vested | Number Cancelled | % of Grant Cancelled | Maximum value to vest |
| G. Willis | Deferred Securities | 18 Dec 2020 | 18 Dec 2022 | 243,549 | 1.88 | – | 0% | – | N/A | 457,872 |
| | | 29 Jun 2020 | 29 Jun 2022 | 365,325 | 1.17 | – | 0% | – | N/A | 427,430 |
| | | 19 Dec 2019 | 19 Dec 2021 | 78,652 | 2.12 | – | 0% | – | N/A | 166,742 |
| | | 27 Jun 2019 | 27 Jun 2021 | 58,244 | 1.82 | 58,244 | 100% | – | N/A | 106,004 |
| P. Siviour | Deferred Securities | 18 Dec 2020 | 18 Dec 2022 | 181,909 | 1.88 | – | 0% | – | N/A | 341,989 |
| | | 29 Jun 2020 | 29 Jun 2022 | 272,863 | 1.17 | – | 0% | – | N/A | 319,250 |
| | | 19 Dec 2019 | 19 Dec 2021 | 46,540 | 2.12 | – | 0% | – | N/A | 98,665 |
| | | 27 Jun 2019 | 27 Jun 2021 | 54,947 | 1.82 | 54,947 | 100% | – | N/A | 100,004 |
| S. Simmons | Deferred Securities | 18 Dec 2020 | 18 Dec 2022 | 167,916 | 1.88 | – | 0% | – | N/A | 315,682 |
| | | 29 Jun 2020 | 29 Jun 2022 | 251,874 | 1.17 | – | 0% | – | N/A | 294,693 |
| | | 19 Dec 2019 | 19 Dec 2021 | 46,540 | 2.12 | – | 0% | – | N/A | 98,665 |
| | | 27 Jun 2019 | 27 Jun 2021 | 54,947 | 1.82 | 54,947 | 100% | – | N/A | 100,004 |

The fair value of the Short Term incentive plans is determined based on 5 day VWAP prior to grant date.

Details of Long Term Incentive Plan payments granted or vested as Loan Security compensation to Key Management Personnel during the current financial year:

| Name | Award Type | Grant Date | Expected Vesting Date | Number Granted | Fair Value at Grant Date | % of | | Number Cancelled ¹ | % of Grant Cancelled | % of the actual compensation for the year consisting of awards |
|------------|-----------------|-------------|-----------------------|----------------|--------------------------|---------------|--------------|-------------------------------|----------------------|--|
| | | | | | | Number Vested | Grant Vested | | | |
| G. Willis | Loan Securities | 21 Oct 2020 | 31 Jul 2024 | 5,000,000 | 0.19 | – | 0% | – | N/A | 24% |
| | | 28 Aug 2017 | 31 Jul 2021 | 4,250,000 | 0.17 | – | 0% | 4,250,000 | 100% | 23% |
| P. Siviour | Loan Securities | 28 Aug 2020 | 31 Jul 2024 | 2,000,000 | 0.12 | – | 0% | – | N/A | 11% |
| | | 28 Aug 2017 | 31 Jul 2021 | 1,750,000 | 0.17 | – | 0% | 1,750,000 | 100% | 13% |
| S. Simmons | Loan Securities | 28 Aug 2020 | 31 Jul 2024 | 1,500,000 | 0.12 | – | 0% | – | N/A | 9% |
| | | 28 Aug 2017 | 31 Jul 2021 | 1,250,000 | 0.17 | – | 0% | 1,250,000 | 100% | 10% |

The Loan Security plan has been accounted for as 'in-substance' options. The fair value at grant date of each Loan Security was \$0.12 (\$0.19 for each of the Chief Executive Officer's Loan Securities).

9. Remuneration Report (Audited) (continued)

f) Additional Disclosures Relating to Short Term incentive plans, Long Term Incentive Plans and Securities

Details of Long Term Incentive Plan payments granted or vested as Option compensation to key management personnel during the current financial year:

| Name | Award Type | Year | Number Granted | Number Vested | % of Grant Vested | Number Forfeited | % of Grant Forfeited | % of the actual compensation for the year consisting of awards |
|-----------|------------|------|----------------|---------------|-------------------|------------------|----------------------|--|
| G. Willis | Options | 2021 | 2,000,000 | – | 0% | – | N/A | 2% |
| | | 2018 | 2,000,000 | – | 0% | 2,000,000 | N/A | 0% |

The fair value at grant date of each Option was \$0.07. The vesting date of the option is 31 July 2023 and the expiry date of the options is 28 August 2024.

The following table summarises the value of options granted during the financial year, in relation to options granted to Key Management Personnel as part of the remuneration:

| Name | Year | Value of options granted at the grant date ¹ | Value of options exercised at the exercise date ² |
|-----------|------|---|--|
| | | \$ | \$ |
| G. Willis | 2021 | 140,000 | – |
| | 2020 | – | – |
| | 2019 | – | – |

¹ The value of options granted during the financial year is calculated as at the grant date using a Monte Carlo Simulation. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date.

² The value of options exercised during the financial year is calculated as at the exercise date using a Monte Carlo Simulation. No options were exercised in the period to 30 June 2021.

Key Management Personnel equity holdings

Changes to the interests of Key Management Personnel in the Group's Securities are set out below:

Elanor Investors Group – Stapled Securities

| Name | Opening Balance 30 June 2020 | Acquired ¹ | Disposed | Closing Balance 30 June 2021 |
|--------------------------------|---------------------------------|-----------------------|----------|---------------------------------|
| Non-Executive Directors | | | | |
| P. Bedbrook | 306,137 | – | – | 306,137 |
| N. Ampherlaw | 200,000 | – | – | 200,000 |
| A. Fehon | 6,666 | – | – | 6,666 |
| L. Kin Song | – | – | – | – |
| Executive Officers | | | | |
| G. Willis | 5,108,447 | 243,549 | – | 5,351,996 |
| P. Siviour | 1,838,134 | 181,909 | – | 2,020,043 |
| S. Simmons | 885,378 | 167,916 | – | 1,053,294 |

¹The number of stapled securities acquired during the year includes issues of securities under the Group's short term and long term incentive schemes, and securities acquired on market.

Directors' Report

9. Remuneration Report (Audited) (continued)**f) Additional Disclosures Relating to Long Term Incentive Plans and Securities (continued)****Key Management Personnel equity holdings (continued)****Options over Elanor Investors Group – Stapled Securities**

| Name | Opening Balance 1 July 2020 | Acquired under the Group's incentive plans | Exercised or Cancelled | Closing Balance 30 June 2021 | Balance vested at Closing | Vested but not exercisable | Vested and exercisable | Options vested during the year |
|-------------|------------------------------------|---|-------------------------------|-------------------------------------|----------------------------------|-----------------------------------|-------------------------------|---------------------------------------|
| G. Willis | 2,000,000 | 2,000,000 | (2,000,000) | 2,000,000 | – | – | – | – |

All options issued to Key Management Personnel were made in accordance with the provisions of the employee share option plan.

| Name | Opening Balance 1 July 2020 | Acquired under the Group's incentive plans | Exercised or Cancelled | Closing Balance 30 June 2021 | Balance vested at Closing | Vested but not exercisable | Vested and exercisable | Options vested during the year |
|--------------|------------------------------------|---|-------------------------------|-------------------------------------|----------------------------------|-----------------------------------|-------------------------------|---------------------------------------|
| P. Bedbrook | 851,064 | – | (851,064) | – | – | – | – | – |
| N. Ampherlaw | 1,063,830 | – | (1,063,830) | – | – | – | – | – |
| A. Fehon | – | – | – | – | – | – | – | – |
| L. Kin Song | – | – | – | – | – | – | – | – |

All options issued to NEDs were made under the FY17 Fee Sacrifice offer have expired and not been exercised.

g) Loans to Key Management Personnel

No loans have been provided to Key Management Personnel of the Group during the year.

h) Other Transactions and Balances with Key Management Personnel and their Related Parties

There were no transactions with Key Management Personnel and their Related Parties during the financial year that are not otherwise referred to in the consolidated financial statements.

10. Company Secretary

Symon Simmons held the position of Company Secretary of the Responsible Entity during the period. Symon is the Chief Financial Officer of the Group, and holds a Bachelor of Economics with majors in Economics and Accounting, and has extensive experience as a company secretary, is a Justice of the Peace in NSW and is a Responsible Manager on the Australian Financial Services Licence held by the Responsible Entity.

11. Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Group (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred in their capacity as Directors and officers of the Company to the extent permitted by the Corporations Act 2001 (Cth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred in their capacity as an officer.

The auditor of the Group is not indemnified out of the assets of the Group.

12. Environmental regulation

To the best of their knowledge and belief after making due enquiry, the Directors have determined that the Group has complied with all significant environmental regulations applicable to its operations in the jurisdictions in which it operates.

13. Significant changes in state of affairs

Other than as described in this report, there was no significant change in the state of affairs of the Group during the year.

14. Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001 (Cth), is included on the page following the Directors' Report.

Directors' Report

15. Non audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 28 to the consolidated financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).

The Directors are of the opinion that the services as disclosed in Note 28 to the consolidated financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the group or jointly sharing economic risks and rewards.

16. Likely developments and expected results of operations

The financial statements have been prepared on the basis of the current known market conditions. The extent of any potential deterioration in either the capital or physical property markets on the future results of the Group is unknown. Such results could include property market valuations, the ability of borrowers, including the Group, to raise or refinance debt, and the cost of such debt and the ability to raise equity.

The Group will continue to monitor the potential impact of Government announcements and market conditions in relation to the COVID-19 pandemic on the Group and its Managed Funds.

At the date of this report and to the best of the Directors' knowledge and belief, there are no other anticipated changes in the operations of the Group which would have a material impact on the future results of the Group.

17. Fees paid to and interests held in the Trust by the Manager or its associates

The interest in the Trust held by the Manager or its related entities as at 30 June 2021 and fees paid to and expenses reimbursed by its related entities during the financial year are disclosed in Note 24 to the consolidated financial statements.

18. Going concern

The Directors have determined that it is appropriate to prepare the consolidated financial statements on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business.

As at 30 June 2021, the Consolidated Group and EIF Group have a net current asset deficiency of \$57.9 million and \$52.4 million respectively (30 June 2020: \$36.8 million and \$46.8 million respectively). The net current asset deficiency is attributable to a debt facility of \$59.1 million maturing on 31 October 2021, a debt facility of \$6.0 million expiring on 30 April 2022, and a current payable of \$8.6 million in relation to the Group's Final Distribution. The \$59.1 million facility relates to Elanor Metro and Prime Regional Hotel Fund (EMPR), one of the Group's Hotels, Tourism and Leisure Managed Funds (consolidated into the Group's financial statements) with the debt in that fund only having recourse to the secured assets of EMPR at 30 June 2021. Subsequent to balance date, the Group has executed a credit approved term sheet for the maturity extension of this facility to 30 September 2022. The \$6.0 million facility relates to the Group's revolver facility. Subsequent to balance date, the Group has extended the maturity of this facility to 31 August 2022.

Due to the Government mandated lock downs and restrictions in relation to the COVID-19 pandemic, trading activity across the Group's two consolidated Hotels, Tourism and Leisure Managed Funds, EMPR and Elanor Luxury Hotel Fund (ELHF), (together the Funds) has been impacted to a level that, in the absence of the corrective actions set out below, the Group expects will require financial covenant support from the financiers of these facilities. These debt facilities are directly secured with recourse only to the hotel assets within EMPR and ELHF, with a combined value of \$340.6 million as at 30 June 2021.

A restructuring of the Funds to create a new merged fund, Elanor Hotel Accommodation Fund (EHAF), was approved at a meeting of ENN Securityholders held on 29 September 2021. As part of this restructuring, the Group has obtained credit approved terms from financiers with respect to EHAF's debt facility arrangements which include terms and covenants that the Group expects EHAF will be in a position to meet from inception and over the next 12 months.

Accordingly, as of the date of this report, the Directors believe the Group will be able to successfully meet its covenant obligations and restructure its facilities to ensure the Group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

19. Events occurring after reporting date

Subsequent to period end, a distribution of 7.14 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$8.6 million was paid on 3 September 2021 in respect of the year ended 30 June 2021.

On 18 August 2021, the Board of Directors approved a new funds management initiative by Elanor Funds Management Limited as trustee for the Elanor Metro and Prime Regional Hotel Fund (EMPR), being the acquisition by EMPR of part of the Elanor Luxury Hotel Fund (ELHF) and all of the Albany Hotel Syndicate (AHS), to establish a single investment vehicle being the \$346 million Elanor Hotel Accommodation Fund (EHAF).

To complete the EHAF transaction, EMPR is undertaking a pro-rata entitlement offer to existing EMPR fund investors and a capital raising from new wholesale and sophisticated investors to the extent of any shortfall in the entitlement offer.

ELHF and AHS are currently 100% owned by Elanor. The effect of the EHAF transaction is the partial sell down of ELHF and the sale of all of the AHS from Elanor's balance sheet investment portfolio to EHAF. This has been a clearly articulated strategy of Elanor since establishment of ELHF in November 2019.

Directors' Report

19. Events occurring after reporting date (continued)

On 29 September 2021, Elanor Securityholders voted in favour of a resolution to approve the EHAF transaction and thereby facilitate the sell-down of Elanor's investment in these funds. This transaction is a further step in the execution of Elanor's stated capital life strategy and will provide capital growth for Elanor and the opportunity to undertake capital management initiatives.

On 17 September 2021, the Group announced the appointment of Mr Su Kiat Lim as a Non- Executive Directors of Elanor Investors Group, Elanor Retail Property Fund and Elanor Commercial Property Fund, effective 1 October 2021.

Other than the events disclosed above, the directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial period subsequent to the year ended 30 June 2021.

20. Rounding of amounts to the nearest thousand dollars

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements, amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

This report is made in accordance with a resolution of the Boards of Directors of Elanor Funds Management Limited and Elanor Investors Limited.

Signed in accordance with a resolution of the Directors pursuant to section 298(2) of the Corporations Act 2001 (Cth).



Paul Bedbrook
Chairman



Glenn Willis
CEO and Managing Director

Sydney, 29 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of Elanor Investors Limited and Elanor Investment Fund for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Elanor Investors Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Buckman'.

Bianca Buckman
Partner
PricewaterhouseCoopers

Sydney
29 September 2021

PricewaterhouseCoopers, ABN 52 780 433 757

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The Elanor logo features the word 'Elanor' in a cursive, serif font, followed by a small decorative flourish consisting of three dots and a curved line.

Consolidated Statements of Profit or Loss

For the year ended 30 June 2021

| | | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|---|------|--|--|---|---|
| | Note | | | | |
| Revenue and other income | | | | | |
| Revenue from operating activities | 2 | 82,633 | 66,459 | – | – |
| Interest income | | 894 | 1,812 | – | 18 |
| Rental income | | 3,650 | 4,110 | 11,839 | 17,875 |
| Share of profit / (loss) from equity accounted investments | 9 | 7,096 | (5,991) | 7,029 | (5,451) |
| Realised gain / (loss) on disposal of investment | | 2,528 | 1,449 | 2,278 | 2,604 |
| Fair value gain / (loss) on revaluation of assets / investment properties | 7,8 | 3,631 | (11,769) | 3,158 | (10,381) |
| Other income | | 1,232 | 864 | 978 | 403 |
| Total revenue and other income | | 101,664 | 56,934 | 25,282 | 5,068 |
| Expenses | | | | | |
| Changes in inventories of finished goods | | 4,962 | 4,310 | – | – |
| Salary and employee benefits | 21 | 34,182 | 33,463 | 2,480 | 1,238 |
| Property expenses | | 8,497 | 7,589 | 646 | 709 |
| Operator management costs | | 5,045 | 2,738 | 4,076 | 4,227 |
| Borrowing costs | | 13,432 | 12,072 | 10,322 | 8,249 |
| Depreciation | 7 | 10,656 | 12,111 | – | – |
| Amortisation | | 2,089 | 1,204 | 1,212 | 556 |
| Marketing and promotion | | 2,045 | 3,091 | 1 | – |
| Repairs, maintenance and technology | | 2,688 | 1,784 | 167 | 153 |
| Impairment expense | | 739 | – | – | – |
| Other expenses | | 7,862 | 4,991 | 1,401 | 1,145 |
| Total expenses | | 92,197 | 83,353 | 20,305 | 16,287 |
| Net profit / (loss) before income tax expense | | 9,467 | (26,419) | 4,977 | (11,219) |
| Income tax expense / (benefit) | 5 | 1,650 | (3,029) | – | – |
| Net profit / (loss) for the period | | 7,817 | (23,390) | 4,977 | (11,219) |
| Attributable to security holders of: | | | | | |
| - Parent Entity | | 3,399 | (9,905) | 4,459 | (8,424) |
| - Non-controlling interest EIF | | 4,459 | (8,424) | – | – |
| Net profit / (loss) attributable to ENN security holders | | 7,858 | (18,329) | 4,459 | (8,424) |
| Attributable to security holders of: | | | | | |
| - External Non-controlling interest | | (41) | (5,061) | 518 | (2,795) |
| Net profit / (loss) for the period | | 7,817 | (23,390) | 4,977 | (11,219) |
| Basic earnings / (loss) per stapled security (cents) | | | | | |
| | | 6.73 | (16.71) | | |
| Diluted earnings / (loss) per stapled security (cents) | | | | | |
| | | 5.89 | (16.71) | | |
| Basic earnings / (loss) of the parent entity (cents) | | | | | |
| | | 2.91 | (9.03) | | |
| Diluted earnings / (loss) of the parent entity (cents) | | | | | |
| | | 2.55 | (9.03) | | |

The above Consolidated Statements of Profit or Loss should be read in conjunction with the accompanying notes.

Consolidated Statements of Comprehensive Income

For the year ended 30 June 2021

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|--|---|---|--|--|
| Net profit / (loss) for the period | 7,817 | (23,390) | 4,977 | (11,219) |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified subsequently to profit and loss</i> | | | | |
| Profit / (loss) on revaluation of cash flow hedge | 1,883 | (64) | 1,840 | (45) |
| <i>Items that may not be reclassified to profit and loss</i> | | | | |
| Share of asset revaluation reserve from equity accounted investments | 1,907 | (5,373) | 1,911 | (5,412) |
| Gain / (loss) on revaluation of property, plant and equipment | 35,360 | (3,045) | 33,473 | (3,012) |
| Other comprehensive income / (loss) for the period, net of tax | 39,150 | (8,482) | 37,224 | (8,468) |
| Total comprehensive income / (loss) for the period, net of tax | 46,967 | (31,872) | 42,201 | (19,687) |
| Attributable to security holders of: | | | | |
| - Parent entity | 3,471 | (9,919) | 28,290 | (18,381) |
| - Non-controlling interest - EIF | 28,290 | (18,381) | - | - |
| Total comprehensive income / (loss) for the period, net of tax, of ENN security holders | 31,761 | (28,300) | 28,290 | (18,381) |
| Attributable to security holders of: | | | | |
| - External non-controlling interest | 15,206 | (3,572) | 13,910 | (1,306) |
| Total comprehensive income / (loss) for the period, net of tax | 46,967 | (31,872) | 42,201 | (19,687) |

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

Consolidated Statements of Financial Position

As at 30 June 2021

| | | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|--------------------------------------|-------|--|--|---|---|
| | Note | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 20,771 | 23,548 | 1,954 | 3,980 |
| Trade and other receivables | 18,29 | 6,293 | 7,143 | 8,370 | 23,753 |
| Other financial assets | 12 | 5,214 | 11,668 | – | – |
| Inventories | | 901 | 863 | – | – |
| Other current assets | | 1,426 | 1,113 | 431 | 263 |
| Total current assets | | 34,605 | 44,335 | 10,755 | 27,996 |
| Non-current assets | | | | | |
| Property, plant and equipment | 7 | 350,820 | 320,959 | – | – |
| Investment properties | 8,29 | 55,500 | 50,864 | 384,825 | 332,811 |
| Equity accounted investments | 9,29 | 92,588 | 97,651 | 88,647 | 93,496 |
| Intangible assets | 20 | 1,328 | 600 | – | – |
| Deferred tax assets | 5 | 7,888 | 9,312 | – | – |
| Total non-current assets | | 508,124 | 479,386 | 473,472 | 426,307 |
| Total assets | | 542,729 | 523,721 | 484,227 | 454,303 |
| Current liabilities | | | | | |
| Payables | 19,29 | 10,972 | 10,223 | 2,397 | 4,279 |
| Derivative financial instruments | 11 | 626 | 2,955 | 601 | 870 |
| Interest bearing liabilities | 10,12 | 64,611 | 62,339 | 48,538 | 69,638 |
| Lease liabilities | 7 | 617 | 76 | – | – |
| Current provisions | 19 | 2,880 | 4,187 | – | – |
| Other current liabilities | 19 | 11,650 | 101 | 11,561 | 27 |
| Contract liabilities | | 1,122 | 1,274 | 23 | 4 |
| Total current liabilities | | 92,478 | 81,155 | 63,120 | 74,818 |
| Non-current liabilities | | | | | |
| Derivative financial instruments | 11 | 188 | 917 | 188 | 1,298 |
| Interest bearing liabilities | 10,29 | 202,661 | 229,006 | 132,534 | 132,126 |
| Non-current provisions | 19 | 461 | 293 | – | – |
| Lease liabilities | 7 | 2,958 | – | – | – |
| Loan from the Company | 29 | – | – | 74,453 | 60,701 |
| Total non-current liabilities | | 206,268 | 230,216 | 207,175 | 194,125 |
| Total liabilities | | 298,746 | 311,371 | 270,295 | 268,943 |
| Net assets | | 243,983 | 212,350 | 213,932 | 185,360 |

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

Consolidated Statements of Financial Position

As at 30 June 2021

| | | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|---|----|--|--|---|---|
| Equity | | | | | |
| <i>Equity Holders of Parent Entity</i> | | | | | |
| Contributed equity | 13 | 72,305 | 71,891 | 104,101 | 102,853 |
| Treasury shares | 13 | (1,204) | (1,005) | (3,628) | (2,796) |
| Reserves | 14 | 15,035 | 14,354 | 30,291 | 5,229 |
| Retained accumulated (losses) / profits | | (44,606) | (46,713) | 1,815 | 10,951 |
| Parent entity interest | | 41,530 | 38,527 | 132,580 | 116,237 |
| <i>Equity Holders of Non Controlling Interest</i> | | | | | |
| Contributed equity - Elanor Investment Fund | 13 | 104,101 | 102,853 | – | – |
| Treasury shares | 13 | (3,628) | (2,796) | – | – |
| Reserves | 14 | 35,759 | 10,678 | – | – |
| Retained accumulated profits / (losses) | | (3,652) | 5,502 | – | – |
| Non-controlling interest | | 132,580 | 116,237 | – | – |
| <i>Equity Holders of Non Controlling Interest - External</i> | | | | | |
| Contributed equity - External | | 37,244 | 37,465 | 40,774 | 40,989 |
| Reserves | 14 | 34,682 | 21,172 | 25,683 | 12,374 |
| Retained accumulated (losses) / profits | | (2,053) | (1,051) | 14,895 | 15,760 |
| External Non-controlling interest | | 69,874 | 57,586 | 81,352 | 69,123 |
| Total equity attributable to stapled security holders: | | | | | |
| - Parent Entity | | 41,530 | 38,527 | 132,580 | 116,237 |
| - Non-controlling Interest - EIF | | 132,580 | 116,237 | – | – |
| Total equity attributable to ENN security holders | | 174,110 | 154,764 | 132,580 | 116,237 |
| Total equity attributable to stapled security holders: | | | | | |
| - Non-controlling interest - External | | 69,874 | 57,586 | 81,352 | 69,123 |
| Total equity | | 243,983 | 212,350 | 213,932 | 185,360 |

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

Consolidated Statements of Changes in Equity

For the year ended 30 June 2021

| Note | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment Reserve | Retained profits/ losses | Parent Entity Total Equity | Non-controlling interest EIF | Total ENN Equity | External Non-controlling interest | Total Equity |
|--|--------------------|-----------------|---------------------------|-------------------------|--------------------------------|--------------------------|----------------------------|------------------------------|------------------|-----------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated Group | | | | | | | | | | | |
| Total equity at 1 July 2020 | 71,891 | (1,005) | 13,099 | (33) | 1,289 | (46,714) | 38,527 | 116,237 | 154,765 | 57,586 | 212,350 |
| Profit / (loss) for the period | - | - | - | - | - | 3,399 | 3,399 | 4,460 | 7,859 | (41) | 7,818 |
| Other comprehensive income / (expense) for the period | - | - | 30 | 43 | - | - | 72 | 23,830 | 23,902 | 15,248 | 39,150 |
| Total comprehensive income / (expense) for the period | - | - | 30 | 43 | - | 3,399 | 3,471 | 28,290 | 31,761 | 15,206 | 46,968 |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | |
| Contributions of equity, net of issue costs | 414 | (195) | - | - | (215) | - | - | - | - | - | - |
| Security-based payments | - | - | - | - | 822 | - | 822 | 1,647 | 2,470 | - | 2,470 |
| Distributions paid and payable | - | - | - | - | - | (1,293) | (1,293) | (13,594) | (14,887) | (2,920) | (17,808) |
| Total equity at 30 June 2021 | 72,305 | (1,204) | 13,129 | 10 | 1,896 | (44,607) | 41,531 | 132,580 | 174,110 | 69,873 | 243,983 |

| Note | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment Reserve | Retained profits/ losses | Parent Entity Total Equity | Non-controlling interest EIF | Total ENN Equity | External Non-controlling interest | Total Equity |
|--|--------------------|-----------------|---------------------------|-------------------------|--------------------------------|--------------------------|----------------------------|------------------------------|------------------|-----------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated Group | | | | | | | | | | | |
| Balance at 30 June 2019 as originally presented | 61,672 | (349) | 13,094 | (15) | 849 | (32,699) | 42,553 | 118,133 | 160,686 | 85,189 | 245,875 |
| Change in accounting policy | - | - | - | - | - | - | - | (9,723) | (9,723) | - | (9,723) |
| Total equity at 1 July 2019 | 61,672 | (349) | 13,094 | (15) | 849 | (32,699) | 42,553 | 108,410 | 150,963 | 85,189 | 236,152 |
| Profit / (loss) for the period | - | - | - | - | - | (9,905) | (9,905) | (8,424) | (18,329) | (5,061) | (23,390) |
| Other comprehensive income / (expense) for the period | - | - | 5 | (18) | - | - | (13) | (9,957) | (9,970) | 1,489 | (8,481) |
| Total comprehensive income / (expense) for the period | - | - | 5 | (18) | - | (9,905) | (9,918) | (18,381) | (28,299) | (3,572) | (31,871) |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | |
| Contributions of equity, net of issue costs | 10,219 | (656) | - | - | - | - | 9,563 | 26,399 | 35,962 | - | 35,962 |
| Reversed to retained earnings due to asse | - | - | - | - | - | (179) | 261 | 868 | 1,128 | (21,129) | (21,129) |
| Security-based payments | - | - | - | - | 440 | - | - | - | - | - | - |
| Distributions paid and payable | - | - | - | - | - | (3,931) | (3,931) | (1,061) | (4,992) | (2,902) | (7,894) |
| Total equity at 30 June 2020 | 71,891 | (1,005) | 13,099 | (33) | 1,289 | (46,714) | 38,527 | 116,237 | 154,765 | 57,586 | 212,350 |

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

Consolidated Statements of Changes in Equity

For the year ended 30 June 2021

| Note | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment Reserve | Retained profits/ losses) | Parent Entity Total Equity | External Non-controlling interest | Total Equity |
|--|--------------------|-----------------|---------------------------|-------------------------|--------------------------------|---------------------------|----------------------------|-----------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EIF Group | | | | | | | | | |
| Total equity at 1 July 2020 | 102,853 | (2,796) | 3,998 | (1,348) | 2,580 | 10,950 | 116,237 | 69,123 | 185,360 |
| Profit / (loss) for the period | - | - | - | - | - | 4,459 | 4,459 | 518 | 4,977 |
| Other comprehensive income / (expense) for the period | - | - | 22,851 | 979 | - | - | 23,830 | 13,392 | 37,222 |
| Total comprehensive income / (expense) for the period | - | - | 22,851 | 979 | - | 4,459 | 28,289 | 13,910 | 42,199 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Contributions of equity, net of issue costs | 1,248 | (832) | - | - | (416) | - | - | - | - |
| Security-based payments | - | - | - | - | 1,647 | - | 1,647 | - | 1,647 |
| Distributions paid and payable | - | - | - | - | - | (13,594) | (13,594) | (1,681) | (15,275) |
| Total equity at 30 June 2021 | 104,101 | (3,628) | 26,849 | (369) | 3,811 | 1,815 | 132,580 | 81,352 | 213,932 |

| Note | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment Reserve | Retained profits/ losses) | Parent Entity Total Equity | External Non-controlling interest | Total Equity |
|--|--------------------|-----------------|---------------------------|-------------------------|--------------------------------|---------------------------|----------------------------|-----------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| EIF Group | | | | | | | | | |
| Balance at 30 June 2019 as originally presented | 74,466 | (808) | 13,371 | (764) | 1,365 | 45,503 | 133,133 | 75,593 | 208,726 |
| Change in accounting policy | - | - | - | - | - | (9,723) | (9,723) | - | (9,723) |
| Total equity at 1 July 2019 | 74,466 | (808) | 13,371 | (764) | 1,365 | 35,780 | 123,410 | 75,593 | 199,003 |
| Profit / (loss) for the period | - | - | - | - | - | (8,424) | (8,424) | (2,795) | (11,219) |
| Other comprehensive income / (expense) for the period | - | - | - | (584) | - | - | (584) | 539 | (45) |
| Share of reserves of equity accounted investments | - | - | (9,373) | - | - | - | (9,373) | 950 | (8,423) |
| Total comprehensive income / (expense) for the period | - | - | (9,373) | (584) | - | (8,424) | (18,381) | (1,306) | (19,687) |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Contributions of equity, net of issues costs | 28,387 | (1,988) | - | - | - | - | 26,399 | - | 26,399 |
| Security-based payments | - | - | - | - | 1,215 | (347) | 868 | - | 868 |
| Distributions paid and payable | - | - | - | - | - | (16,059) | (16,059) | (5,164) | (21,223) |
| Total equity at 30 June 2020 | 102,853 | (2,796) | 3,998 | (1,348) | 2,580 | 10,950 | 116,237 | 69,123 | 185,360 |

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

Consolidated Statements of Cash Flows

For the year ended 30 June 2021

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|--|--|--|---|---|
| Cash flows from operating activities | | | | |
| Receipts from customers | 97,386 | 79,591 | – | – |
| Payments to suppliers and employees | (71,104) | (63,533) | (6,947) | (3,828) |
| Interest received | 1,026 | 2,733 | – | 18 |
| Finance costs paid | (12,806) | (11,996) | (11,127) | (8,192) |
| Receipts from the Company | – | – | 21,138 | 12,191 |
| Net cash flows from operating activities | 14,502 | 6,794 | 3,064 | 190 |
| Cash flows from investing activities | | | | |
| Receipts for business and asset disposals | – | 43,650 | – | 43,650 |
| Financial assets (acquired) / repaid | 7,273 | 33,313 | – | – |
| Payments for property, plant and equipment / investment properties | (5,634) | (139,523) | (5,216) | (101,800) |
| Loans to associates | (2,000) | 6,988 | (42) | – |
| Receipts for equity accounted investments | 28,600 | 34,142 | 26,719 | 33,022 |
| Payments for equity accounted investments | (19,255) | (77,746) | (17,374) | (73,266) |
| Distributions received from equity accounted investments | 5,248 | 5,092 | 5,203 | 5,092 |
| Loans from Company | – | – | 11,149 | 20,413 |
| Net cash flows from investing activities | 14,232 | (94,084) | 20,439 | (72,889) |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | 23,232 | 110,191 | 24,523 | 111,800 |
| Repayments of borrowings | (48,941) | (18,098) | (46,350) | (40,139) |
| Payments for lease liability | (808) | (945) | – | – |
| Proceeds from equity raisings | – | 36,429 | – | 26,783 |
| Costs associated with equity raisings | – | (1,078) | – | (802) |
| Distributions paid to security holders | (4,994) | (34,943) | (3,701) | (22,055) |
| Net cash flows from financing activities | (31,511) | 91,556 | (25,529) | 75,585 |
| Net increase / (decrease) in cash and cash equivalents | (2,777) | 4,267 | (2,026) | 2,886 |
| Cash and cash equivalents at the beginning of the period | 23,548 | 19,281 | 3,980 | 1,094 |
| Cash at the end of the period | 20,771 | 23,548 | 1,954 | 3,980 |

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

About this Report

Elanor Investors Group (Group, Consolidated Group or Elanor) is a 'stapled' entity comprising Elanor Investors Limited (EIL or Company) and its controlled entities (EIL Group) and Elanor Investment Fund (Trust) and its controlled entities (EIF Group). The units in the Trust are stapled to shares in the Company. The stapled securities cannot be traded or dealt with separately. The stapled securities of the Group are listed on the Australian Securities Exchange (ASX: ENN). As permitted by ASIC Corporations Instrument 2015/838 issued by the Australian Securities and Investments Commission (ASIC), this report is a combined report that presents the consolidated financial statements and accompanying notes of both Elanor Investors Group and the Elanor Investment Fund (EIF Group).

Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (the Board or AASB) and the Corporations Act 2001.

For the purposes of preparing the financial statements, the Group is a for-profit entity. The financial report has been presented in Australian dollars unless otherwise stated.

Compliance with international reporting standards

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Comparative figures have been restated where appropriate to ensure consistency of presentation throughout the financial report.

Changes in accounting policy

New and amended standards adopted by the Group

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

New standards, amendments and interpretations effective after 1 July 2021 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021, and have not been adopted early in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group.

Rounding

The amounts in the consolidated financial statements have been rounded off to the nearest one thousand dollars, unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

About this Report (continued)

Going concern

The Directors have determined that it is appropriate to prepare the consolidated financial statements on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business.

As at 30 June 2021, the Consolidated Group and EIF Group have a net current asset deficiency of \$57.9 million and \$52.4 million respectively (30 June 2020: \$36.8 million and \$46.8 million respectively). The net current asset deficiency is attributable to a debt facility of \$59.1 million maturing on 31 October 2021, a debt facility of \$6.0 million expiring on 30 April 2022, and a current payable of \$8.6 million in relation to the Group's Final Distribution. The \$59.1 million facility relates to Elanor Metro Prime Regional Hotel Fund (EMPR), one of the Group's Hotels, Tourism and Leisure Managed Funds (consolidated into the Group's financial statements) with the debt in that fund only having recourse to the secured assets of EMPR at 30 June 2021. Subsequent to balance date, the Group has executed a credit approved term sheet for the maturity extension of this facility to 30 September 2022. The \$6.0 million facility relates to the Group's revolver facility. Subsequent to balance date, the Group has extended the maturity of this facility to 31 August 2022.

Due to the Government mandated lock downs and restrictions in relation to the COVID-19 pandemic, trading activity across the Group's two consolidated Hotels, Tourism and Leisure Managed Funds, EMPR and Elanor Luxury Hotel Fund (ELHF), (together the Funds) has been impacted to a level that, in the absence of the corrective actions set out below, the Group expects will require financial covenant support from the financiers of these facilities. These debt facilities are directly secured with recourse only to the hotel assets within EMPR and ELHF, with a combined value of \$340.6 million as at 30 June 2021.

A restructuring of the Funds to create a new merged fund, Elanor Hotel Accommodation Fund (EHAF), was approved at a meeting of ENN Securityholders held on 29 September 2021. As part of this restructuring, the Group has obtained credit approved terms from financiers with respect to EHAF's debt facility arrangements which include terms and covenants that the Group expects EHAF will be in a position to meet from inception and over the next 12 months.

Accordingly, as of the date of this report, the Directors believe the Group will be able to successfully meet its covenant obligations and restructure its facilities to ensure the Group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In preparing the consolidated financial statements for the year ended 30 June 2021, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are consistent with those disclosed in the financial report of the previous financial year.

Where the impact of the COVID-19 pandemic has heightened uncertainty in applying these accounting estimates and critical judgments for the year ended 30 June 2021, enhanced disclosures have been incorporated throughout the consolidated financial statements to enable users to understand the basis for the estimates and judgments utilised.

The ongoing COVID-19 pandemic has resulted in continued elevated levels of uncertainty in the preparation of the financial statements.

About this Report (continued)

Critical accounting judgments and key sources of estimation uncertainty (continued)

In response to the recent market volatility, the appropriateness of the inputs to the valuation of the Group's property, plant and equipment (including average daily rate assumptions and occupancy levels) and investment properties (including vacancy allowances, lease renewal probabilities, levels of leasing incentives and market rent growth assumptions), and the impact of any changes in these inputs have been considered in detail in both independent and internal property valuations (including relevant sensitivity analysis) with respect to the fair value hierarchies. The fair value assessments as at the balance date include the best estimate of the impacts of the COVID-19 pandemic using information available at the time of preparation of the financial statements and includes forward looking assumptions. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may impact the fair value of the Group's portfolio. Refer to Note 7 and 8 for further information.

The recoverability of the Group's receivables from Elanor's Managed Funds applied the simplified approach to provide for expected credit losses. Refer to Note 16 Financial Risk Management for further discussion on the Group's management of credit risk.

Enhanced disclosures have been incorporated throughout the consolidated financial statements to enable users to understand the basis for the estimates and judgments utilised. The estimates or assumptions which are material to the financial statements are discussed in the following notes:

- Deferred taxes - assumptions underlying recognition and recoverability - Note 5c
- Property, Plant and Equipment - assumptions underlying fair value - Note 7
- Investment Properties - assumptions underlying fair value - Note 8
- Derivative financial instruments - assumptions underlying fair value – Note 11

Basis of Consolidation

The consolidated Financial Statements of the Group incorporate the assets and liabilities of Elanor Investors Limited (the Parent) and all of its subsidiaries, including Elanor Investment Fund and its subsidiaries as at 30 June 2021. Elanor Investors Limited is the parent entity in relation to the stapling. The results and equity of Elanor Investment Fund (which is not directly owned by Elanor Investors Limited) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of Elanor Investment Fund are disclosed as a non-controlling interest, the stapled security holders of Elanor Investment Fund are the same as the stapled security holders of Elanor Investors Limited.

These consolidated Financial Statements also include a separate column representing the consolidated Financial Statements of EIF Group, incorporating the assets and liabilities of Elanor Investment Fund and all of its subsidiaries, as at 30 June 2021.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

Basis of Consolidation (continued)

Control of Elanor Metro and Prime Regional Hotel Fund (EMPR), Elanor Luxury Hotel Fund (ELHF), and Bluewater Square Syndicate (Bluewater) EMPR

EMPR comprises stapled securities in Elanor Metro and Prime Regional Hotel Fund, EMPR Management Pty Limited, Elanor Metro and Prime Regional Hotel Fund II (formerly known as Elanor Hospitality and Accommodation Fund) and EMPR II Management Pty Limited (formerly known as EHAF Management Pty Limited). The Group holds 42.94% (2020: 42.63%) of the equity in EMPR. The Group's ownership interest in EMPR gives the Group the same percentage of the voting rights in EMPR. EMPR is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

ELHF

ELHF comprises stapled securities in Elanor Luxury Hotel Fund and Elanor Luxury Hotel Fund Pty Limited. The Group holds 100% (2020: 100%) of the equity in ELHF. The Group's 100% ownership interest in ELHF gives the Group the same percentage of the voting rights in ELHF. ELHF is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

Bluewater

The Group holds 42.27% (2020: 42.27%) of the equity in Bluewater Square Syndicate (Bluewater). The Group's ownership interest in Bluewater gives the Group the same percentage of the voting rights in Bluewater. Bluewater is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

The responsible entity of EMPR, ELHF, and Bluewater is owned wholly by the Group and governed by the licencing and legal obligations of a professional asset manager. The powers of the Trustee are governed by the constitution of EMPR, ELHF, and Bluewater respectively which sets out the basis of fees that the relevant Trustee can receive. These fees include management fees, performance fees, and acquisition fees.

Based on the assessment above, at the current level of equity investment in EMPR, ELHF, and Bluewater and the Group's ability to direct the relevant activities of these entities based on the powers of the Trustee, the AASB 10 definition of control for these investments is met, and therefore each of these investments are consolidated into Elanor Investors Group Financial Statements.

The notes to the consolidated Financial Statements have been organised into the following sections:

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

Results

This section focuses on the operating results and financial performance of the Group. It includes disclosures of segmental information, revenue, distributions and cash flow including the relevant accounting policies adopted in each area.

1. Segment information

OVERVIEW

Segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of Elanor Investors Limited and the Responsible Entity.

The main income statement items used by management to assess each of the divisions are divisional revenue and divisional EBITDA.

BUSINESS SEGMENTS

The Group is organised into the following divisions by business type:

Funds Management

The Funds Management division manages third party owned investment funds and syndicates. As at 30 June 2021, the Funds Management division has approximately \$2,073.2 million of external investments under management, being the managed investments.

Hotels, Tourism and Leisure

Hotels, Tourism and Leisure originates and manages investment and funds management assets. The current investment portfolio includes Ibis Styles Albany Hotel and 1834 Hospitality, along with a co-investment in Elanor Metro and Prime Regional Fund (EMPR), Elanor Luxury Hotel Fund (ELHF) and Elanor Wildlife Park Fund (EWPF). EMPR and ELHF are consolidated in the Financial Statements.

Retail

Retail originates and manages investment and funds management assets in the retail real estate sector. The current investment portfolio comprises co-investments in Elanor Retail Property Fund (ASX: ERF), Bluewater Square Syndicate, Hunters Plaza Syndicate, Waverley Gardens Fund and Belconnen Markets Syndicate. The Bluewater Square Syndicate is consolidated in the Financial Statements.

Commercial Office

Commercial Office originates and manages investment and funds management assets in the commercial office real estate sector. The current investment portfolio comprises co-investments in the Elanor Commercial Property Fund (ASX: ECF) and the Stirling Street Syndicate.

Healthcare

Healthcare originates and manages investment and funds management assets in the healthcare office real estate sector. The Healthcare segment was established in March 2020 through the establishment in the Elanor Healthcare Real Estate Fund. The healthcare segment was included as part of the Commercial Office segment in the FY20 consolidated financial statements.

1. Segment information (continued)

The table below shows the Groups segment results:

Consolidated Group – 30 June 2021

| | Funds Management | Hotels, Tourism & Leisure | Retail | Commercial Office | Healthcare | Unallocated Corporate | Total |
|---|---------------------|---------------------------------|------------|----------------------|------------|--------------------------|--------------|
| | \$'000 | \$'000 | \$'000 | | | \$'000 | \$'000 |
| Revenue from trading activities | 24,427 | 58,206 | 3,651 | – | – | – | 86,284 |
| Revenue from wildlife parks | – | – | – | – | – | – | – |
| Share of profit of equity accounted investments | – | 161 | 2,278 | 4,627 | 30 | – | 7,096 |
| Operating expense | (5,533) | (40,715) | (5,263) | (5,083) | (144) | (8,049) | (64,788) |
| Divisional EBITDA | 18,894 | 17,652 | 665 | (456) | (114) | (8,049) | 28,592 |
| Depreciation and amortisation | (150) | (9,345) | (31) | – | – | (1,514) | (11,040) |
| Divisional EBIT from continuing operations | 18,744 | 8,307 | 634 | (456) | (114) | (9,563) | 17,552 |
| Fair value adjustment on revaluation of investment property | – | 2,574 | 410 | – | (66) | 802 | 3,719 |
| Realised gain on disposal of investment | – | 616 | 359 | 493 | 1,060 | – | 2,528 |
| Acquisition costs | – | (88) | – | – | – | – | (88) |
| Interest income | (93) | – | – | – | – | 987 | 893 |
| Amortisation of Borrowing costs | – | (968) | (75) | – | – | (662) | (1,704) |
| Borrowing costs | – | (7,487) | (676) | – | – | (5,268) | (13,432) |
| Net tax benefit / (expense) | – | – | – | – | – | (1,651) | (1,651) |
| Profit / (loss) for the year | 18,651 | 2,954 | 652 | 37 | 880 | (15,357) | 7,817 |
| Total assets | 29,557 | 273,107 | 55,815 | – | – | 184,251 | 542,730 |
| Total liabilities | 10,059 | 112,032 | 36,983 | – | – | 139,672 | 298,746 |

Consolidated Group – 30 June 2020

| | Funds Management | Hotels, Tourism & Leisure | Retail | Commercial Office | Healthcare | Unallocated Corporate | Total |
|---|---------------------|---------------------------------|----------------|----------------------|------------|--------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue from trading activities | 15,126 | 46,173 | 2,418 | 1,692 | – | – | 65,409 |
| Revenue from wildlife parks | – | 5,160 | – | – | – | – | 5,160 |
| Revenue from sale of property inventory | – | – | – | – | – | – | – |
| Share of profit of equity accounted investments | – | (541) | (3,205) | (2,244) | – | – | (5,991) |
| Operating expense | (4,000) | (39,281) | 302 | 211 | – | (14,335) | (57,103) |
| Divisional EBITDA | 11,126 | 11,510 | (486) | (340) | – | (14,335) | 7,475 |
| Depreciation and amortisation | (150) | (10,864) | (14) | (10) | – | (1,246) | (12,283) |
| Divisional EBIT from continuing operations | 10,976 | 646 | (500) | (350) | – | (15,581) | (4,808) |
| Fair value gain on revaluation of investment properties | – | – | (6,545) | (4,582) | – | – | (11,127) |
| Realised gain on disposal of investment | – | 29 | 835 | 585 | – | – | 1,449 |
| Acquisition costs | – | (643) | – | – | – | – | (643) |
| Interest income | 53 | 39 | 1 | – | – | 1,718 | 1,812 |
| Amortisation of borrowing costs | – | (296) | (26) | (18) | – | (691) | (1,031) |
| Borrowing costs | – | (5,508) | (670) | (469) | – | (5,424) | (12,072) |
| Net tax benefit / (expense) | – | – | – | – | – | 3,029 | 3,029 |
| Profit / (loss) for the year | 11,030 | (5,732) | (6,905) | (4,834) | – | (16,948) | (23,390) |
| Total assets | 23,973 | 240,013 | 35,784 | – | – | 223,951 | 523,721 |
| Total liabilities | 10,746 | 185,942 | 26,471 | – | – | 88,212 | 311,371 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

2. Revenue

OVERVIEW

This note provides a breakdown of revenue from operating activities by activity type.

Revenue from operating activities

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|--|--|--|
| Revenue from hotels | 58,206 | 46,173 |
| Revenue from funds management | 24,427 | 15,126 |
| Revenue from wildlife parks | – | 5,160 |
| Total revenue from operating activities | 82,633 | 66,459 |

ACCOUNTING POLICY

Revenue recognition

The Group recognises revenue in each period for each of Elanor's activities is based on the delivery of performance obligations and when control has been transferred to customers in accordance with the set out in AASB 15 Revenue from Contracts with Customers as described below.

Funds management fee revenue

Fund management fees

Fund management fees are received for performance obligations fulfilled over time with revenue recognised accordingly. Fund management fees are determined in accordance with relevant agreements for each fund, based on the fund's monthly Gross Asset Value (GAV). Generally, invoicing of funds for management fees occurs on a monthly basis and are receivable within 21 days.

Performance fees

Performance fee revenue is recognised to the extent that it is highly probable that the amount of variable consideration recognised will not be significantly reversed when the uncertainty is resolved. Detailed calculations are completed to inform the assessment of the appropriate revenue to recognise. Invoicing of funds for performance fees occurs in accordance with the contractual performance fee payment date.

Cost recoveries

Accounting, marketing and administrative services provided to managed funds are charged as an expense recovery. Revenue is recognised over time as the performance obligations are fulfilled. Invoicing of funds for expense recoveries occurs on a monthly or quarterly basis depending on the recovery type and are receivable within 21 days.

Asset management fees

Asset management services provided to managed funds are charged as an asset management fee. Revenue is recognised over time as the performance obligations are fulfilled. Invoicing of funds for asset management fees occurs on a monthly basis and are receivable within 21 days.

2. Revenue (continued)

ACCOUNTING POLICY (continued)

Leasing and development management fees

Leasing and development management services provided to managed funds are charged as leasing and development management fees. Revenue is recognised over time as the performance obligations are fulfilled. Invoicing of funds for leasing and development management fees occurs on a monthly basis and are receivable within 21 days.

Acquisition fees

Acquisition fee revenue is recognised at a point in time of the fulfilment of the performance obligation in accordance with the constitutions of the managed funds. Invoicing of funds for acquisition fees occurs in accordance with the contractual acquisition fee payment date.

Hotel and wildlife park revenue

The revenue of operations from the hotels primarily consists of room rentals, food and beverages sales and other ancillary goods and services from hotel properties. Room revenue is recognised over time when rooms are occupied, and food and beverage revenue is recognised at a point in time when goods and services have been delivered or rendered.

The revenue of operations from the wildlife parks primarily consists of the sale of tickets, food and beverage sales and other ancillary goods and services from the wild parks. Ticket revenue is recognised at a point in time when tickets are sold to the customers and food and beverage revenue is recognised at a point in time when goods and services have been delivered or rendered.

Rental income

The Group is the lessor in a number of operating leases. Rental income arising from operating leases is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognised as an expense over the term of the lease on the same basis as the lease income.

When an agreement is made with tenants impacted by the COVID-19 pandemic to waive rent, any rent waived that relates to future occupancy is spread over the remaining lease term and recognised on a straight-line basis. Rent waived that relates to past occupancy is expensed immediately in Other Expenses, except to the extent of a pre-existing provision for expected credit losses then the rent waived is expenses to the provision.

Rental deferrals as part of COVID-19 rent concessions subsequently waived in consideration for extension of the lease term will be treated as Lease modification on straight-line basis over the new lease term.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

3. Distributions

OVERVIEW

When determining distributions, the Group's Board considers a number of factors, including forecast earnings and expected economic conditions. Elanor Investors Group aims to distribute 90% of Core Earning. Core Earnings are reflecting the Director's view of underlying earnings from ongoing operating activities for the period.

The following distributions were declared by the ENN Group either during the period or post balance date:

ENN Group

| | Distribution cents per stapled security 30 June 2021 | Distribution cents per stapled security 30 June 2020 | Total Amount 30 June 2021 \$'000 | Total Amount 30 June 2020 \$'000 |
|--|--|--|--|--|
| Interim distribution (declared before year end) ¹ | 4.13 | 9.51 | 4,994 | 11,174 |
| Final distribution (declared after year end) ² | 7.14 | – | 8,638 | – |

1. The interim distribution of 4.13 cents per stapled security was declared on 31 December 2020 and paid on 5 March 2021.

2. The final distribution of 7.14 cents per stapled security was declared after 30 June 2021, but is recognised in the accounts at balance date. The final distribution was paid on 3 September 2021.

ACCOUNTING POLICY

Distributions are recognised as a liability when declared or at the record date (if earlier). Distributions paid and payable are recognised as distributions within equity. Distributions paid are included in cash flows from financing activities in the consolidated statement of cash flows.

A review was performed on the accounting policy for the recognition of distributions in the current year. In prior periods, a distribution was recognised when declared. It is deemed appropriate, given the track record of the Group paying a distribution, to record a liability at balance date as the record date has passed and it is probable the distribution in respect of the year ended 30 June 2021 will be paid (even if not yet declared at balance date). This policy change has been applied retrospectively, resulting in a restatement in the opening retained earnings balance as at 1 July 2019 in the Consolidated Statement of Changes in Equity.

4. Earnings per stapled security

OVERVIEW

This note provides information about Elanor Investor Group's earnings on a per security basis. Earnings per security (EPS) is a measure that makes it easier for users of Elanor's financial report to compare Elanor's performance between different reporting periods. Accounting standards require the disclosure of two EPS measures, basic EPS and diluted EPS. EPS information provides a measure of interests of each ordinary issued security of the parent entity in the performance of the entity over the reporting period while diluted EPS information provides the same information but takes into account the effect of all potential dilutive, ordinary securities outstanding during the period, such as Elanor's options.

The tables below show the earnings per share of the Company, the parent entity of the Group and its controlled entities as required by accounting standards.

4. Earnings / (losses) per stapled security (continued)

The earning / (losses) per stapled security measure shown below is based upon the profit / (loss) attributable to security holders:

| | Consolidated Group 30 June 2021 | Consolidated Group 30 June 2020 |
|--|--|--|
| Basic (cents) | 6.73 | (16.71) |
| Diluted (cents) | 5.89 | (16.71) |
| Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000) | 7,858 | (18,329) |
| Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security | 116,826 | 109,691 |
| Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security | 133,493 | 109,691 |

The weighted average number of stapled securities and options granted used as the denominator in calculating basic and diluted earnings / (losses) per stapled securities shown above is based on the number of stapled securities on issue and options outstanding during the period. The comparative period basic and diluted earnings per stapled security has been adjusted by an immaterial amount as a result of a change in the calculation of the weighted average number of stapled securities used.

The earnings / (losses) per stapled security measures shown below are based upon the profit / (loss) attributable to security holders of the ENN Group:

| | ENN Parent 30 June 2021 | ENN Parent 30 June 2020 |
|--|-------------------------------|-------------------------------|
| Basic (cents) | 2.91 | (9.03) |
| Diluted (cents) | 2.55 | (9.03) |
| Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000) | 3,399 | (9,905) |
| Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security | 116,826 | 109,691 |
| Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security | 133,493 | 109,691 |

The weighted average number of stapled securities and options granted used as the denominator in calculating basic and diluted earnings / (losses) per stapled securities shown above is based on the number of stapled securities on issue and options granted during the period. The comparative period basic and diluted earnings per stapled security has been adjusted by an immaterial amount as a result of a change in the calculation of the weighted average number of stapled securities used.

ACCOUNTING POLICY

Basic earnings per stapled security is calculated as profit after tax attributable to security holders divided by the weighted average number of ordinary stapled securities issued.

Diluted earnings per stapled security is calculated as profit after tax attributable to security holders adjusted for any profit recognised in the period in relation to potential dilutive, stapled securities divided by the weighted average number of stapled securities and dilutive stapled securities.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

5. Income tax

OVERVIEW

This note provides detailed information about the Group's income tax items including a reconciliation of income tax expense if Australia's company income tax rate of 30% was applied to the Group's (loss) / profit before income tax as shown in the income statement to the actual income tax expense / benefit.

(a) Income Tax Expense

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---------------------------------------|--|--|
| Deferred tax expense / (benefit) | 1,650 | (3,029) |
| Income tax expense / (benefit) | 1,650 | (3,029) |

(b) Reconciliation of income tax expense to prima facie tax expense

| | | |
|---|--------------|----------------|
| Profit / (loss) before income tax expense | 9,467 | (26,419) |
| Less: Profit from the Trust (which is not taxable) | (4,977) | 11,219 |
| Prima facie profit / (loss) | 4,490 | (15,200) |
| Tax at the Australian tax rate of 30% | 1,347 | (4,560) |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: | | |
| Entertainment | 45 | 24 |
| Non-deductible depreciation and amortisation | 1,119 | 1,215 |
| Fair value adjustments to investment property in the Trust | (198) | (297) |
| Non-deductible expenses | 50 | 95 |
| Impact of consolidations | 111 | 148 |
| Non-assessable income | (76) | - |
| Other | (748) | 346 |
| Income tax expense / (benefit) | 1,650 | (3,029) |

ACCOUNTING POLICY

Accounting standards require the application of the "balance sheet method" to account for Elanor's income tax. Accounting profit does not always equal taxable income. There are a number of timing differences between the recognition of accounting expenses and the availability of tax deductions or when revenue is recognised for accounting purpose and tax purposes. These timing differences reverse over time, but they are recognised as deferred tax assets and deferred tax liabilities in the balance sheet until they are fully reversed. This is referred to as the "balance sheet method".

The Trust is not subject to Australian income tax provided their taxable income is fully distributed to the unitholders each year.

5. Income tax (continued)

Income tax expense comprises current and deferred tax and is recognised in the statement of profit or loss and other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

EIL and its wholly-owned Australian resident entities are part of a tax-consolidated group, formed on 11 July 2014, and are therefore taxed as a single entity, with any deferred tax assets and liabilities of these entities set off in the consolidated financial statements. The head entity within the tax-consolidated group is Elanor Investors Limited.

EMPR II Management Pty Limited and its wholly-owned Australian resident entities are part of a tax-consolidated group, formed on 21 March 2016, and are therefore taxed as a single entity, with any deferred tax assets and liabilities of these entities set off in the consolidated financial statements. The head entity within the tax-consolidated group is EMPR II Management Pty Limited.

EMPR Management Pty Limited and its wholly-owned Australian resident entities are part of a tax-consolidated group, formed on 6 November 2017, and are therefore taxed as a single entity, with any deferred tax assets and liabilities of these entities set off in the consolidated financial statements. The head entity within the tax-consolidated group is EMPR Management Pty Limited.

Elanor Luxury Hotel Fund Pty Limited and its wholly-owned Australian resident entities are part of a tax-consolidated group, formed on 2 December 2019, and are therefore taxed as a single entity, with any deferred tax assets and liabilities of these entities set off in the consolidated financial statements. The head entity within the tax-consolidated group is Elanor Luxury Hotel Fund Pty Limited.

(c) Deferred taxes

OVERVIEW

Management judgement is required in reviewing the recoverability of deferred tax assets carried by the Group, which involves estimates of key assumptions including cash flow projection, growth rates and discount rates.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

5. Income tax (continued)

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---|--|--|
| (a) Deferred tax assets | | |
| The balance comprises temporary differences attributable to: | | |
| Employee entitlements | 1,009 | 677 |
| Audit accrual | 13 | 21 |
| Asset acquisitions and blackhole expenses | 1,808 | 2,126 |
| Lease incentive | 1,074 | 630 |
| Tax losses recognised | 5,916 | 8,857 |
| Other | 490 | 510 |
| Total deferred tax assets | 10,310 | 12,821 |
| <i>Movements:</i> | | |
| Opening balance at beginning of year | 10,603 | 6,578 |
| Credited/(Debited) to the Consolidated Statements of Profit or Loss | 681 | (465) |
| Tax losses (utilised)/recognised | (3,066) | 4,183 |
| (Debited)/Credited to Equity | (126) | 307 |
| Closing balance at the end of the year | 8,092 | 10,603 |
| Deferred tax expected to be recovered within 12 months | 2,499 | 4,005 |
| Deferred tax expected to be recovered after more than 12 months | 7,811 | 6,599 |
| (b) Deferred tax liabilities | | |
| The balance comprises temporary differences attributable to: | | |
| Employee incentive plans | 218 | 208 |
| Other | 2,204 | 3,301 |
| Total deferred tax liabilities | 2,422 | 3,509 |
| <i>Movements:</i> | | |
| Opening balance at beginning of year | 3,509 | 2,218 |
| Transfer DTL to liabilities held for sale | – | 1,005 |
| (Credited)/Debited to the Consolidated Statements of Profit or Loss | (1,257) | 286 |
| Debited to Equity | 170 | – |
| Closing balance at the end of the year | 2,422 | 3,509 |
| Deferred tax expected to be settled within 12 months | 218 | 208 |
| Deferred tax expected to be settled after more than 12 months | 2,204 | 3,301 |
| Net deferred tax position | 7,888 | 9,312 |
| (c) Deferred tax asset / liability per tax group | | |
| Deferred tax asset / (liability) of the EIL tax group | 3,063 | 6,686 |
| Deferred tax asset / (liability) of the EMPR II tax group | 2,345 | 1,763 |
| Deferred tax asset / (liability) of the EMPR tax group | 1,997 | 809 |
| Deferred tax asset / (liability) of the ELHF tax group | 483 | 54 |
| Net deferred tax position | 7,888 | 9,312 |

The current tax asset and deferred tax asset balances has been restated in the Consolidated Statement of Financial Position, as deferred tax assets recognised in relation to carried forward losses were incorrectly classified as current tax assets. The impact of the restatement on the balance sheet at 1 July 2019 and 30 June 2020 has been detailed in the table below.

| | Reported Consolidated Group 1 July 2019 \$'000 | Restatement Consolidated Group 1 July 2019 \$'000 | Restated Consolidated Group 1 July 2019 \$'000 | Reported Consolidated Group 30 June 2020 \$'000 | Restatement Consolidated Group 30 June 2020 \$'000 | Restated Consolidated Group 30 June 2020 \$'000 |
|------------------------|---|--|---|--|---|--|
| Current tax asset | 4,674 | (4,674) | – | 8,857 | (8,857) | – |
| Net deferred tax asset | 1,904 | 4,674 | 6,578 | 455 | 8,857 | 9,312 |

5. Income tax (continued)

ACCOUNTING POLICY

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities within the tax groups, using tax rates enacted or substantively enacted at the reporting date.

6. Cash flow information

OVERVIEW

This note provides further information on the consolidated cash flow statements of the Group. It reconciles (loss) / profit for the year to cash flows from operating activities, reconciles liabilities arising from financing activities and provides information about non-cash transactions.

(a) Reconciliation of profit after income tax to net cash flows from operating activities

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---|--|--|
| Profit / (Loss) for the period | 7,817 | (23,390) |
| Depreciation of non-current assets | 10,656 | 12,111 |
| Amortisation | 2,089 | 1,204 |
| Fair value adjustment on revaluation of investment property | (3,631) | 11,769 |
| Net unrealised revenue from equity accounted investments | (7,096) | 5,991 |
| Net realised gain/(loss) on sale of investment | (2,528) | (1,449) |
| Other non cash items | (730) | 1,292 |
| Employee costs funded directly through equity | 3,302 | 1,840 |
| Net cash provided by operating activities before changes in assets and liabilities | 9,879 | 9,368 |
| Movement in working capital: | | |
| Decrease / (increase) in trade and other receivables | 1,372 | 604 |
| Decrease / (increase) in stock | (38) | 130 |
| Increase / (decrease) in other current assets | 253 | 1,450 |
| Decrease / (increase) in deferred tax | (6,723) | (410) |
| Increase / (decrease) in current tax liability | 9,719 | (4,183) |
| Increase / (decrease) in trade and other payables | (1,991) | 1,827 |
| Increase / (decrease) in other liabilities | (329) | 1,033 |
| Increase / (decrease) in other provision | (1,139) | (3,026) |
| Increase / (decrease) in lease liabilities | 3,499 | – |
| Net cash from operating activities | 14,502 | 6,794 |

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

6. Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

| | 30 June 2020 \$'000 | AASB 16 adjustment \$'000 | Cash flows \$'000 | Acquisitions \$'000 | Proceeds from new borrowings \$'000 | 30 June 2021 \$'000 |
|--|---------------------------|---------------------------------|----------------------|------------------------|--|---------------------------|
| Bank loan - term debt | 232,133 | - | (25,708) | - | 1,294 | 207,718 |
| Unsecured notes | 59,211 | - | - | - | 343 | 59,554 |
| Lease liability | 76 | - | (808) | - | 4,307 | 3,575 |
| Total liabilities from financing activities | 291,420 | - | (26,517) | - | 5,944 | 270,847 |

| | 30 June 2019 \$'000 | AASB 16 adjustment \$'000 | Cash flows \$'000 | Acquisitions \$'000 | from new borrowings \$'000 | 30 June 2020 \$'000 |
|--|---------------------------|---------------------------------|----------------------|------------------------|----------------------------------|---------------------------|
| Bank loan - term debt | 139,373 | - | (19,717) | 111,800 | 677 | 232,133 |
| Unsecured notes | 58,868 | - | - | - | 343 | 59,211 |
| Lease liability | - | 995 | (944) | - | 25 | 76 |
| Total liabilities from financing activities | 198,241 | 995 | (20,661) | 111,800 | 1,045 | 291,420 |

(c) Net debt reconciliation

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|--------------------------------------|--|--|
| Cash and cash equivalents | 20,771 | 23,548 |
| Liquid investments | 1,016 | 936 |
| Borrowings | (267,272) | (291,345) |
| Lease liabilities | (3,575) | (76) |
| Net debt | (249,059) | (266,937) |
| Cash and liquid investments | 21,787 | 24,484 |
| Gross debt - fixed interest rates | (63,130) | (60,864) |
| Gross debt - variable interest rates | (207,717) | (230,557) |
| Net debt | (249,059) | (266,937) |

Operating Assets

This section includes information about the assets used by the Group to generate revenue and profits, specifically relating to its property, plant and equipment, and investments.

7. Property, plant and equipment

OVERVIEW

All owner-occupied investment properties held by the Group are deemed to be held for use by the Group for the supply of services, and are therefore classified as property, plant and equipment under Australian Accounting Standards. At balance date, the Group's owner-occupied investment property portfolio comprised 14 accommodation hotels in Australia. All 14 accommodation hotels independent have been independently valued as at 30 June 2021.

(a) Carrying value and movement in property, plant and equipment (including right-of-use asset)

The carrying amount of property, plant and equipment (including the right-of-use asset) at the beginning and end of the current period is set out below:

| | Freehold land \$'000 | Buildings \$'000 | Plant and equipment \$'000 | Right-of-use asset \$'000 | Consolidated Group 30 June 2021 \$'000 |
|--|----------------------------|---------------------|----------------------------------|---------------------------------|--|
| Opening balance | 40,214 | 257,940 | 62,471 | 995 | 361,620 |
| Acquisitions | – | – | – | – | – |
| Additions | – | 4 | 2,464 | 4,132 | 6,600 |
| Transfers | – | – | (404) | – | (404) |
| Revaluation increments / (decrements) | – | 36,404 | – | – | 36,404 |
| Disposals | – | (937) | (1,147) | – | (2,084) |
| Closing balance | 40,214 | 293,411 | 63,384 | 5,127 | 402,136 |
| Accumulated depreciation at the beginning of the period | – | (16,673) | (23,069) | (918) | (40,660) |
| Depreciation | – | (4,674) | (5,199) | (783) | (10,656) |
| Accumulated depreciation at the end of the period | – | (21,347) | (28,268) | (1,701) | (51,316) |
| Total carrying value at the end of the period | 40,214 | 272,064 | 35,116 | 3,426 | 350,820 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

7. Property, plant and equipment (continued)

A reconciliation of the carrying amount of property, plant and equipment (including the right-of-use asset) at the beginning and end of the 30 June 2020 year is set out below:

| | Freehold land \$'000 | Buildings \$'000 | Plant and equipment \$'000 | Livestock \$'000 | Right-of-use asset \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---|----------------------------|---------------------|----------------------------------|---------------------|---------------------------------|--|
| Opening balance | 71,857 | 147,486 | 45,765 | 728 | – | 265,836 |
| Acquisitions | 6,391 | 107,647 | 4,203 | – | – | 118,241 |
| Additions | – | 5,851 | 12,503 | – | – | 18,354 |
| AASB 16 adjustment | – | – | – | – | 995 | 995 |
| Revaluation increments / (decrements) | – | (2,806) | – | – | – | (2,806) |
| Disposals | (38,034) | (238) | – | (728) | – | (39,000) |
| Closing balance | 40,214 | 257,940 | 62,471 | – | 995 | 361,620 |
| Accumulated depreciation at the beginning of the period for continuing operations | – | (10,427) | (17,844) | (278) | – | (28,550) |
| Depreciation | – | (6,246) | (5,225) | 278 | (918) | (12,111) |
| Accumulated depreciation at the end of the period | – | (16,673) | (23,069) | – | (918) | (40,661) |
| Total carrying value at the end of the period | 40,214 | 241,267 | 39,402 | – | 77 | 320,959 |

(b) Carrying value of property, plant and equipment

The following table represents the total fair value of property, plant and equipment at 30 June 2021:

| Property | Valuation | Consolidated | Consolidated |
|-----------------------------|-------------|------------------------------------|------------------------------------|
| | | Group 30 June 2021 \$'000 | Group 30 June 2020 \$'000 |
| Eaglehawk Hotel | Independent | 21,000 | 21,000 |
| Wollongong Hotel | Independent | 13,500 | 12,750 |
| Albany Hotel | Independent | 3,200 | 5,250 |
| Port Macquarie Hotel | Independent | 15,000 | 12,000 |
| Tall Trees Hotel | Independent | 13,900 | 14,000 |
| Pavillion Wagga Wagga Hotel | Independent | 7,500 | 7,250 |
| Parklands Resort Mudgee | Independent | 18,000 | 14,250 |
| Narrabundah Hotel | Independent | 32,000 | 31,000 |
| Byron Bay Hotel | Independent | 33,000 | 25,880 |
| Adabco Boutique Hotel | Independent | 13,000 | 13,000 |
| Mayfair Hotel | Independent | 86,000 | 86,000 |
| Clare Country Club | Independent | 10,000 | 7,600 |
| Barossa Weintal Hotel | Independent | 7,000 | 7,000 |
| Cradle Mountain Lodge | Independent | 73,000 | 63,000 |
| Right-of-use asset | | 3,426 | 77 |
| Other | | 1,294 | 902 |
| Total | | 350,820 | 320,959 |

As at 30 June 2021, the Directors assessed the fair value of the properties above, supported by independent valuation reports.

7. Property, plant and equipment (continued)

Had the Consolidated Group's property, plant and equipment been measured on a historical cost less accumulated depreciation basis, their carrying amount would have been as follows:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---------------------|--|--|
| Freehold land | 60 | 60 |
| Buildings | 207,258 | 212,866 |
| Plant and equipment | 37,436 | 41,722 |
| Right-of-use-asset | 3,426 | 77 |
| Total | 248,180 | 254,725 |

(c) Leases / right of use assets

This note provides information for leases where the group is a lessee.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|----------------------------|--|--|
| Right of use assets | | |
| Office premise lease | 3,426 | 77 |
| Total | 3,426 | 77 |
| | | |
| Lease liabilities | | |
| Current | 617 | 76 |
| Non-current | 2,958 | - |
| Total | 3,575 | 76 |

During the year the Group has renewed the office space lease, which resulted in the recognition of a new lease liability and right of use asset.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

7. Property, plant and equipment (continued)

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---|--|--|
| Depreciation charge of right-of-use assets | | |
| Office premise lease | 783 | 704 |
| Total | 783 | 704 |
| Interest expense | | |
| Office premise lease | 183 | – |
| Total | 183 | – |

The total cash outflow for leases during the year ended 30 June 2021 was \$0.8 million (2020: \$0.9 million).

ACCOUNTING POLICY

Fair value of Property, Plant and Equipment

Land and Buildings are carried at fair value with changes in fair value recognised in other comprehensive income in the statement of comprehensive income. Fair value is defined as the price at which an asset or liability could be exchanged in an arm's length transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

In reaching estimates of fair value, management judgement needs to be exercised. The level of management judgement required in establishing fair value of the land and buildings for which there is no quoted price in an active market is reduced through the use of external valuations.

Land and Buildings

All owner-occupied properties in the Hotel, Tourism and Leisure class are held for use by the Group for the supply of services and are classified as land and buildings and stated at their revalued amounts under the revaluation model, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value is the amount for which the land and buildings could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Revaluation increases arising from changes in the fair value of land and buildings are recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Furniture, fittings and equipment

Furniture, fittings and equipment are stated at cost less accumulated depreciation.

7. Property, plant and equipment (continued)

Right-of-use assets

The Group recognises right-of-use assets at commencement of a lease which is considered to be the date at which the underlying asset is available for use. The initial measurement of right-of-use asset includes the amount of lease liabilities recognised, initial direct cost incurred, lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and is adjusted for any remeasurement of lease liabilities. The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term unless the Group is reasonably certain that they will obtain ownership of the asset at the end of the lease term.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

| | |
|-------------------------------------|--------------|
| Buildings | 40 years |
| Plant and equipment: | |
| • Vehicles | 8 years |
| • Furniture, fittings and equipment | 3 - 10 years |

(c) Valuation technique and inputs

The key inputs used to measure fair values of property, plant and equipment are disclosed below along with the fair value sensitivity to an increase or decrease of these key inputs.

The property assets fair values presented are based on market values, which are derived using the capitalisation and the discounted cash flow methods. The Group's preferred or primary method is the capitalisation method.

Property Assets

The aim of the valuation process is to ensure that assets are held at fair value and the Group is compliant with applicable Australian Accounting Standards, regulations, and the Trust's Constitution and Compliance Plan.

All properties are required to be internally valued every six months with the exception of those independently valued during that six-month period. The internal valuations are performed by utilising the information from a combination of asset plans and forecasting tools prepared by the asset management team. Appropriate capitalisation rate, terminal yield and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation-based valuation and a discounted cash flow valuation. Both valuations are considered to determine the final valuation

The internal valuations are reviewed by the Fund Manager, Chief Operating Officer and Chief Financial Officer who recommends each property's valuation to the Audit, Risk & Compliance Committee. The Audit and Risk Committee recommends the property valuations to the Board in accordance with the Group's Property Valuation Policy.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

7. Property, plant and equipment (continued)

(c) Valuation technique and inputs (continued)

Property Assets (continued)

The Group's valuation policy requires that each property in the portfolio is valued by an independent valuer at least every three years. In practice, properties may be valued more frequently than every three years primarily where there may have been a material movement in the market and where there is a significant variation between the carrying value and the internal valuation. Independent valuations are performed by independent and external valuers who hold a recognised relevant professional qualification and have specialised expertise in the types of property assets valued.

Independent valuers of the Group's properties have included a statement within their valuation reports noting that in their view, significant valuation uncertainty exists in the current market environment. The significant uncertainty declaration is to serve as a precaution and does not invalidate the valuation. Rather, the statement is to ensure transparency of the fact that in the current extraordinary market circumstances as a result of the COVID-19 pandemic, less certainty can be attached to the valuations and continued periodic assessment should be performed subsequent to the date of the valuation assessment. The Group will manage this increased uncertainty through active management of the investment portfolio.

Internal valuations use the Group's best estimate of the economic and financial impacts of the COVID-19 pandemic using information available, at the time of preparation of the consolidated financial statements, in respect of existing conditions at reporting date and in relation to forward looking assumptions. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of the Group's property, plant and equipment portfolio.

Capitalisation method

Capitalisation rate is an approximation of the ratio between the net operating income produced by a property asset and its fair value. This excludes consideration of costs of acquisition or disposal. The net income is capitalised in perpetuity from the valuation date at an appropriate investment yield. The adopted percentage rate investment yield reflects the capitalisation rate and includes consideration of the property type, location, comparable sales and whether the property is subject to vacant possession (in the case of hotel properties).

Discounted cash flows (DCF)

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate discount rate is applied to establish the present value of the income stream associated with the property. The discount rate is the rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The rate is determined with regard to market evidence and prior independent valuation.

All property investments are categorised as level 3 in the fair value hierarchy. There were no transfers between the hierarchies during the period.

7. Property, plant and equipment (continued)

(c) Valuation technique and inputs (continued)

Assets measured at fair value

The significant unobservable inputs associated with the valuation of the Group's property, plant and equipment are as follows:

| Consolidated Group | Discount Rate % | Terminal Yield % | Capitalisation Rate % | Average Daily Rate \$ | Occupancy % |
|--------------------------------------|-----------------------|------------------------|-----------------------------|-----------------------------|----------------|
| Assets measured at fair value | | | | | |
| Property, plant and equipment | 5.75 - 11.00 | 6.00 - 11.25 | 7.25 - 10.00 | 120 - 404 | 50 - 86 |

Sensitivity Information

The key unobservable inputs to measure the fair value of property, plant and equipment are disclosed below along with sensitivity to a significant increase or decrease set out in the following table:

| | Fair value measurement sensitivity to increase in input | Fair value measurement sensitivity to decrease in input |
|-------------------------|---|---|
| Discount rate (%) | Decrease | Increase |
| Terminal yield (%) | Decrease | Increase |
| Capitalisation rate (%) | Decrease | Increase |
| Average daily rate (\$) | Increase | Decrease |
| Occupancy (%) | Increase | Decrease |

Sensitivity Analysis

When calculating the capitalisation method, the net property income has a strong inter-relationship with the adopted capitalisation rate given the methodology involves assessing the total income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the income and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the income and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the income and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value. The impact on the fair value of an increase (softening) in the adopted discount rate could potentially offset the impact of a decrease (tightening) in the adopted terminal yield. The same can be said for a decrease (tightening) in the adopted discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and adopted terminal yield could potentially magnify the impact to the fair value.

Notes to the Consolidated Financial Statements
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7. Property, plant and equipment (continued)

Sensitivity Analysis (continued)

The average daily rate and occupancy percentage assumptions drive the forecast hotel revenue for the accommodation hotel assets. The average daily rate reflects the average rate for a room sold over a period of time, while the occupancy percentage reflects the number of rooms occupied by guests over a period of time. An increase in these assumptions will increase the forecast hotel revenue and valuation of the hotels, whilst a decrease in these assumptions will have the opposite effect on forecast hotel revenue and valuations.

| | Fair value measurement sensitivity | | | |
|-------------------------|------------------------------------|-------------|-------------|-------------|
| | Increase by | Decrease by | Increase by | Decrease by |
| | 0.50% | 0.50% | 0.50% | 0.50% |
| | \$'000 | \$'000 | % | % |
| Discount rate (%) | (8,891) | 9,427 | (2.6) | 2.7 |
| Terminal yield (%) | (15,049) | 16,955 | (4.3) | 4.9 |
| Capitalisation rate (%) | (23,950) | 27,250 | (6.9) | 7.9 |

| | Fair value measurement sensitivity | | | |
|-------------------------|------------------------------------|-------------|-------------|-------------|
| | Increase by | Decrease by | Increase by | Decrease by |
| | 2.50% | 2.50% | 2.50% | 2.50% |
| | \$ | \$ | % | % |
| Average daily rate (\$) | 18,950 | (16,450) | 5.5 | (4.8) |
| Occupancy (%) | 19,450 | (16,850) | 5.6 | (4.9) |

8. Investment properties

The carrying amount of investment properties at the beginning and end of the current period is set out below:

| | Consolidated | Consolidated |
|---|---------------|---------------|
| | Group | Group |
| | 30 June | 30 June |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Carrying amount at the beginning of the period | 50,864 | 58,859 |
| Additions | 4,083 | 2,371 |
| Revaluation increments / (decrements) | 553 | (5,716) |
| Disposals | – | (4,650) |
| Carrying amount at the end of the period | 55,500 | 50,864 |

The following table represents the total fair value of investment properties at 30 June 2021.

| Property | Valuation | Consolidated | Consolidated |
|------------------|-------------|---------------|---------------|
| | | Group | Group |
| | | 30 June | 30 June |
| | | 2021 | 2020 |
| | | \$'000 | \$'000 |
| Bluewater Square | Independent | 55,500 | 50,864 |
| Total | | 55,500 | 50,864 |

As at 30 June 2021, the Directors assessed the fair value of the investment property above, supported by an independent external valuation report. The investment property is categorised as level 3 in the fair value hierarchy. There were no transfers between hierarchies during the period.

The external valuation was completed with reference to both a discounted cash flow and capitalisation valuation methods. The property valuations were completed using detailed forecasts prepared by the Group's asset management team. Key valuation assumptions including capitalisation rates, terminal yields and discount rates were determined based on comparable market evidence and valuation parameters determined in external valuations completed for comparable properties.

8. Investment properties (continued)

The value of Bluewater Square increased by 9% from \$50.9 million as at 30 June 2020 to \$55.5 million as at 30 June 2021. This increase is mainly attributable to the success of the asset management team's focus on leasing activity at the property. The strong leasing performance in the year has supported the investment metrics used in the independent valuation performed for Bluewater Square at 22 April 2021, which has been held and adopted as the valuation at 30 June 2021.

The independent valuation used the Group's best estimate of the economic and financial impacts of the COVID-19 pandemic using information available, at the time of preparation of the consolidated financial statements, in respect of existing conditions at reporting date and in relation to forward looking assumptions. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of the Bluewater Square asset.

ACCOUNTING POLICY

Fair value of Investment Properties

Investment properties are properties held to earn rentals and / or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. In reaching estimates of fair value, management judgment needs to be exercised. At each reporting date, the carrying values of the investment properties are assessed by the Directors and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Directors' assessment of fair value of each investment property takes into account latest independent valuations, with updates taking into account any changes in estimated yield, underlying income and valuations of comparable properties. In determining the fair value, the capitalisation of net income method and / or the discounting of future net cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the asset. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Fair value measurement

The fair value measurement for investment properties has been categorised as Level 3 fair value based on the key inputs to the valuation techniques used below:

| Valuation Techniques | Significant unobservable inputs | 30 June 2021 | 30 June 2020 |
|--|---------------------------------|--------------|--------------|
| <i>Discounted cash flows</i> – involves the projection of a series of inflows and outflows to which a market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. | Adopted discount rate | 7.25% | 7.25% |
| | Adopted terminal yield | 6.50% | 7.25% |
| | Net property income (per sqm) | \$336 | \$368 |
| <i>Capitalisation method</i> – involves determining the net market income of the investment property. This net market income is then capitalised at the adopted capitalisation rate to derive a core value. | Adopted capitalisation rate | 6.25% | 7.00% |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8. Investment properties (continued)

Valuation technique

Capitalisation method

Capitalisation rate is an approximation of the ratio between the net operating income produced by an investment property and its fair value. This excludes consideration of costs of acquisition or disposal. The net income is capitalised in perpetuity from the valuation date at an appropriate investment yield. The adopted percentage rate investment yield reflects the capitalisation rate and includes consideration of the property type, location and comparable sales.

Discounted cash flows (DCF)

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. The cash flow projections reflect tenants currently in occupation or are contracted to meet lease commitments or are likely to be in occupation based on market's general perception and relevant available market evidence. To this projected cash flow series, an appropriate discount rate is applied to establish the present value of the income stream associated with the property. The discount rate is the rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The rate is determined with regard to market evidence and prior independent valuation.

Sensitivity information

The key unobservable inputs to measure the fair value of investment properties are disclosed below along with sensitivity to a significant increase or decrease set out in the following table:

| | Fair value measurement sensitivity | | | |
|-------------------------|------------------------------------|--------------------------------|---------------------------|---------------------------|
| | Increase by 0.50% \$'000 | Decrease by 0.50% \$'000 | Increase by 0.50% % | Decrease by 0.50% % |
| Discount rate (%) | (2,029) | 2,029 | (3.7) | 3.7 |
| Terminal yield (%) | (2,638) | 2,638 | (4.8) | 4.8 |
| Capitalisation rate (%) | (4,314) | 4,903 | (7.8) | 8.8 |

Sensitivity Analysis

When calculating the capitalisation approach, the net property income has a strong inter-relationship with the adopted capitalisation rate given the methodology involves assessing the total income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the income and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the income and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the income and the adopted capitalisation rate could potentially magnify the impact to the fair value.

8. Investment properties (continued)

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value. The impact on the fair value of an increase (softening) in the adopted discount rate could potentially offset the impact of a decrease (tightening) in the adopted terminal yield. The same can be said for a decrease (tightening) in the adopted discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and adopted terminal yield could potentially magnify the impact to the fair value.

| | Fair value measurement sensitivity to increase in input | Fair value measurement sensitivity to decrease in input |
|-------------------------|---|---|
| Discount rate (%) | Decrease | Increase |
| Terminal yield (%) | Decrease | Increase |
| Capitalisation rate (%) | Decrease | Increase |
| Average daily rate (\$) | Increase | Decrease |
| Occupancy (%) | Increase | Decrease |

9. Equity accounted investments

OVERVIEW

This note provides an overview and detailed financial information of the Group's investments that are accounted for using the equity method of accounting.

The Group's equity accounted investments are as follows:

30 June 2021

| | Principal activity | Percentage Ownership | Consolidated Group 30 June 2021 \$'000 |
|--|--------------------|----------------------|---|
| Elanor Retail Property Fund (ASX: ERF) | Shopping Centres | 18.03% | 31,414 |
| Elanor Commercial Property Fund (ASX: ECF) | Office Buildings | 15.00% | 38,370 |
| Belconnen Markets Syndicate | Shopping Centre | 2.08% | 609 |
| Hunters Plaza Syndicate | Shopping Centre | 4.73% | 1,281 |
| Waverley Gardens Fund | Shopping Centre | 15.00% | 10,721 |
| 1834 Hospitality | Hotel Management | 25.00% | 2,061 |
| Elanor Wildlife Park Fund | Wildlife Parks | 26.61% | 7,980 |
| Stirling Street Syndicate | Shopping Centre | 2.03% | 152 |
| Total equity accounted investments | | | 92,588 |

Notes to the Consolidated Financial Statements
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9. Equity accounted investments (continued)

30 June 2020

| | Principal activity | Percentage Ownership | Consolidated Group 30 June 2020 \$'000 |
|--|--------------------|----------------------|---|
| Elanor Retail Property Fund (ASX: ERF) | Shopping Centres | 17.89% | 30,550 |
| Elanor Commercial Property Fund (ASX: ECF) | Office Buildings | 15.00% | 36,550 |
| Belconnen Markets Syndicate | Shopping Centre | 2.08% | 573 |
| Hunters Plaza Syndicate | Shopping Centre | 4.73% | 1,658 |
| Waverley Gardens Fund | Shopping Centre | 19.64% | 13,382 |
| 1834 Hospitality | Hotel Management | 25.00% | 2,484 |
| Elanor Wildlife Park Fund | Wildlife Parks | 26.61% | 6,541 |
| Elanor Healthcare Real Estate Fund | Office Buildings | 12.46% | 5,913 |
| Total equity accounted investments | | | 97,651 |

The carrying amount of equity accounted investments at the beginning and end of the current period is set out below:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|--|---|---|
| Carrying amount at the beginning of the period | 97,651 | 76,701 |
| Share of profit / (loss) from equity accounted investments | 7,096 | (5,991) |
| Distributions received | (5,248) | (5,092) |
| Share of movement in reserves | 1,872 | (1,186) |
| Net (sale of) / investment in equity accounted investments | (10,825) | 31,313 |
| Share of fair value gain on revaluation of assets | 2,781 | 1,906 |
| Impairment of equity accounted investments | (739) | – |
| Total carrying value at the end of the period | 92,588 | 97,651 |

Details of Material Associates

Summarised financial information in respect of each of the Group's material associates is set out below. Materiality is assessed on the investments' contribution to Group income and net assets. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with accounting standards, adjusted by the Group for equity accounting purposes.

The following information represents the aggregated financial position and financial performance of the Elanor Retail Property Fund, Elanor Commercial Property Fund and the Waverley Gardens Fund. This summarised financial information represents amounts shown in the associate's financial statements prepared in accordance with AASBs, adjusted by the Group for equity accounting purposes.

9. Equity accounted investments (continued)

| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
|---|---|---|---|
| | 30 June 2021 \$'000 | 30 June 2021 \$'000 | 30 June 2021 \$'000 |
| Financial position | | | |
| Current assets | 55,568 | 9,665 | 4,821 |
| Non - current assets | 190,958 | 384,500 | 178,251 |
| Total Assets | 246,526 | 394,165 | 183,072 |
| Current liabilities | 23,455 | 8,778 | 5,324 |
| Non - current liabilities | 66,723 | 141,924 | 102,796 |
| Total Liabilities | 90,178 | 150,702 | 108,120 |
| Contributed equity | 155,272 | 250,975 | 88,001 |
| Reserves | (120) | (824) | – |
| Retained profits / (accumulated losses) | 1,196 | (6,688) | (13,048) |
| Total Equity | 156,348 | 243,463 | 74,952 |
| | | | |
| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
| | Period ended 30 June 2021 \$'000 | Period ended 30 June 2021 \$'000 | Period ended 30 June 2021 \$'000 |
| Financial performance | | | |
| Profit / (loss) for the period | 7,157 | 31,255 | 7,418 |
| Other comprehensive income for the period | 4,128 | 1,165 | – |
| Total comprehensive income for the period | 11,285 | 32,420 | 7,418 |
| Distributions received from the associate during the period | 1,115 | 3,043 | 319 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in each of the material associates recognised in the consolidated financial statements:

| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
|--|---|---|---|
| | Period ended 30 June 2021 \$'000 | Period ended 30 June 2021 \$'000 | Period ended 30 June 2021 \$'000 |
| Net assets of the associate | 156,348 | 243,463 | 74,952 |
| Proportion of the Group's ownership interest | 18.03% | 15.00% | 15.00% |
| Group's share of net assets of the associates | 28,190 | 36,519 | 11,243 |
| Other movements not accounted for under the equity method ¹ | 3,224 | 1,851 | (522) |
| Carrying amount of the Group's interest | 31,414 | 38,370 | 10,721 |

¹ Other movements are primarily due to the Funds issuing new units to external investors at a price above or below the underlying net assets of the fund, or where the Group has acquired units on-market at a price different to the fund's NTA.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

9. Equity accounted investments (continued)

Details of Material Associates (continued)

30 June 2020

| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
|---|-----------------------------------|--|---------------------------------|
| | 30 June 2020 | 30 June 2020 | 30 June 2020 |
| | \$'000 | \$'000 | \$'000 |
| Financial position | | | |
| Current assets | 10,626 | 8,520 | 3,967 |
| Non - current assets | 317,197 | 373,500 | 171,010 |
| Total Assets | 327,823 | 382,020 | 174,977 |
| Current liabilities | 6,849 | 4,631 | 2,727 |
| Non - current liabilities | 148,256 | 140,969 | 102,824 |
| Total Liabilities | 155,105 | 145,600 | 105,550 |
| Contributed equity | 156,537 | 250,975 | 88,001 |
| Reserves | (4,248) | (1,989) | – |
| Retained profits / (accumulated losses) | 20,429 | (12,566) | (18,575) |
| Total Equity | 172,718 | 236,420 | 69,426 |
| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
| | Period ended 30 June 2020 | Period ended 30 June 2020 | Period ended 30 June 2020 |
| | \$'000 | \$'000 | \$'000 |
| Financial performance | | | |
| (Loss) / profit for the period | (11,964) | (2,301) | (3,579) |
| Other comprehensive income for the period | (453) | 1,319 | – |
| Total comprehensive income for the period | (12,417) | (982) | (3,579) |
| Distributions received from the associate during the period | 1,207 | 1,344 | 593 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in each of the material associates recognised in the consolidated financial statements:

| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
|--|---------------------------------|--|---------------------------------|
| | Period ended 30 June 2020 | Period ended 30 June 2020 | Period ended 30 June 2020 |
| | \$'000 | \$'000 | \$'000 |
| Net assets of the associate | 172,718 | 236,420 | 69,426 |
| Proportion of the Group's ownership interest | 17.89% | 15.00% | 19.64% |
| Group's share of net assets of the associates | 30,894 | 35,463 | 13,635 |
| Other movements not accounted for under the equity method ¹ | (344) | 1,087 | (253) |
| Carrying amount of the Group's interest | 30,550 | 36,550 | 13,382 |

¹ Other movements are primarily due to the Funds issuing new units to external investors at a price above or below the underlying net assets of the fund, or where the Group has acquired units on-market at a price different to the fund's NTA.

9. Equity accounted investments (continued)

Aggregate information of associates that are not individually material

| | Period ended 30 June 2021 \$'000 | Period ended 30 June 2020 \$'000 |
|--|---|---|
| Profit / (loss) for the period | (5,975) | (5,726) |
| Other comprehensive income for the period | 3,837 | 11,236 |
| Total comprehensive income for the period | (2,138) | 5,510 |
| Aggregate carrying amount of the Group's interests in these associates | 12,082 | 17,310 |

ACCOUNTING POLICY

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition charges in the Group's share of profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments.

Management of the Group reviewed and assessed the classification of the Group's investment in the associated entities in accordance with AASB 128 on the basis that the Group has significant influence over the financial and operating policy decisions of the investee.

The results, and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

When an entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

9. Equity accounted investments (continued)

ACCOUNTING POLICY (continued)

Investment in associates and joint ventures (continued)

Investments in associates and joint ventures are assessed for impairment when indicators of impairment are present. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

An assessment has been performed for each of the Managed Funds to ensure the underlying property assets of these Funds have been recognised at fair value, in accordance with the Group's accounting policy and methodology for fair value measurement of Property, Plant and Equipment and Investment Properties as described in Note 7 and 8 above.

Furthermore, the forecast cash flows of the underlying assets of the Group's Managed Funds have been assessed. For the Group's retail and commercial office Managed Funds, recoverability risks have been assessed through detailed tenant specific reviews of the financial position of certain tenants in addition to maintaining active tenant engagement and observation of relevant market conditions and factored into the cash flow forecast of these funds.

Due to ongoing and potential uncertain economic impacts of COVID-19 at balance date, the recoverable amount for the Group's investment in 1834 Hospitality was estimated through a fair value less costs to sell calculation. The calculation was based on a revenue multiple of 6 times applied on total revenue for the year ended 30 June 2021, less estimated costs to sell of 1% of the calculated fair value. As a result of these estimates, an impairment of \$0.8 million was recorded for the Group's investment in 1834 Hospitality. If the multiplier assumption was to increase/decrease by 0.5 times, fair value less costs to sell would increase/decrease by approximately 8%.

Finance and Capital Structure

This section provides further information on the Group's debt finance, financial assets and contributed equity.

10. Interest bearing liabilities

OVERVIEW

The Group borrows funds from financial institutions to partly fund the acquisition of income producing assets, such as investment properties, securities or the acquisition of businesses. The Group's borrowings are generally fixed, either directly or through the use of interest rate swaps and have a fixed term. This note provides information about the Group's debt facilities, including the facilities of EMPR, ELHF and Bluewater Square Syndicate. The EMPR, ELHF and Bluewater Square Syndicate facilities are non-recourse.

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---|--|--|
| Current | | |
| Bank loan - term debt | 65,080 | 63,250 |
| Bank loan - borrowing costs less amortisation | (469) | (911) |
| Total current | 64,611 | 62,339 |
| Non-current | | |
| Unsecured notes | 60,000 | 60,000 |
| Unsecured notes - borrowing costs less amortisation | (445) | (789) |
| Bank loan - term debt | 144,105 | 171,323 |
| Bank loan - borrowing costs less amortisation | (999) | (1,528) |
| Total non-current | 202,661 | 229,006 |
| Total interest bearing liabilities | 267,272 | 291,345 |

The term debt is secured by registered mortgages over all freehold property and registered security interests over all present and after acquired property of key Group entities and companies. The terms of the debt also impose certain covenants on the Group including Loan to Value ratio and Interest Cover covenants. The Group is currently meeting all its covenants.

Unsecured Fixed Rate Notes

On 17 October 2017 and 18 December 2017, the Group issued \$40 million and \$20 million 7.1% unsecured 5-year fixed rate notes respectively. The total \$60 million unsecured fixed rate notes are due for repayment on 17 October 2022. The fair value of this debt facility is \$61.2 million.

The unsecured notes include Loan to Value Ratio and Interest Cover Covenants. The Group is currently meeting all of its covenants.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

10. Interest bearing liabilities (continued)

CREDIT FACILITIES

As at 30 June 2021, the Group had unrestricted access to the following credit facilities:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---|--|--|
| ENN Group | | |
| Facility - ENN | 30,000 | 30,000 |
| Total amount used | (6,000) | (29,500) |
| Total amount unused - ENN | 24,000 | 500 |
| EMPR Group | | |
| Facility - EMPR | 64,860 | 70,605 |
| Total amount used | (64,860) | (70,605) |
| Total amount unused - EMPR | - | - |
| Bluewater Square Syndicate | | |
| Facility - Bluewater | 30,525 | 26,650 |
| Total amount used | (30,525) | (26,650) |
| Total amount unused - Bluewater | - | - |
| Elanor Luxury Hotel Fund | | |
| Facility - ELHF | 107,800 | 107,800 |
| Total amount used | (107,800) | (107,800) |
| Total amount unused - Elanor Luxury Hotel Fund | - | - |
| Total amount unused - Consolidated Group | 24,000 | 500 |

The ENN Group has access to a \$30.0 million debt facility, with a maturity date of 30 April 2022. The drawn amount at 30 June 2021 is \$6.0 million and this facility is not hedged. The facility is classified as current liability as the facility's maturity is less than 12 months. Subsequent to balance date, the Group has extended the maturity of this facility to 31 August 2022. The fair value of this debt facility is \$6.2 million.

The EMPR Group has access to a \$64.9 million debt facilities, upon which both the company and trust can draw. The drawn amount at 30 June 2021 is \$64.9 million. Of the EMPR Group facility, \$59.1 million will mature on 31 October 2021 and classified as current liability as the facility's maturity is less than 12 months. Subsequent to balance date, the Group has executed a credit approved term sheet for the maturity extension of the facility to 30 September 2022. The remaining \$5.8 million is maturing on 31 October 2022. As at 30 June 2021, the amount of drawn facility was hedged to 100% (2020: 94%). The fair value of this debt facility is \$65.9 million.

The Bluewater Square Syndicate has access to a \$30.5 million facility. The drawn amount at 30 June 2021 was \$30.5 million which will mature on 31 December 2023. As at 30 June 2021, the drawn amount was not hedged. The fair value of this debt facility is \$30.3 million.

The ELHF Group has access to a \$107.8 million facility. The drawn amount at 30 June 2021 was \$107.8 million. Of the ELHF Group facility, \$77.0 million will mature on 2 December 2022, with the remaining \$30.8 million maturing on 2 June 2023. As at 30 June 2021, the amount of drawn facility was hedged to 98% (2020: 100%). The fair value of this debt facility is \$109.9 million.

All of the facilities have a variable interest rates. The interest rates on the loans are partially fixed using interest rate swaps. The weighted average annual interest rates payable of all the loans at 30 June 2021, including the impact of the interest rate swaps, is 3.85% per annum (2020: 4.57%).

10. Interest bearing liabilities (continued)

ACCOUNTING POLICY

Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value, being the consideration received net of transaction costs associated with the borrowing. After initial recognition, interest bearing liabilities are stated at amortised cost using the effective interest method. Under the effective interest method, any transaction fees, costs, discounts, and premiums directly related to the borrowings are recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within 12 months. Amounts drawn under financial facilities which expire after 12 months are classified as non-current.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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11. Derivative financial instruments

OVERVIEW

The Group's derivative financial instruments consist of interest rate swap contracts to hedge its exposure to movements in variable interest rates. The interest rate swap agreements allow the Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---|--|--|
| Current liabilities | | |
| Interest rate swaps | 626 | 1,486 |
| Other derivative liabilities | – | 1,469 |
| | 626 | 2,955 |
| Non-current liabilities | | |
| Interest rate swaps | 188 | 917 |
| | 188 | 917 |
| Total derivative financial instruments | 814 | 3,872 |

EMPR and ELHF have entered into interest rate swap agreements with a notional principal amount totalling \$134.9 million (2020: \$173.5million) that entitles it to receive interest, at quarterly intervals, at a floating rate on the notional principal and oblige it to pay interest at a fixed rate.

The interest rate swap agreements allow the raising of long-term borrowings at a floating rate and effectively swap them into a fixed rate.

ACCOUNTING POLICY

Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates its hedging instruments, which include derivatives, as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

11. Derivative financial instruments (continued)

ACCOUNTING POLICY (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Valuation, techniques and inputs

Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is not applicable for the Group or the EIF Group.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

All of the resulting fair value estimates of financial instruments are included in level 2. There are no level 3 financial instruments in either the Group or the EIF Group.

Notes to the Consolidated Financial Statements

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12. Other financial assets

OVERVIEW

The Group's other financial assets consist of short-term financing provided by the Group to certain managed funds and the Group's corporate bonds. The corporate bonds represent an investment in the Group's unsecured notes on issue (refer to Note 10 for further information on the Group's unsecured notes). The investment in the Group's unsecured notes has not been netted off against interest bearing liabilities to ensure the interest bearing liabilities represents the total unsecured notes on issue at balance date.

The Group's other financial assets as at 30 June 2021 are detailed below:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|--|---|---|
| Merrylands property vendor finance | – | 6,413 |
| Corporate bond | 1,016 | 936 |
| Other financial assets and receivables | 4,198 | 4,319 |
| Total other financial assets | 5,214 | 11,668 |

ACCOUNTING POLICY

The Group measures its other financial assets at amortised cost.

At initial recognition, the Group measures its other financial assets at fair value and subsequently at amortised cost. The Group assessed that the credit risk of its financial asset has not significantly increased since initial recognition. Hence, the Group applies the 3-stage expected credit loss impairment model under AASB9 measuring the expected credit loss allowance (ECL) for the other financial assets.

The loss allowances are based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions, including the impacts of the COVID-19 pandemic, where appropriate at reporting date.

Refer to Note 15(b) for further discussion on the Group's management of credit risk, including that for its financial assets.

13. Contributed equity

OVERVIEW

The shares of Elanor Investors Limited (Company) and the units of Elanor Investment Fund (EIF) are combined and issued as stapled securities. The shares of the Company and units of EIF cannot be traded separately and can only be traded as stapled securities.

Below is a summary of contributed equity of the Company and EIF separately and for Elanor's combined stapled securities. The basis of allocation of the issue price of stapled securities to Company shares and EIF units post stapling is determined by agreement between the Company and EIF as set out in the Stapling Deed.

Contributed equity for the period ended 30 June 2021

| No. of securities/ shares | Details | Date of income entitlement | Total Equity 30 June 2021 \$'000 | Parent Entity 30 June 2021 \$'000 | EIF 30 June 2021 \$'000 |
|------------------------------|-----------------------------|----------------------------|-------------------------------------|--------------------------------------|----------------------------|
| 119,579,339 | Opening balance | 1 Jul 2020 | 174,744 | 71,891 | 102,853 |
| 1,395,176 | 2020 STI Securities granted | 17 Dec 2020 | 1,662 | 414 | 1,248 |
| 120,974,515 | Securities on issue | 30 Jun 2021 | 176,406 | 72,305 | 104,101 |

A reconciliation of treasury securities on issue at the beginning and end of the period is set out below:

| No. of securities/ shares | Details | Date of income entitlement | Total Equity 30 June 2021 \$'000 | Parent Entity 30 June 2021 \$'000 | EIF 30 June 2021 \$'000 |
|------------------------------|-------------------------------------|----------------------------|-------------------------------------|--------------------------------------|----------------------------|
| 2,756,646 | Opening balance | 1 Jul 2020 | 3,801 | 1,005 | 2,796 |
| 1,395,176 | 2020 STI Securities granted | 17 Dec 2020 | 1,662 | 414 | 1,248 |
| (346,717) | 2019 STI Securities vested | 27 Jun 2021 | (631) | (215) | (416) |
| 3,805,105 | Treasury securities on issue | 30 Jun 2021 | 4,832 | 1,204 | 3,628 |

Contributed equity for the period ended 30 June 2020

| No. of securities/ shares | Details | Date of income entitlement | Total Equity 30 June 2020 \$'000 | Parent Entity 30 June 2020 \$'000 | EIF 30 June 2020 \$'000 |
|------------------------------|--|----------------------------|-------------------------------------|--------------------------------------|----------------------------|
| 99,822,220 | Opening balance | 1 Jul 2019 | 136,138 | 61,672 | 74,466 |
| 14,973,333 | Securities issued (Placement) | 18 Nov 2019 | 30,491 | 8,075 | 22,416 |
| 2,373,857 | Securities issued (Securities Purchase Plan) | 17 Dec 2019 | 4,945 | 1,309 | 3,636 |
| 317,165 | 2020 STI Securities granted | 19 Dec 2019 | 677 | 179 | 498 |
| 2,092,764 | 2020 STI Securities granted | 29 Jun 2020 | 2,493 | 656 | 1,837 |
| 119,579,339 | Securities on issue | 30 Jun 2020 | 174,744 | 71,891 | 102,853 |

Notes to the Consolidated Financial Statements

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13. Contributed equity (continued)

A reconciliation of treasury securities on issue at the beginning and end of the prior period is set out below:

| No. of securities/shares | Details | Date of income entitlement | Total Equity 30 June 2020 \$'000 | Parent Entity 30 June 2020 \$'000 | EIF 30 June 2020 \$'000 |
|--------------------------|-------------------------------------|----------------------------|-------------------------------------|--------------------------------------|----------------------------|
| 609,991 | Opening balance | 1 Jul 2019 | 1,157 | 349 | 808 |
| 317,165 | 2020 STI Securities granted | 19 Dec 2019 | 677 | 179 | 498 |
| (263,274) | 2018 STI Securities vested | 27 Jun 2020 | (526) | (179) | (347) |
| 2,092,764 | 2020 STI Securities granted | 29 Jun 2020 | 2,493 | 656 | 1,837 |
| 2,756,646 | Treasury securities on issue | 30 Jun 2020 | 3,801 | 1,005 | 2,796 |

ACCOUNTING POLICY

Equity-settled security-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled security-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

14. Reserves

OVERVIEW

Reserves are balances that form part of equity that record other comprehensive income amounts that are retained in the business and not distributed until such time the underlying balance sheet item is realised. This note provides information about movements in the other reserves line item of the balance sheet and a description of the nature and purpose of each reserve.

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|---|---|---|
| Asset revaluation reserve | | |
| Opening balance | 44,580 | 74,239 |
| Revaluation | 33,012 | (3,045) |
| Reversed to retained earnings as a result of sale | – | (21,241) |
| Equity accounted investment revaluation reserve | 1,907 | (5,373) |
| Closing balance | 79,499 | 44,580 |
| Cash flow hedge reserve | | |
| Opening balance | (2,244) | (2,180) |
| Revaluation | 1,883 | (64) |
| Closing balance | (361) | (2,244) |
| Stapled security-based payment reserve | | |
| Opening balance | 3,869 | 2,102 |
| Loan securities and option expense | 1,491 | 196 |
| Short term incentive scheme expense | 978 | 1,571 |
| Closing balance | 6,338 | 3,869 |
| Total reserves | 85,476 | 46,205 |

14. Reserves (continued)

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment.

The cash flow hedge reserve is used to recognise increments and decrements in the fair value of cash flow hedges.

The stapled security-based payment reserve is used to recognise the fair value of loan, restricted securities and options issued to employees but not yet exercised under the Group's DSTI and LTIP.

15. Financial risk management

OVERVIEW

The Group's principal financial instruments comprise cash, receivables, financial assets carried at fair value through profit and loss, interest bearing loans, derivatives, payables and distributions payable.

The Group's activities are exposed to a variety of financial risks: market risk (including interest rate risk and equity price risk), credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included through these consolidated financial statements.

The Group's Board of Directors (Board) has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit & Risk Committee (ARC), which is responsible for monitoring the identification and management of key risks to the business. The ARC meets regularly and reports to the Board on its activities.

The Board has established Treasury Guidelines outlining principles for overall risk management and policies covering specific areas, such as mitigating foreign exchange, interest rate and liquidity risks.

The Group's Treasury Guidelines provide a framework for managing the financial risks of the Group with a key philosophy of risk mitigation. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments. The Group uses derivative financial instruments such as interest rate swaps where possible to hedge certain risk exposures.

The Group 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, ageing analysis for credit risk and cash flow forecasting for liquidity risk.

There have been no other significant changes in the types of financial risks or the Group's risk management program (including methods used to measure the risks).

(a) Market risk

Market risk refers to the potential for changes in the value of the Group's financial instruments or revenue streams from changes in market prices. There are various types of market risks to which the Group is exposed including those associated with interest rates, currency rates and equity market price.

(i) Interest rate risk

Interest rate risk refers to the potential fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

15. Financial risk management (continued)

(a) Market risk (continued)

(i) Interest rate risk(continued)

As at reporting date, the Consolidated Group had the following interest-bearing assets and liabilities:

| Consolidated Group 30 June 2021 | Maturity < 1 yr \$'000 | Maturity 1 - 5 yrs \$'000 | Maturity > 5 yrs \$'000 | Total \$'000 |
|------------------------------------|------------------------------|---------------------------------|-------------------------------|-----------------|
| Assets | | | | |
| Cash and cash equivalents | 20,771 | – | – | 20,771 |
| Financial assets | 5,214 | – | – | 5,214 |
| Total assets | 25,985 | – | – | 25,985 |
| Weighted average interest rate | | | | 1.76% |
| Liabilities | | | | |
| Interest bearing loans | 64,611 | 202,661 | – | 267,272 |
| Derivative financial instruments | 626 | 188 | – | 814 |
| Total liabilities | 65,237 | 202,849 | – | 268,086 |
| Weighted average interest rate | | | | 4.58% |

| Consolidated Group 30 June 2020 | Maturity < 1 yr \$'000 | Maturity 1 - 5 yrs \$'000 | Maturity > 5 yrs \$'000 | Total \$'000 |
|------------------------------------|------------------------------|---------------------------------|-------------------------------|-----------------|
| Assets | | | | |
| Cash and cash equivalents | 23,548 | – | – | 23,548 |
| Financial assets | 11,668 | – | – | 11,668 |
| Total assets | 35,216 | – | – | 35,216 |
| Weighted average interest rate | | | | 3.81% |
| Liabilities | | | | |
| Interest bearing loans | 62,339 | 229,006 | – | 291,345 |
| Derivative financial instruments | 2,955 | 917 | – | 3,872 |
| Total liabilities | 65,294 | 229,923 | – | 295,217 |
| Weighted average interest rate | | | | 4.58% |

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

15. Financial risk management (continued)

As at 30 June 2021 \$134.9 million (2020: \$173.5 million) of the \$209.2 million (2020: \$235.1 million) of floating interest-bearing loans have been hedged using interest rate swap agreements. These agreements are in place to swap the variable / floating interest payable to a fixed rate to minimise the interest rate risk.

(ii) Interest Rate Sensitivity

At reporting date if Australian interest rates had been 1% higher / lower and all other variables were held constant, the impact on the Group in relation to cash and cash equivalents, derivatives, interest bearing loans and the Group's profit and equity would be:

| Consolidated Group 30 June 2021 | Amount \$'000 | Increase by 1% | | Decrease by 1% | |
|------------------------------------|------------------|--------------------------|------------------|--------------------------|------------------|
| | | Profit/ (loss) \$'000 | Equity \$'000 | Profit/ (loss) \$'000 | Equity \$'000 |
| Cash and cash equivalents | 20,771 | 208 | – | (208) | – |
| Derivative financial instruments | 814 | – | 1,395 | – | (1,395) |
| Interest bearing loans | 269,185 | (1,297) | – | 1,297 | – |
| Total increase / (decrease) | 290,770 | (1,089) | 1,395 | 1,089 | (1,395) |

| Consolidated Group 30 June 2020 | Amount \$'000 | Increase by 1% | | Decrease by 1% | |
|------------------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | | Profit/ (loss) \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| Cash and cash equivalents | 23,548 | 235 | – | (235) | – |
| Derivative financial instruments | 3,872 | – | 1,694 | – | (1,694) |
| Interest bearing loans | 291,345 | (2,946) | – | 2,946 | – |
| Total increase / (decrease) | 318,765 | (2,711) | 1,694 | 2,711 | (1,694) |

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The Group manages credit risk on receivables by performing credit reviews of prospective debtors, obtaining collateral where appropriate and performing detailed reviews on any debtor arrears. Credit risk on derivatives is managed through limiting transactions to investment grade counterparties.

At balance date, the Group's outstanding debtors consists primarily of loans to Elanor's Managed Funds and accrued funds management fees payable by these Managed Funds, rent receivables from its investment property Bluewater Square, and outstanding payments receivable from hotel guests across its hotel portfolio.

In respect of outstanding loans and trade debtors receivable from its Managed Funds, the Group has performed a detailed analysis of the recoverability of these amounts with reference to the cash flow forecasts of each of these funds. For each of the Group's Managed Funds, the Group's management teams have performed a detailed asset level analysis of the recoverability of the outstanding arrears at balance date for these assets, and future expected impacts of the COVID-19 pandemic on the funds' cash flows.

For the Group's retail investment property Bluewater Square, the group applied the AASB 9 simplified approach using the provision matrix for measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance. The ECL calculation is based on assumptions about risk of default and expected loss rates. The group has considered the following in assessing the expected credit loss: ageing of the debtor's balances, tenant payment history, ongoing negotiations relating to COVID-19 rent relief arrangements, assessment of the tenant's financial position, existing market conditions and forward-looking estimates.

At balance date, the Group has recognised an expected credit loss provision of \$0.2 million (2020: \$0.2 million) in respect to the rent receivables of Bluewater Square Syndicate.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

15. Financial risk management (continued)

(b) Credit risk (continued)

For the Group's Hotels, Tourism and Leisure Managed Funds (HTL Funds), the group applied the AASB 9 simplified approach using the provision matrix for measuring the expected credit losses which uses a lifetime expected loss allowance (ECL). The lifetime ECL calculation is based on the ageing of the debtors and forward-looking estimates.

At balance date, no provisions have been recognised in respect of loans and funds management fees receivable from the Group's HTL Funds and a provision of \$0.7 million has been recognised in respect of the consolidated HTL Funds' trade debtors (2020: nil).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as detailed below:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|-----------------------------|--|--|
| Cash and cash equivalents | 20,771 | 23,548 |
| Financial assets | 5,214 | 11,668 |
| Trade and other receivables | 6,293 | 7,143 |
| Total | 32,278 | 42,359 |

Where entities have a right of set-off and intend to settle on a net basis under netting arrangements, this set-off has been recognised in the consolidated financial statements on a net basis. Details of the Group's commitments are disclosed in Note 22.

Trade and other receivables consist of GST, trade debtors and other receivables.

At balance date there were no other significant concentrations of credit risk.

No allowance has been recognised for the GST and trade debtors from the taxation authorities and related parties respectively. Based on historical experience, there is no evidence of default from these counterparties which would indicate that an allowance was necessary.

Impairment losses

The ageing of trade and other receivables at reporting date is detailed below:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|--|--|--|
| Current | 5,458 | 4,186 |
| Past due 31-61 days | 643 | 434 |
| Past due 61+ days | 1,112 | 3,752 |
| Total | 7,213 | 8,372 |
| Provision for expected credit loss | (920) | (1,229) |
| Net trade and other receivables | 6,293 | 7,143 |

15. Financial risk management (continued)

(c) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash including working capital and other reserves, as well as through securing appropriate committed credit facilities.

As a result of the uncertain economic environment created by the COVID-19 pandemic, Group cashflow management and Managed Funds related cash flows have been subject to heightened levels of review and focus to ensure the Group maintains strong balance sheet liquidity.

The following are the undiscounted contractual cash flows of derivatives and non-derivative financial liabilities shown at their nominal amount (including future interest payable).

Consolidated Group 30 June 2021

| | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 5 years \$'000 | More than 5 years \$'000 | Contractual cash flows \$'000 | Carrying amount \$'000 |
|---|-------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------------|
| Derivative financial liabilities | | | | | | |
| Derivatives | 626 | 188 | – | – | – | 814 |
| Non derivative financial liabilities | | | | | | |
| Payables | 22,623 | – | – | – | 22,623 | 22,623 |
| Interest bearing loans | 68,062 | 189,488 | 34,721 | – | 292,271 | 267,272 |
| Lease liability | 617 | 737 | 2,221 | – | 3,575 | 3,575 |
| Total | 91,928 | 190,413 | 36,942 | – | 318,468 | 294,283 |

Consolidated Group 30 June 2020

| | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 5 years \$'000 | More than 5 years \$'000 | Contractual cash flows \$'000 | Carrying amount \$'000 |
|---|-------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------------|
| Derivative financial liabilities | | | | | | |
| Derivatives | 2,955 | 917 | – | – | 3,872 | 3,872 |
| Non derivative financial liabilities | | | | | | |
| Payables | 10,401 | 5 | – | – | 10,406 | 10,406 |
| Interest bearing loans | 66,546 | 72,190 | 194,528 | – | 333,264 | 291,345 |
| Lease liability | 76 | – | – | – | 76 | 76 |
| Total | 79,978 | 73,112 | 194,528 | – | 347,618 | 305,699 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

15. Financial risk management (continued)

(d) Capital risk management

The Group maintains its capital structure with the objective to safeguard its ability to continue as a going concern, to increase the returns for security holders and to maintain an optimal capital structure. The capital structure of the Group consists of equity as listed in Note 13.

The Group assesses its capital management approach as a key part of the Group's overall strategy and it is continuously reviewed by management and the Directors.

To achieve the optimal capital structure, the Board may use the following strategies: amend the distribution policy of the Group; issue new securities through a private or public placement; activate the Distribution Reinvestment Plan (DRP); issue securities under a Security Purchase Plan (SPP); conduct an on-market buyback of securities; acquire debt; or dispose of investment properties.

Group Structure

This section provides information about the Group's structure including parent entity information, information about controlled entities (subsidiaries) and business combination information relating to the acquisition of controlled entities.

16. Parent entity

OVERVIEW

The financial information below on Elanor Investor Group's parent entity Elanor Investors Limited (the Company) and the Trust's parent entity Elanor Investment Fund (EIF) as stand-alone entities has been provided in accordance with the requirements of the Corporations Act 2001. The financial information of the parent entities of the Group and the EIF Group have been prepared on the same basis as the consolidated financial statements.

(a) Summarised financial information

| | Elanor Investors Limited ¹ 30 June 2021 \$'000 | Elanor Investors Limited ¹ 30 June 2020 \$'000 | Elanor Investment Fund ² 30 June 2021 \$'000 | Elanor Investment Fund ² 30 June 2020 \$'000 |
|--|--|--|--|--|
| Financial position | | | | |
| Current assets | 779 | 19,144 | 94,960 | 117,996 |
| Non - current assets | 118,100 | 107,205 | 92,229 | 84,827 |
| Total assets | 118,880 | 126,349 | 187,189 | 202,823 |
| Current liabilities | 16,028 | 14,276 | 9,049 | 9,734 |
| Non - current liabilities | 57,691 | 68,599 | 74,453 | 81,153 |
| Total liabilities | 73,719 | 82,875 | 83,502 | 90,887 |
| Contributed equity | 70,877 | 70,551 | 100,103 | 99,324 |
| Reserves | 1,763 | 941 | 19,870 | 8,218 |
| (Accumulated losses) / retained profits | (27,479) | (28,018) | (16,286) | 4,395 |
| Total equity | 45,161 | 43,474 | 103,687 | 111,937 |
| Financial performance | | | | |
| (Loss) / profit for the period | 1,832 | (10,091) | (8,275) | 32,618 |
| Other comprehensive income for the period | (347) | (347) | 15,642 | 5,638 |
| Total comprehensive income for the period | 1,485 | (10,438) | 7,367 | 38,256 |

¹Elanor Investors Limited is the parent entity of the Consolidated Group.

²Elanor Investment Fund is the parent entity of the EIF Group.

(b) Commitments

At balance date Elanor Investors Limited and Elanor Investment Fund had no commitments (2020: none) in relation to capital expenditure contracted for but not recognised as liabilities.

(c) Guarantees provided

At balance date Elanor Investors Limited and Elanor Investment Fund had no outstanding guarantees (2020: none).

(d) Contingent liabilities

At balance date Elanor Investors Limited and Elanor Investment Fund had no contingent liabilities (2020: none).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

17. Subsidiaries and Controlled entities

OVERVIEW

This note provides information about the Group's subsidiaries and controlled entities.

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

| Elanor Investors Limited | | Place of incorporation and operation | Proportion of ownership interest and voting power by the Group | |
|--|----------------------|--------------------------------------|--|--------------|
| Name of Subsidiary | Principal activity | | 30 June 2021 | 30 June 2020 |
| Elanor Asset Services Pty Limited ¹ | Asset services | Australia | 100% | 100% |
| Elanor Funds Management Limited ¹ | Responsible entity | Australia | 100% | 100% |
| Elanor Operations Pty Limited ¹ | Operational services | Australia | 100% | 100% |
| Elanor Investment Nominees Pty Limited ¹ | Trustee services | Australia | 100% | 100% |
| Elanor Waverley Property Nominees Pty Limited ¹ | Trustee services | Australia | 100% | 100% |
| Elanor Investment Holdings Pty Limited ¹ | Holding company | Australia | 100% | 100% |
| Elanor Management Pty Limited ¹ | Holding company | Australia | 100% | 100% |
| JCF Management Pty Limited ¹ | Furniture retailer | Australia | 100% | 100% |
| Wiltex Wholesale Pty Limited ¹ | Landholder | Australia | 100% | 100% |
| Albany Hotel Management Pty Limited ¹ | Hotel operator | Australia | 100% | 100% |
| Cradle Mountain Lodge Pty Limited ² | Hotel operator | Australia | 43% | 43% |
| Wollongong Hotel Management Pty Limited ² | Hotel operator | Australia | 43% | 43% |
| Port Macquarie Hotel Management Pty Limited ² | Hotel operator | Australia | 43% | 43% |
| Tall Trees Hotel Management Pty Limited ² | Hotel operator | Australia | 43% | 43% |
| Pavilion Wagga Wagga Hotel Management Pty Limited ² | Hotel operator | Australia | 43% | 43% |
| Parklands Resort Hotel Management Pty Limited ² | Hotel operator | Australia | 43% | 43% |
| EMPR II Management Pty Limited ² | Holding company | Australia | 43% | 43% |
| Eaglehawk Hotel Management Pty Limited ³ | Hotel operator | Australia | 43% | 43% |
| Narrabundah Hotel Management Pty Limited ³ | Hotel operator | Australia | 43% | 43% |
| Byron Bay Hotel Management Pty Limited ³ | Hotel operator | Australia | 43% | 43% |
| EMPR Management Pty Limited ³ | Holding company | Australia | 43% | 43% |
| Elanor Luxury Hotel Fund Pty Limited ⁴ | Holding company | Australia | 100% | 100% |
| Mayfair Hotel Management Pty Ltd ⁴ | Hotel operator | Australia | 100% | 100% |
| Wakefield Street Hotel Management Pty Ltd ⁴ | Hotel operator | Australia | 100% | 100% |
| Cradle Mountain Lodge Management II Pty Ltd ⁴ | Hotel operator | Australia | 100% | 100% |

¹ Elanor Investors Limited ("EIL") is the head entity within the EIL tax-consolidated group. The companies in which EIL has 100% ownership are members of the EIL tax-consolidated group.

² EMPR II Management Pty Limited is the head entity of the EMPR II tax-consolidated group.

³ EMPR Management Pty Limited is the head entity of the EMPR tax-consolidated group.

⁴ Elanor Luxury Hotel Fund Pty Limited is the head entity of the ELHF tax-consolidated group. EIL does not have a 100% ownership in Elanor Luxury Hotel Fund Pty Limited (only rounded up to 100% in the above table), and hence this entity is not part of the EIL tax-consolidated group.

17. Subsidiaries and Controlled entities (continued)

| Elanor Investment Fund | | Place of incorporation and operation | Proportion of ownership interest and voting power by the Group | |
|---|-----------------------------------|--|---|---------|
| Name of Subsidiary | Principal activity | | 30 June | 30 June |
| | | | 2021 | 2020 |
| Elanor Investment Trust | Co-investment in Managed Funds | Australia | 100% | 100% |
| Albany Hotel Syndicate | Hotel landholder | Australia | 100% | 100% |
| Wollongong Hotel Syndicate | Hotel landholder | Australia | 43% | 43% |
| Elanor Metro and Prime Regional Hotel Fund II | Hotel landholder | Australia | 43% | 43% |
| Wollongong Hotel Property Trust | Hotel landholder | Australia | 43% | 43% |
| Port Macquarie Property Trust | Hotel landholder | Australia | 43% | 43% |
| Tall Trees Property Trust | Hotel landholder | Australia | 43% | 43% |
| Pavilion Wagga Wagga Property Trust | Hotel landholder | Australia | 43% | 43% |
| Parklands Resort Property Trust | Hotel landholder | Australia | 43% | 43% |
| Narrabundah Property Trust | Hotel landholder | Australia | 43% | 43% |
| Byron Bay Hotel Property Trust | Hotel landholder | Australia | 43% | 43% |
| Elanor Metro and Prime Regional Hotel Fund | Hotel landholder | Australia | 43% | 43% |
| Elanor Luxury Hotel Fund | Hotel landholder | Australia | 100% | 100% |
| Mayfair Hotel Property Trust | Hotel landholder | Australia | 100% | 100% |
| Wakefield Street Hotel Property Trust | Hotel landholder | Australia | 100% | 100% |
| Cradle Mountain Lodge Property Trust | Hotel operator | Australia | 100% | 100% |
| Blewater Square Syndicate | Shopping centre | Australia | 42% | 42% |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

Other Information

This section includes other information that must be disclosed to comply with the Accounting Standards, the Corporations Act 2001 or the Corporations Regulations, but which are not considered critical in understanding the financial performance or position of the Group, including information about related parties, events after the end of the reporting period and certain EIF Group disclosures.

18. Receivables

OVERVIEW

This note provides further information about assets that are incidental to the Group's trading activities, being trade and other receivables. Refer to Note 15(b) for discussion on the Group's management of credit risk, including that of the Group's trade and other receivables.

Receivables

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|--|--|--|
| Trade receivables | 4,197 | 5,569 |
| Other receivables | 2,096 | 1,574 |
| Total trade and other receivables | 6,293 | 7,143 |

19. Payables and other liabilities

OVERVIEW

This note provides further information about liabilities that are incidental to the Group's trading activities, being payables, other liabilities and provisions.

Payables

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|----------------------------|--|--|
| Trade creditors | 1,390 | 2,823 |
| Accrued expenses | 7,743 | 7,669 |
| GST payable / (receivable) | 1,839 | (269) |
| Total payables | 10,972 | 10,223 |

19. Payables (continued)

Other liabilities

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|--|--|--|
| Current | | |
| Distribution payable | 8,638 | – |
| Distribution payable by consolidated Fund ¹ | 2,923 | – |
| Other liabilities | 89 | 101 |
| Total other current liabilities | 11,650 | 101 |

¹The distribution payable is related to the special distribution declared by the consolidated EMPR Fund at 30 June 2021.

Provisions

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|-------------------------------------|--|--|
| Current | | |
| Provision for annual leave | 1,687 | 1,117 |
| Provision for long service leave | 843 | 674 |
| Provision for short term incentives | – | 277 |
| Other | 350 | 2,119 |
| Total current | 2,880 | 4,187 |
| Non-current | | |
| Provision for annual leave | 227 | 153 |
| Provision for long service leave | 234 | 135 |
| Other | – | 5 |
| Total non-current | 461 | 293 |
| Total provisions | 3,341 | 4,480 |

ACCOUNTING POLICY

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

19. Payables (continued)

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows, using a high quality Corporate Bond rate as the discount rate, to be made in respect of services provided by employees up to reporting date.

20. Intangible assets

OVERVIEW

This note sets out the Intangible assets of the Group.

| | Management rights | Software | Total |
|------------------------|-------------------|------------|--------------|
| Consolidated Group | \$'000 | \$'000 | \$'000 |
| At 1 July 2019 | 750 | – | 750 |
| Additions | – | – | – |
| Amortisation charge | (150) | – | (150) |
| At 30 June 2020 | 600 | – | 600 |
| Additions | – | 1,375 | 1,375 |
| Amortisation charge | (150) | (497) | (647) |
| At 30 June 2021 | 450 | 878 | 1,328 |

Management Rights represent the acquisition of funds management rights and associated licences at IPO for \$1.5 million. At IPO, the estimated acquired funds management rights was 10 years.

ACCOUNTING POLICY

Funds management rights

Funds management rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 10 years.

Software

Software expenditure is capitalised and recognised as finite life intangibles and are amortised using the straight-line method over its estimated lifetime of 5 years.

21. Government grants - JobKeeper

During the year, the Group received a total of \$1.1 million from the JobKeeper scheme in the financial year and the Group's Hotels, Tourism and Leisure Managed Funds (consolidated in the Group financial statements) received a total of \$5.4 million. The JobKeeper payments are deducted from the related salary expenses.

ACCOUNTING POLICY

Government grants are recognised when there is reasonable assurance the group will comply with the conditions attaching to them and the grant will be received. Government grants are presented as part of profit and loss.

22. Commitments

OVERVIEW

This note sets out the material commitments of the Group.

Contingent liabilities and commitments

The Group has no contingent liabilities as at 30 June 2021 (30 June 2020: nil)

Lease commitments: the Group as lessor

The Group has non-cancellable leases in respect of premises. The leases are for a duration of between 1 to 10 years and are classified as operating leases. The minimum lease commitments receivable are as follows:

| | Consolidated Group 30 June 2021 \$'000 | Consolidated Group 30 June 2020 \$'000 |
|--------------------------------|---|---|
| Within one year | 3,804 | 3,430 |
| Year 2 | 3,567 | 3,120 |
| Year 3 | 3,209 | 2,808 |
| Year 4 | 2,738 | 2,245 |
| Year 5 | 2,221 | 1,722 |
| Later than 5 years | 7,099 | 3,966 |
| Total lease commitments | 22,638 | 17,290 |

In the opinion of the Directors, there were no other commitments at the end of the reporting period.

Notes to the Consolidated Financial Statements

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23. Share-based payments

OVERVIEW

The Group has short term and long-term ownership-based compensation schemes for executives and senior employees.

STI scheme

The Group has implemented an STI scheme (the STI Scheme), based on an annual profit share. The STI Scheme is based on a profit share pool, to be calculated each year based on the Group's financial performance for the relevant year.

The purpose of the STI Scheme is to provide an annual bonus arrangement that incentivises and rewards management for achieving annual pre-tax ROE for security holders in excess of 10% per annum. The profit share pool is based on 20% of ROE above 10%, 22.5% of the ROE above 15%, 25% of the ROE above 17.5% and 30% of the ROE above 20%. The Scheme provides that 50% of any awards to individuals from the profit share pool may be delivered in deferred securities, which vest two years after award, provided that the employee remains with the Group and maintains minimum performance standards.

The Elanor Investors Group Board monitors the appropriateness of the profit share scheme and any distribution of the profit share pool will be at the Board's discretion, taking into consideration the forecast and actual financial performance and position of the Group.

LTI scheme

The Group has implemented an LTI scheme (the LTI Scheme), based on an executive loan security plan and an executive options plan.

Under the executive loan security plan awards (comprising the loan of funds to eligible Elanor employees to acquire securities which are subject to vesting conditions) have been issued to certain employees.

The limited recourse loan provided by the Group under the loan security plan carries interest of an amount equal to any cash dividend or distribution but not including any dividend or distribution of capital, or an abnormal distribution.

In addition to the loan security plan, the Group has implemented an executive option plan comprising rights to acquire securities at a specified exercise price, subject to the achievement of vesting conditions, which may be offered to certain eligible employees (including the Chief Executive Officer, direct reports to the Chief Executive Officer and other selected key executives) as determined by the Board. Executive Options currently on issue are to the Chief Executive Officer only, over 2.0 million securities.

The purpose of the LTI Scheme is to assist in attracting, motivating and retaining key management and employees. The LTI Scheme operates by providing key management and employees with the opportunity to participate in the future performance of Group securities. The vesting conditions LTI plans and related awards include both a service-based hurdle and an absolute total security holder return (TSR) performance hurdle. The service-based hurdle is 2, 3 and 4 years in the case of the loan security plan. The TSR is 10% per annum in the first year, and 8% per annum thereafter in the case of the loan security plan and 15% per annum in the case of the options plan. TSR was selected as the LTI performance measure to ensure an alignment between the security holder return and reward for executives.

During the year, the Board reviewed the Group's LTI Scheme and determined that the Loan Securities and Executive Options remained the most appropriate equity award vehicles for the 2020 LTI Scheme awards, encouraging a continued focus on security price growth, distributions and strong alignment of executives to Securityholders.

On 28 August 2020, the Board assessed the performance hurdles for the 2017 and 2019 Loan Securities and Executive Options and noted that the three-year TSR hurdle for the Executive Options and Loan Securities had not been met. As a result, the 2017 Loan Securities were surrendered on the basis the TSR performance hurdle was not achievable by the end of the vesting period.

23. Share-based payments (continued)

The Remuneration and Nomination Committee retained a leading professional services firm to undertake a review of a proposed 2020 LTI Plan to consider the proposed design and quantum of the grant, with reference to market practice and Elanor's stated LTI Plan and business objectives. The Remuneration and Nomination Committee resolved to recommend the Board approve the Plan. No remuneration recommendations as defined under Division 1, Part 1.2.98(1) of the Corporations Act 2001, were made by the professional services firm.

To ensure executives remain motivated to achieve security price growth on behalf of Securityholders, the Board has determined to make new 2020 LTI Scheme awards, utilising the surrendered 2017 and 2019 award securities, and new Loan Securities, to ensure that the new LTI Scheme awards will not be outstanding at the same time as the 2017 and 2019 Loan Securities and Executive Options.

On 28 August 2020, following the surrender of the 2017 and 2019 LTI Award securities by the LTI Plan participants, the Board approved the issue of 2020 LTI Scheme Awards, under similar terms and conditions to the previous LTI Scheme Awards. A total of 17 million 2020 LTI Awards were approved and issued.

On 28 August 2020 the Board approved the issue of 2 million options under the Group's option plan to Glenn Willis. These options have an exercise price of \$1.65, being a 43% premium to the issue price. The issue of options and 2020 LTI Awards to Glenn Willis was approved by security holders on 21 October 2020, at the Group's Annual General Meeting (AGM).

The following share-based payment arrangements were in existence during the current reporting period:

Employee Loan Securities

| Award Type | Number Granted | Grant Date | Vesting Date | Vesting Conditions ¹ | Security Price at Grant Date | Fair Value at Grant Date |
|-----------------|-------------------|------------|-----------------|------------------------------------|---------------------------------------|-----------------------------------|
| Loan Securities | 12,000,000 | 28/08/2020 | 31/07/2024 | Service & market | \$1.15 | \$0.12 |
| Loan Securities | 5,000,000 | 21/10/2020 | 31/07/2024 | Service & market | \$1.33 | \$0.19 |

¹ Service and market conditions include financial and non-financial targets along with a deferred vesting period.

Options

| Award Type | Number Granted | Grant Date | Vesting Date | Vesting Conditions ¹ | Exercise Price | Fair Value at Grant Date |
|-------------------|-------------------|------------|-----------------|------------------------------------|-------------------|-----------------------------------|
| Options Tranche 2 | 2,000,000 | 21/10/2020 | 31/07/2023 | Service & market | \$1.65 | \$0.07 |

¹ Service and market conditions include financial and non-financial targets along with a deferred vesting period

Notes to the Consolidated Financial Statements

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23. Share-based payments (continued)

The Group recognises the fair value at the grant date of equity settled securities above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value of options is measured at grant date using a Monte-Carlo Simulation and Binomial option pricing model, performed by an independent valuer, and models the future price of the Group's stapled securities.

Securities issued under STI plan

| Award Type | Number Granted | Grant Date | Vesting Date | Vesting Conditions ¹ | Security Price at Allocation Date | Fair Value at Grant Date |
|--------------------|-------------------|------------|-----------------|------------------------------------|--|-----------------------------------|
| FY19 STI Tranche 1 | 346,717 | 27/06/2019 | 27/06/2021 | Service | \$1.82 | \$1.82 |
| FY19 STI Tranche 2 | 317,165 | 19/12/2019 | 19/12/2021 | Service | \$2.15 | \$2.12 |
| FY20 STI Tranche 1 | 2,092,764 | 29/06/2020 | 29/06/2022 | Service | \$1.19 | \$1.17 |
| FY20 STI Tranche 2 | 1,395,176 | 18/12/2020 | 18/12/2022 | Service | \$1.19 | \$1.88 |

¹ Service conditions include a deferred vesting period.

The total expense recognised during the year in relation to the Group's equity settled share-based payments was \$3,302,395.

ACCOUNTING POLICY

Share-Based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

24. Related parties

OVERVIEW

Related parties are persons or entities that are related to the Group as defined by AASB 124 Related Party Disclosures. This note provides information about transactions with related parties during the period.

Elanor Investors Group

Controlled entities

Controlled entities Interests in controlled entities are set out in Note 17

Responsible Entity fees

Elanor Funds Management Limited (EFML) is the Responsible Entity of the Elanor Investment Fund (EIF) (a wholly owned subsidiary of Elanor Investors Limited).

In accordance with the Constitution of Elanor Investment Fund (EIF), EFML is entitled to receive a management fee equal to its reasonable costs in providing its services as Responsible Entity for which it is not otherwise reimbursed. For the year ended 30 June 2021, this amount is \$129,996 (2020: \$129,996).

EFML makes payments for EIF from time to time. These payments are incurred by EFML in properly performing or exercising its powers or duties in relation to EIF. EFML has a right of indemnity from EIF for any liability incurred by EFML in properly performing or exercising any of its powers or duties in relation to EIF. The amount reimbursed for the year ended 30 June 2021 was nil (2020: nil).

EFML acted as Trustee and Manager and/or Custodian of a number of registered and unregistered managed investment schemes, including schemes where the Group also held an investment. EFML is entitled to fee income, as set out in the Constitution of each scheme, including management fees, acquisition fees, equity raise fees and performance fees. EFML is also entitled to be reimbursed from each Scheme for costs incurred in properly performing or exercising any of its powers or duties in relation to each Scheme.

A summary of the income earned during the period from these managed investment schemes is provided below:

| | Consolidated Group 30 June 2021 \$ | Consolidated Group 30 June 2020 \$ |
|------------------------------------|--|--|
| Elanor Healthcare Real Estate Fund | 3,642,643 | 1,988,521 |
| Elanor Retail Property Fund | 3,680,149 | 4,531,382 |
| Elanor Commercial Property Fund | 3,310,295 | 3,551,890 |
| Stirling Street Syndicate | 2,138,332 | 265,085 |
| Clifford Gardens Fund | 2,128,758 | – |
| Riverside Plaza Syndicate | 2,084,354 | – |
| Burke Street Fund | 1,764,434 | – |
| Belconnen Markets Syndicate | 1,410,504 | 814,530 |
| Fairfield Centre Syndicate | 1,356,051 | 503,790 |
| Waverley Gardens Fund | 1,142,386 | 809,484 |
| Elanor Wildlife Park Fund | 1,111,429 | 1,455,401 |
| Hunters Plaza Syndicate | 658,047 | 603,141 |
| Workzone West Syndicate | – | 603,142 |
| Total | 24,427,382 | 15,126,367 |

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

24. Related parties (continued)

Outstanding receivables balances with related parties

The following balances arising through the normal course of business were due from related parties at balance date:

| | Consolidated Group 30 June 2021 \$ | Consolidated Group 30 June 2020 \$ |
|----------------------------|--|--|
| Management fee receivables | 668,148 | 1,122,965 |
| Acquisition fees | 198,000 | – |
| Other receivables | 288,713 | 174,009 |
| Total | 1,154,861 | 1,296,975 |

Key Management Personnel (KMP)

Executive

| | |
|-------------------|---|
| Mr. Glenn Willis | Managing Director and Chief Executive Officer |
| Mr. Paul Siviour | Chief Operating Officer |
| Mr. Symon Simmons | Chief Financial Officer and Company Secretary |

Position

Non-Executive

| | |
|---------------------|---|
| Mr. Paul Bedbrook | Independent Chairman and Non-Executive Director |
| Mr. Nigel Ampherlaw | Independent Non-Executive Director |
| Mr. Lim Kin Song | Non-Executive Director (Resigned 25 January 2021) |
| Mr Anthony Fehon | Independent Non-Executive Director |

Position

The aggregate compensation made to the Key Management Personnel of the Group is set out below:

| | Consolidated Group 30 June 2021 \$ | Consolidated Group 30 June 2020 \$ |
|--------------------------|--|--|
| Short term benefits | 2,001,975 | 2,299,720 |
| Long term benefits | 106,770 | 31,391 |
| Post-employment benefits | 90,736 | 99,788 |
| Share-based payment | 1,584,619 | 925,500 |
| Total | 3,784,100 | 3,356,399 |

25. Significant events

Establishment of Riverside Plaza Syndicate

The Group established the Riverside Plaza Syndicate in September 2020 which acquired the Riverside Plaza neighbourhood shopping centre in Queanbeyan, NSW for \$60.0 million.

Establishment of Burke Street Fund

The Group established the Burke Street Fund in November 2020 which acquired the commercial office and healthcare properties in 2 Burke Street and 163 Ipswich Road, Woolloongabba QLD for \$80.2 million.

Elanor Healthcare Real Estate Fund

The Elanor Health Care Real Estate Fund completed three property acquisitions, growing the Fund to approximately \$209 million:

- Woolloongabba Community Health Centre in Brisbane, QLD for \$37.3 million in October 2020,
- 2 Civic Boulevard property in Rockingham, WA for \$22.9 million in December 2020,
- Broadway Medical Centre in Ellenbrook, WA for \$12.0 million in May 2021.

Clifford Gardens Fund

The Group established Clifford Gardens Fund in June 2021 which acquired the Clifford Gardens shopping centre in Toowoomba QLD for \$145.0 million.

Elanor Wildlife Park Fund

Elanor Wildlife Park Fund acquired Hunter Valley Zoo in May 2021, for \$9.0 million, growing the fund's portfolio to over \$60.0 million.

Elanor Retail Property Fund

Elanor Retail Property Fund completed the sale of Auburn Central in December 2020 for \$129.5 million (4.0% premium to book value), following its transformation into a triple-supermarket anchored, metropolitan neighbourhood shopping centre.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

26. Other accounting policies

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash held by property managers in trust, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Inventories

Inventories, which principally comprise beverage and consumables of the hotel business, are stated at the lower of cost and net realisable value.

27. Events occurring after reporting date

Subsequent to period end, a distribution of 7.14 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$8.6 million was paid on 3 September 2021 in respect of the year ended 30 June 2021.

On 18 August 2021, the Board of Directors approved a new funds management initiative by Elanor Funds Management Limited as trustee for the Elanor Metro and Prime Regional Hotel Fund (EMPR), being the acquisition by EMPR of part of the Elanor Luxury Hotel Fund (ELHF) and all of the Albany Hotel Syndicate (AHS), to establish a single investment vehicle being the \$346 million Elanor Hotel Accommodation Fund (EHAF).

To complete the EHAF transaction, EMPR is undertaking a pro-rata entitlement offer to existing EMPR fund investors and a capital raising from new wholesale and sophisticated investors to the extent of any shortfall in the entitlement offer.

ELHF and AHS are currently 100% owned by Elanor. The effect of the EHAF transaction is the partial sell down of ELHF and the sale of all of the AHS from Elanor's balance sheet investment portfolio to EHAF. This has been a clearly articulated strategy of Elanor since establishment of ELHF in November 2019.

On 29 September 2021, Elanor Securityholders voted in favour of a resolution to approve the EHAF transaction and thereby facilitate the sell-down of Elanor's investment in these funds. This transaction is a further step in the execution of Elanor's stated capital lite strategy and will provide capital growth for Elanor and the opportunity to undertake capital management initiatives.

On 17 September, the Group announced the appointment of Mr Su Kiat Lim as a Non- Executive Directors of Elanor Investors Group, Elanor Retail Property Fund and Elanor Commercial Property Fund, effective 1 October 2021.

Other than the events disclosed above, the directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial period subsequent to the year ended 30 June 2021.

28. Auditor's remuneration

OVERVIEW

PricewaterhouseCoopers are the independent auditors of Elanor Investors Group (2020: Deloitte Touche Tohmatsu) and have provided a number of audit and other assurance related services as well as other non-assurance related services to Elanor Investors Group and the Trust during the year. Pitcher Partners provided audit services in respect of the Trust's Compliance Plan.

Below is a summary of fees paid for various services to PricewaterhouseCoopers (2020: Deloitte Touche Tohmatsu) and Pitcher Partners during the year.

| | Consolidated Group 30 June 2021 \$ | Consolidated Group 30 June 2020 \$ |
|--|--|--|
| Audit services: | | |
| Auditors of the Elanor Investors Group | | |
| Pricewaterhouse Coopers | 256,050 | – |
| Deloitte Touche Tohmatsu Australia: | – | 297,000 |
| Audit and review of financial reports | 256,050 | 297,000 |
| Other services: | | |
| Auditors of the Elanor Investors Group | | |
| Deloitte Touche Tohmatsu Australia: | | |
| Taxation advisory services | – | 2,314 |
| Taxation compliance services | – | 121,683 |
| | – | 123,997 |
| Total | 256,050 | 420,997 |
| Auditors of the Elanor Investors Group | | |
| Pitcher Partners: | | |
| Compliance Plan Audit | 24,100 | 23,300 |
| Total - Pitcher Partners | 24,100 | 23,300 |

29. Non-Parent disclosure

OVERVIEW

This note provides information relating to the non-parent EIF Group only. The accounting policies are consistent with the Group, except as otherwise disclosed. Refer to the corresponding notes in the Group section of the financials for further discussion on the Group's response to COVID-19, which covers EIF Group as its subsidiary.

Segment information

Chief operating decisions are based on the segment information as reported by the consolidated Group and therefore EIF is deemed to have only one segment.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

29. Non-Parent disclosure (continued)

Distributions

The following distributions were declared by the EIF Group in respect of the period:

| | Distribution cents per stapled security 30 June 2021 | Distribution cents per stapled security 30 June 2020 | Total Amount 30 June 2021 \$'000 | Total Amount 30 June 2020 \$'000 |
|--|--|--|--|--|
| Interim distribution (declared before year end) ¹ | 4.13 | 9.51 | 4,994 | 11,174 |
| Final distribution (declared after year end) ² | 7.14 | – | 8,638 | – |

¹The interim distribution of 4.13 cents per stapled security was paid on 5 March 2021.

²The final distribution of 7.14 cents per stapled security was declared after 30 June 2021, but is recognised in the accounts at balance date. The final distribution was paid on 3 September 2021.

Taxation of the Trust

Under current Australian income tax legislation, the Trust and its sub-trusts are not liable for income tax on their taxable income (including assessable realised capital gains) provided that the unitholders are presently entitled to the income of the Trust. Accordingly, the Group only pays tax on Company taxable earnings and there is no separate tax disclosure for the Trust.

Earnings / (losses) per stapled security

The earnings / (losses) per stapled security measure shown below is based upon the profit / (loss) attributable to security holders:

| | EIF Group 30 June 2021 | EIF Group 30 June 2020 |
|---|---------------------------------|---------------------------------|
| Basic (cents) | 3.82 | (7.68) |
| Diluted (cents) | 3.34 | (7.68) |
| Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000) | 4,459 | (8,424) |
| Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security | 116,826 | 109,691 |
| Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security | 133,493 | 109,691 |

29. Non-Parent disclosure (continued)

Investment Properties

Movement in investment properties

The carrying value of investment properties at the beginning and end of the current period is set out below:

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|---|---|---|
| Carrying amount at the beginning of the period | 332,811 | 270,747 |
| Total costs on acquisition | – | 89,305 |
| Additions | 17,115 | 12,495 |
| Revaluation increments / (decrements) | 36,631 | (2,806) |
| Disposals | (1,732) | (36,930) |
| Carrying amount at the end of the period | 384,825 | 332,811 |

Refer to Note 7 Property, plant and equipment and Note 8 Investment properties for further details of the valuations of the underlying property assets.

ACCOUNTING POLICY

Fair value of Investment Properties

Investment property relates to the land and buildings owned by the EIF Group (being the Elanor Investment Fund and its controlled entities) only, in which rental income is earned from entities within the EIL Group.

Valuation, technique and inputs

Investment properties are categorised as level 3 in the fair value hierarchy. There were no transfers between hierarchies during the period.

Fair value measurement

The significant unobservable inputs associated with the valuation of the Group's investment properties are as follows

| | Book Value 30 June 2021 \$'000 | Discount Rate % | Terminal Yield % | Capitalisation Rate % | Average Daily Rate \$ | Occupancy % |
|--------------------------------------|---|-----------------------|------------------------|-----------------------------|-----------------------------|----------------|
| EIF Group | | | | | | |
| Assets measured at fair value | | | | | | |
| Investment properties | 384,825 | 5.75 - 11.00 | 6.00 - 11.25 | 7.25 - 10.00 | 120 - 404 | 50 - 86 |
| Total assets | 384,825 | | | | | |

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

29. Non-Parent disclosure (continued)

Equity accounted investments

The Trust's equity accounted investments are as follows:

30 June 2021

| | Principal activity | Percentage Ownership | EIF Group 30 June 2021 \$'000 |
|--|--------------------|----------------------|--|
| Elanor Retail Property Fund (ASX: ERF) | Shopping Centres | 18.03% | 31,414 |
| Elanor Commercial Property Fund (ASX: ECF) | Office Buildings | 15.00% | 38,370 |
| Hunters Plaza Syndicate | Shopping Centre | 4.73% | 1,281 |
| Waverley Gardens Fund | Shopping Centre | 15.00% | 10,789 |
| Elanor Wildlife Park Fund | Wildlife Parks | 26.61% | 6,641 |
| Stirling Street Syndicate | Health Care | 2.03% | 152 |
| Total equity accounted investments | | | 88,647 |

30 June 2020

| | Principal activity | Percentage Ownership | EIF Group 30 June 2020 \$'000 |
|--|--------------------|----------------------|--|
| Elanor Retail Property Fund (ASX: ERF) | Shopping Centres | 17.89% | 30,550 |
| Elanor Commercial Property Fund (ASX: ECF) | Office Buildings | 15.00% | 36,550 |
| Hunters Plaza Syndicate | Shopping Centre | 4.73% | 1,658 |
| Waverley Gardens Fund | Office Buildings | 19.64% | 13,447 |
| Elanor Wildlife Park Fund | Wildlife Parks | 26.61% | 5,378 |
| Elanor Healthcare Real Estate Fund | Office Buildings | 12.46% | 5,913 |
| Total equity accounted investments | | | 93,496 |

The following information represents the aggregated financial position and financial performance of the Elanor Retail Property Fund, Elanor Commercial Property Fund and the Waverley Gardens Fund. This summarised financial information represents amounts shown in the associate's financial statements prepared in accordance with AASBs, adjusted by the Trust for equity accounting purposes.

29. Non-Parent disclosure (continued)

Equity accounted investments (continued)

30 June 2021

| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
|---|---------------------------------|--|---------------------------------|
| | 30 June 2021 | 30 June 2021 | 30 June 2021 |
| | \$'000 | \$'000 | \$'000 |
| Financial position | | | |
| Current assets | 55,568 | 9,665 | 5,463 |
| Non - current assets | 190,958 | 384,500 | 177,935 |
| Total Assets | 246,526 | 394,165 | 183,398 |
| Current liabilities | 23,455 | 8,778 | 5,303 |
| Non - current liabilities | 66,723 | 141,924 | 102,796 |
| Total Liabilities | 90,178 | 150,702 | 108,099 |
| Contributed equity | 155,272 | 250,975 | 88,000 |
| Reserves | (120) | (824) | – |
| Retained profits / (accumulated losses) | 1,196 | (6,688) | (12,701) |
| Total Equity | 156,348 | 243,463 | 75,299 |
| | | | |
| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
| | Period ended 30 June 2021 | Period ended 30 June 2021 | Period ended 30 June 2021 |
| | \$'000 | \$'000 | \$'000 |
| Financial performance | | | |
| Profit / (loss) for the period | 7,157 | 31,255 | 7,427 |
| Other comprehensive income for the period | 4,128 | 1,165 | – |
| Total comprehensive income for the period | 11,285 | 32,420 | 7,427 |
| Distributions received from the associate during the period | 1,115 | 3,043 | 319 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Elanor Retail Property Fund, Elanor Commercial Property Fund and the Waverley Gardens Fund recognised in the consolidated financial statements:

| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
|--|---------------------------------|--|---------------------------------|
| | Period ended 30 June 2021 | Period ended 30 June 2021 | Period ended 30 June 2021 |
| | \$'000 | \$'000 | \$'000 |
| Net assets of the associate | 156,348 | 243,463 | 74,952 |
| Proportion of the Group's ownership interest | 18.03% | 15.00% | 15.00% |
| Group's share of net assets of the associates | 28,190 | 36,519 | 11,243 |
| Other movements not accounted for under the equity method ¹ | 3,224 | 1,851 | (456) |
| Carrying amount of the Group's interest | 31,414 | 38,370 | 10,787 |

¹ Other movements are primarily due to the Funds issuing new units to external investors at a price above or below the underlying net assets of the fund, or where the Group has acquired units on-market at a price different to the fund's NTA.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

29. Non-Parent disclosure (continued)

Equity accounted investments (continued)

30 June 2020

| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
|---|---|---|---|
| | 30 June 2020 \$'000 | 30 June 2020 \$'000 | 30 June 2020 \$'000 |
| Financial position | | | |
| Current assets | 10,626 | 8,520 | 3,967 |
| Non - current assets | 317,197 | 373,500 | 171,010 |
| Total Assets | 327,823 | 382,020 | 174,977 |
| Current liabilities | 6,849 | 4,631 | 2,727 |
| Non - current liabilities | 148,256 | 140,969 | 102,824 |
| Total Liabilities | 155,105 | 145,600 | 105,550 |
| Contributed equity | 156,537 | 250,975 | 88,001 |
| Reserves | (4,248) | (1,989) | - |
| Retained profits / (accumulated losses) | 20,429 | (12,566) | (18,575) |
| Total Equity | 172,718 | 236,420 | 69,426 |
| | | | |
| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
| | Period ended 30 June 2020 \$'000 | Period ended 30 June 2020 \$'000 | Period ended 30 June 2020 \$'000 |
| Financial performance | | | |
| Profit / (loss) for the period | (11,964) | (2,301) | (3,579) |
| Other comprehensive income for the period | (453) | 1,319 | - |
| Total comprehensive income for the period | (12,417) | (982) | (3,579) |
| Distributions received from the associate during the period | 1,207 | 1,344 | 593 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Elanor Retail Property Fund recognised in the consolidated financial statements:

| | Elanor Retail Property Fund | Elanor Commercial Property Fund | Waverley Gardens Fund |
|--|---|---|---|
| | Period ended 30 June 2020 \$'000 | Period ended 30 June 2020 \$'000 | Period ended 30 June 2020 \$'000 |
| Net assets of the associate | 172,718 | 236,420 | 69,426 |
| Proportion of the Group's ownership interest | 17.89% | 15.00% | 19.64% |
| Group's share of net assets of the associates | 30,894 | 35,463 | 13,635 |
| Other movements not accounted for under the equity method ¹ | (344) | 1,087 | (253) |
| Carrying amount of the Group's interest | 30,550 | 36,550 | 13,382 |

¹ Other movements are primarily due to the Funds issuing new units to external investors at a price above or below the underlying net assets of the fund, or where the Group has acquired units on-market at a price different to the fund's NTA.

29. Non-Parent disclosure (continued)

Aggregate information of associates that are not individually material

| | Period ended 30 June 2021 \$'000 | Period ended 30 June 2020 \$'000 |
|--|---|---|
| Profit / (loss) for the period | (7,868) | (4,815) |
| Other comprehensive income for the period | 3,837 | 11,236 |
| Total comprehensive income for the period | (4,031) | 6,421 |
| Aggregate carrying amount of the Group's interests in these associates | 8,075 | 13,206 |

Interest bearing liabilities

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|---|---|---|
| Current | | |
| Bank loan - term debt | 48,862 | 70,549 |
| Bank loan - borrowing costs less amortisation | (324) | (911) |
| Total current | 48,538 | 69,638 |
| Non-current | | |
| Bank loan - term debt | 133,453 | 133,293 |
| Bank loan - borrowing costs less amortisation | (919) | (1,167) |
| Loan from the company | 74,453 | 60,701 |
| Total non-current | 206,987 | 192,827 |
| Total interest bearing liabilities | 255,525 | 262,465 |

As part of the internal funding of the Fund, EIF entered into a long-term interest-bearing loan with EIL at arm's length terms, maturing in July 2024. As at 30 June 2021, the outstanding payable to the Company was \$74.5 million (2020: \$60.7 million).

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29. Non-Parent disclosure (continued)

Credit facilities

As at 30 June 2021, the EIF Group had unrestricted access to the following credit facilities:

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|--|---|---|
| EIF | | |
| Facility - EIF | 30,000 | 30,000 |
| Total amount used | (6,000) | (29,500) |
| Total amount unused - EIF | 24,000 | 500 |
| EMPR Group | | |
| Facility - EMPR | 64,860 | 70,605 |
| Total amount used | (64,860) | (70,605) |
| Total amount unused - EMPR | - | - |
| Bluewater Square Syndicate | | |
| Facility - Bluewater | 30,525 | 26,650 |
| Total amount used | (30,525) | (26,650) |
| Total amount unused - Bluewater | - | - |
| Elanor Luxury Hotel Fund | | |
| Facility - ELHF | 107,800 | 107,800 |
| Total amount used | (107,800) | (107,800) |
| Total amount unused - Auburn Office | - | - |
| Total amount unused - EIF Group | 24,000 | 500 |

The ENN Group has access to a \$30.0 million revolver facility, with a maturity date of 30 April 2022. The drawn amount at 30 June 2021 is \$6.0 million. The facility is classified as current liability as the facility's maturity is less than 12 months. Subsequent to balance date, the Group has extended the maturity of this facility to 31 August 2022. At 30 June 2021 the amount of drawn facilities was not hedged. The fair value of this debt facility is \$6.2 million.

The EMPR Group has access to a \$64.9 million (2020: \$68.1 million) facility. The drawn amount at 30 June 2021 is \$64.9 million (2020: \$68.1 million). Of the EMPR Group facility, \$59.1 million will mature on 31 October 2021, with the remaining \$5.8 million maturing on 30 November 2022. Subsequent to balance date, the Group has executed a credit approved term sheet for the maturity extension of the \$59.1 million facility to 30 September 2022. At 30 June 2021, the amount of drawn facility was hedged to 100%. The fair value of this debt facility is \$64.7 million.

The ELHF Group has access to a \$107.8 million facility (2020: \$68.1 million). The drawn amount at 30 June 2021 was \$107.8 million. Of the ELHF Group facility, \$77.0 million will mature on 2 December 2022, with the remaining \$30.8 million maturing on 2 June 2023. At 30 June 2021, the amount of drawn facility was hedged to 69%. The fair value of this debt facility is \$109.9 million.

The Bluewater Square Syndicate has access to a \$30.6 million (2020: \$26.7 million) facility. The drawn amount at 30 June 2021 was \$30.6 million which will mature on 31 December 2023. At 31 December 2020, the drawn amount was not hedged. The fair value of this debt facility is \$30.3 million.

All of the facilities have a variable interest rate. The interest rates on the loans are partially fixed using interest rate swaps. The weighted average annual interest rates payable of the loans at 30 June 2021, including the impact of the interest rate swaps, is 3.88% per annum (2020: 3.99%).

29. Non-Parent disclosure (continued)

Derivative Financial instruments

The EIF Group enters into derivative financial instruments to manage its exposure to interest rate risk.

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|---|---|---|
| Current liabilities | | |
| Interest rate swaps | 601 | 870 |
| | 601 | 870 |
| Non-current liabilities | | |
| Interest rate swaps | 188 | 1,298 |
| | 188 | 1,298 |
| Total derivative financial instruments | 789 | 2,168 |

Reserves

Reserves are balances that form part of equity that record other comprehensive income amounts that are retained in the business and not distributed until such time the underlying balance sheet item is realised. This note provides information about movements in the other reserves line item of the balance sheet and a description of the nature and purpose of each reserve.

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|---|---|---|
| Asset revaluation reserve | | |
| Opening balance | 17,161 | 20,514 |
| Revaluation | 33,033 | 2,059 |
| Transfer to retained profits - realised items | – | – |
| Equity accounted investment revaluation reserve | 1,912 | (5,412) |
| Closing balance | 52,106 | 17,161 |
| Cash flow hedge reserve | | |
| Opening balance | (2,137) | (2,117) |
| Revaluation | 1,782 | (20) |
| Transfer to retained profits - realised items | – | – |
| Closing balance | (355) | (2,137) |
| Stapled security-based payment reserve | | |
| Opening balance | 2,576 | 1,363 |
| Loan Securities and Option expense | 881 | 250 |
| Short term incentive scheme expense | 767 | 963 |
| Closing balance | 4,224 | 2,576 |
| Total reserves | 55,975 | 17,600 |

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment.

The cash flow hedge reserve is used to recognise increments and decrements in the fair value of cash flow hedges.

The stapled security-based payment reserve is used to recognise the fair value of loan, restricted securities and options issued to employees but not yet exercised under the Group's DSTI and LTIP.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

29. Non-Parent disclosure (continued)

Financial Risk Management

(1) Market Risk

Interest rate risk

As at reporting date, the EIF Group had the following interest-bearing assets and liabilities:

| EIF Group 30 June 2021 | Maturity < 1 yr \$'000 | Maturity 1 - 5 yrs \$'000 | Maturity > 5 yrs \$'000 | Total \$'000 |
|----------------------------------|------------------------------|---------------------------------|-------------------------------|-----------------|
| Assets | | | | |
| Cash and cash equivalents | 1,954 | – | – | 1,954 |
| Total Assets | 1,954 | – | – | 1,954 |
| Weighted average interest rate | | | | 0.00% |
| Liabilities | | | | |
| Interest bearing loans | 48,538 | 132,534 | – | 181,072 |
| Derivative financial instruments | 601 | 188 | – | 789 |
| Total Liabilities | 49,139 | 132,722 | – | 181,861 |
| Weighted average interest rate | | | | 3.89% |

| EIF Group 30 June 2020 | Maturity < 1 yr \$'000 | Maturity 1 - 5 yrs \$'000 | Maturity > 5 yrs \$'000 | Total \$'000 |
|----------------------------------|------------------------------|---------------------------------|-------------------------------|-----------------|
| Assets | | | | |
| Cash and cash equivalents | 3,980 | – | – | 3,980 |
| Total Assets | 3,980 | – | – | 3,980 |
| Weighted average interest rate | | | | 2.16% |
| Liabilities | | | | |
| Interest bearing loans | 69,638 | 132,126 | – | 201,764 |
| Derivative financial instruments | 870 | 1,298 | – | 2,168 |
| Total Liabilities | 70,508 | 133,424 | – | 203,932 |
| Weighted average interest rate | | | | 3.90% |

Of the \$172.7 million floating interest-bearing loans as at 30 June 2021, \$134.9 million have been hedged using interest rate swap agreements. These agreements are in place to swap the variable / floating interest payable to a fixed rate to minimise the interest rate risk.

29. Non-Parent disclosure (continued)

Interest Rate Sensitivity

| EIF Group | Amount | Increase by 1% | | Decrease by 1% | |
|------------------------------------|----------------|----------------|--------------|----------------|----------------|
| | | Profit/ (loss) | Equity | Profit/ (loss) | Equity |
| 30 June 2021 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 1,954 | 20 | – | (20) | – |
| Derivative financial instruments | 789 | – | 1,198 | – | (1,198) |
| Interest bearing loans | 182,315 | (625) | – | 625 | – |
| Total increase / (decrease) | 185,058 | (605) | 1,198 | 605 | (1,198) |

| EIF Group | Amount | Increase by 1% | | Decrease by 1% | |
|------------------------------------|----------------|----------------|--------------|----------------|----------------|
| | | Profit/ (loss) | Equity | Profit/ (loss) | Equity |
| 30 June 2020 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 3,980 | 40 | – | (40) | – |
| Derivative financial instruments | 2,168 | – | 1,527 | – | (1,527) |
| Interest bearing loans | 201,764 | (2,038) | – | 2,038 | – |
| Total increase / (decrease) | 207,912 | (1,998) | 1,527 | 1,998 | (1,527) |

(2) Credit Risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as detailed below:

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|-----------------------------|---|---|
| Cash and cash equivalents | 1,954 | 3,980 |
| Trade and other receivables | 8,370 | 23,753 |
| Total | 10,324 | 27,733 |

Impairment losses

The ageing of trade and other receivables at reporting date is detailed below:

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|--|---|---|
| Current | 8,441 | 23,488 |
| Past due 31-61 days | 90 | 136 |
| Past due 61+ days | 18 | 1,358 |
| Total | 8,549 | 24,982 |
| Provision for expected credit loss | (179) | (1,229) |
| Net trade and other receivables | 8,370 | 23,753 |

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

29. Non-Parent disclosure (continued)

(3) Liquidity risk

EIF Group
30 June 2021

| | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 5 years \$'000 | More than 5 years \$'000 | Contractual cash flows \$'000 | Carrying amount \$'000 |
|---|-------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------------|
| Derivative financial liabilities | | | | | | |
| Derivatives | 601 | 188 | – | – | 789 | 789 |
| Non derivative financial liabilities | | | | | | |
| Payables | 13,958 | – | – | – | 13,958 | 13,958 |
| Interest bearing loans | 50,762 | 110,934 | 34,086 | – | 195,782 | 181,072 |
| Total | 65,321 | 111,122 | 34,086 | – | 210,529 | 195,819 |

EIF Group
30 June 2020

| | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 5 years \$'000 | More than 5 years \$'000 | Contractual cash flows \$'000 | Carrying amount \$'000 |
|---|-------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------------|
| Derivative financial liabilities | | | | | | |
| Derivatives | 870 | 1,298 | – | – | 2,168 | 2,168 |
| Non derivative financial liabilities | | | | | | |
| Payables | 4,306 | – | – | – | 4,306 | 4,306 |
| Interest bearing loans | 71,515 | 37,709 | 114,921 | – | 224,145 | 201,764 |
| Total | 76,691 | 39,007 | 114,921 | – | 230,619 | 208,238 |

Other financial assets and liabilities

This note provides further information about material financial assets and liabilities that are incidental to the EIF and the Trust's trading activities, being receivables and trade and other payables.

Trade and Other Receivables

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|--|---|---|
| Trade receivables | 8,308 | 23,732 |
| Other receivables | 62 | 21 |
| Total trade and other receivables | 8,370 | 23,753 |

The comparative period trade debtors and trade creditors balances have been adjusted for an increase of \$2.6 million as result of a reclassification of a trade creditors balance that was included in trade debtors. This is consistent with the classifications in the current year.

29. Non-Parent disclosure (continued)

Payables

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|-----------------------|---|---|
| Trade creditors | 792 | 2,727 |
| Accrued expenses | 1,595 | 1,534 |
| GST payable | 10 | 18 |
| Total payables | 2,397 | 4,279 |

The comparative period trade debtors and trade creditors balances have been adjusted for an increase of \$2.6 million as result of a reclassification of a trade creditors balance that was included in trade debtors. This is consistent with the classifications in the current year.

Cash flow information

This note provides further information on the consolidated cash flow statements of the Trust. It reconciles profit for the year to cash flows from operating activities and information about non-cash transactions.

Reconciliation of profit after income tax to net cash flows from operating activities

| | EIF Group 30 June 2021 \$'000 | EIF Group 30 June 2020 \$'000 |
|---|---|---|
| Profit / (Loss) for the period | 4,977 | (11,219) |
| Amortisation | 1,212 | 566 |
| Fair value adjustment on revaluation of investment property | (3,158) | 10,381 |
| Net unrealised revenue from equity accounted investments | (7,029) | 5,451 |
| Net realised gain/(loss) on sale of investment | (2,278) | (2,604) |
| Other non cash items | 28 | 457 |
| Straight line lease expense and lease incentive income | 103 | (31) |
| Employee costs funded directly through equity | 2,457 | 1,215 |
| Net cash provided by operating activities before changes in assets and liabilities | (3,688) | 4,215 |
| Movement in working capital: | | |
| Decrease / (increase) in trade and other receivables | 7,494 | (5,220) |
| Decrease / (increase) in other current assets | (64) | (403) |
| Increase / (decrease) in trade and other payables | (670) | 1,897 |
| Increase / (decrease) in other liabilities | (8) | (299) |
| Net cash from operating activities | 3,064 | 190 |

Directors' Declaration to Stapled Securityholders

In the opinion of the Directors of Elanor Investors Limited and Elanor Funds Management Limited as responsible entity for the Elanor Investment Fund:

- a) the financial statements and notes set out on pages 44-123 are in accordance with the *Corporations Act 2001 (Cth)* including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Group's and EIF's financial position as at 30 June 2021 and of their performance, for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Group and EIF will be able to pay their debts as and when they become due and payable.
- c) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- d) The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001 (Cth)*.

This declaration is made in accordance with a resolution of the Boards of Directors in accordance with Section 295(5) of the *Corporations Act 2001 (Cth)*.



Glenn Willis
CEO and Managing Director

Sydney, 29 September 2021



Independent auditor's report

To the stapled security holders of Elanor Investors Limited and Elanor Investment Fund

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of:

- Elanor Investors Limited (the Company) and its controlled entities (together the Group or Elanor), and
- Elanor Investment Fund (the Registered Scheme) and its controlled entities (the EIF Group)

is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the financial positions of Elanor and the EIF Group as at 30 June 2021 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports of Elanor and the EIF Group (the financial report) comprise:

- the consolidated statements of financial position as at 30 June 2021
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of profit or loss for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration to stapled security holders.

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

Independence

We are independent of the Elanor and the EIF Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*

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Independent Auditor's Report



(including *Independence Standards*) (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.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Elanor and the EIF Group, their accounting processes and controls and the industry in which they operate.



| <i>Materiality</i> | <i>Audit scope</i> | <i>Key audit matters</i> |
|---|---|--|
| <ul style="list-style-type: none"> For the purpose of our audit of Elanor and EIF Group, we used overall materiality of \$0.9 million and \$0.7 million, respectively, which represents approximately 5% of a weighted average of statutory profit before tax for the current and two previous years. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose a weighted average profit before tax because, in our view, it is the benchmark against which the | <ul style="list-style-type: none"> Our audit focused on where Elanor and the EIF Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The audit team consisted of individuals with the appropriate skills and competencies needed for the audits, and this included industry expertise in real estate, as well as valuation, tax and treasury experts. | <ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Valuation of property, plant and equipment, and investment properties Carrying value of equity accounted investments Hotel revenue Funding and liquidity These are further described in the <i>Key audit matters</i> section of our report. |



performance of Elanor and EIF Group are most commonly measured in the industry. Due to fluctuations in profit and loss from year to year, we chose a three year weighted average.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

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 for the current period and were determined separately for Elanor and the EIF Group. Relevant amounts listed for each part of the stapled group represent balances as they are presented in the financial report and should not be aggregated. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

| <i>Key audit matter</i> | <i>How our audit addressed the key audit matter</i> |
|---|--|
| <p><i>Valuation of Property, plant and equipment, and Investment properties</i> (Refer to notes 7, 8 and 29)</p> <p><i>Elanor:</i></p> <ul style="list-style-type: none"> • <i>Property, Plant and Equipment: \$347.4m</i> • <i>Investment Properties: \$55.5m</i> <p><i>EIF Group:</i></p> <p><i>Investment Properties: \$384.8 million</i></p> <p>Elanor’s property portfolio mainly consists of hotel properties classified as property, plant and equipment (PPE) and a retail investment property at 30 June 2021. EIF Group’s property portfolio mainly consists of hotel properties and a retail property classified as investment property at 30 June 2021.</p> <p>The fair value of PPE and investment properties was determined using the valuation methodologies outlined in notes 7 and 8.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of Elanor and EIF Group’s process for determining the valuation of PPE and investment properties; • Assistance from PwC’s real estate valuation experts where relevant; • Assessing the scope, competence and objectivity of the external valuation firms engaged by Elanor and EIF Group to provide external valuations at reporting date. |

Independent Auditor's Report



This was a key audit matter because of the:

- relative size of the PPE and investment properties to net assets and the related valuation movements, and
- inherent subjectivity of the key assumptions that underpin the valuations and the general market uncertainty as a result of the COVID-19 pandemic.

- Assessing the appropriateness of the valuation methodologies utilised, and reconciling the fair value recorded in the accounting records to the external valuation reports for all the properties externally valued;
- Selecting a risk-based sample of properties to assess the appropriateness of significant assumptions with reference to market data where possible. We agreed the underlying lease terms to the tenancy schedule and traced the rental income used in the external valuation to the tenancy schedule. We assessed the appropriateness of income related assumptions including adjustments made in response to the impacts of COVID-19;
- Testing the mathematical accuracy of a sample of the valuations;
- Considering the reasonableness of the disclosures made in relation to the significant assumptions, including the sources of estimation uncertainty in notes 7 and 8 in light of the requirements of Australian Accounting Standards.

Carrying value of equity accounted investments

(Refer to notes 9 and 29)

Elanor: \$92.6m

EIF Group: \$88.6m

Elanor and EIF Group's Equity Accounted Investments (EAI) mainly consist of investments in the funds Elanor manages. EAI are accounted for in accordance with the accounting policy included in note 9.

The carrying value of the EAI is dependent on the results of the investee, which mainly invests in real estate assets. The fair value of the

As it relates to assessing the recoverable amount of EAI, our procedures included, amongst others:

- Obtaining an understanding of Elanor and EIF Group's process over the determination of the carrying value of its EAI, and whether or not an impairment loss is required to be recorded;
-



investment properties is determined in accordance with the policy outlined in note 8 and the recoverable amount of the EAI is determined in accordance with the policy outlined in note 9.

This was a key audit matter because of the:

- relative size of the EAI to net assets and the related profit from EAI for the year, and
- inherent subjectivity of the key assumptions that underpin the valuation of the investment properties and recoverable amounts of the EAI, and the general market uncertainty as a result of the COVID-19 pandemic.

- Assessing, together with our internal valuation experts, the appropriateness of the methodology and significant assumptions in Elanor and EIF Group's determination of the recoverable amount of the EAI; and
- Testing the mathematical accuracy of a sample of the recoverable amount calculations.

As it relates to the investment properties held through EAI, our procedures included, amongst others:

- Assistance from PwC's real estate valuation experts where relevant;
- Assessing the scope, competence and objectivity of the external valuation firms engaged by Elanor and EIF Group to provide external valuations at reporting date.
- Assessing the appropriateness of the valuation methodologies utilised, and reconciling the fair value recorded in the accounting records to the valuation reports for all the properties;
- Selecting a risk-based sample of properties to assess the appropriateness of significant assumptions with reference to market data where possible. We agreed the underlying lease terms to the tenancy schedule and traced the rental income used in the external valuation to the tenancy schedule. We assessed the appropriateness of income related assumptions including adjustments made in response to the impacts of COVID-19;
- Testing the mathematical accuracy of a sample of the valuations;
- Considering the appropriateness of the disclosures made in relation to determining the carrying value of equity accounted investments disclosed in note

Independent Auditor's Report



9 in light of the requirements of Australian Accounting Standards.

Hotel revenue

(Refer to note 2)

Elanor: \$58.2m

EIF Group: This Key Audit Matter does not apply to the Fund as the EIF Group does not have any hotel operations.

The revenue from hotels primarily consists of room rentals and other revenue such as food and beverage sales and ancillary goods and services from the hotel properties. Room revenue is recognised at the point in time the services have been rendered as disclosed in the accounting policy included in note 2.

This was a key audit matter because of the significance of the hotel revenue to the overall revenue from operating activities line item in the statement of profit or loss.

Our procedures included, amongst others:

- Obtaining an understanding of Elanor's process and controls implemented at the hotels;
- Selecting a sample of hotel revenue during the year and agreeing the transaction to supporting information and receipt of cash;
- For a sample of significant unsettled revenue transactions close to year-end, agreeing the transaction to supporting information; and
- Considering the appropriateness of the disclosures made in relation to the revenue recognition policy disclosed in note 2 in light of the requirements of Australian Accounting Standards.

Liquidity and funding

(Refer to the "About this Report – Going Concern" section)

As described in the "About this Report – Going Concern" section of the financial report, the financial statements have been prepared by Elanor and EIF Group on a going concern basis, which contemplates that Elanor and EIF Group will continue to meet their commitments, realise their assets and settle their liabilities in the normal course of business.

In assessing the appropriateness of Elanor and EIF Group's going concern basis of preparation for the financial report, we performed the following procedures, amongst others:

- Evaluated the appropriateness of Elanor and EIF Group's assessment of their ability to continue as a going concern based on relevant information of which we are aware of as a result of the audit;



Due to the Government mandated lock downs and restrictions in relation to the COVID-19 pandemic, trading activity across the Group's two consolidated Hotels, Tourism and Leisure Managed Funds, EMPR and Elanor Luxury Hotel Fund (ELHF), (together the Funds) has been impacted to a level that, in the absence of corrective actions, the Group expects will require financial covenant support from the financiers of these facilities. Management expects to refinance the existing debt facilities as disclosed in the "About this Report – Going concern" section of the financial statements.

Elanor and EIF Group's assessment of the appropriateness of the going concern basis of preparation requires judgement with respect to financing facilities and forecast cash flows of Elanor for at least 12 months from the date of approval of the financial report by the directors. This includes judgement as to Elanor and EIF Group's ability to access borrowings and compliance with debt covenants.

This was a key audit matter due to its importance to the financial report and the level of judgement required.

- Enquired of management and the board of directors as to their knowledge of events or conditions that may cast significant doubt on Elanor and EIF Group's ability to continue as going concerns;
- Read the terms of the debt agreements to obtain an understanding of the existing debt covenants;
- Evaluated Elanor and EIF Group's plans for future actions (including assessing the likelihood of the restructure and confirmation of continued support from lenders, where applicable), whether the outcome is likely to improve the situation and whether they are feasible in the circumstances;
- Evaluated selected data and assumptions used in the cash flow forecasts for at least 12 months from the date of approval of the financial report by the directors;
- Obtained an understanding of the terms of the proposed new debt facilities as part of Elanor and EIF Group's refinancing plans;
- Obtained written representations from management and the board of directors regarding their plans for future action and the feasibility of these plans; and
- Evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures about these events or conditions.

Other information

The directors of Elanor Investors Limited and the directors of Elanor Funds Management Limited, Responsible Entity of the Registered Scheme (collectively referred to as the directors), are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Independent Auditor's Report



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 on the other information that we obtained prior to the date of this auditor's report, 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 are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of Elanor and the EIF Group to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Elanor and the EIF 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 the 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 28 to 38 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Elanor Investors Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors 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.

PricewaterhouseCoopers
PricewaterhouseCoopers

Buckman

Bianca Buckman
Partner

Sydney
29 September 2021

Corporate Governance

The Board of Directors of Elanor Investors Group (Group) have approved the Group's Corporate Governance Statement as at 30 June 2021. In accordance with ASX Listing Rule 4.10.3, the Group's Corporate Governance Statement can be found on its website at: www.elanorinvestors.com

The Board of Directors is responsible for the overall corporate governance of the Group, including establishing and monitoring key strategy and performance goals. The Board monitors the operational and financial position and performance of the Group, and oversees its business strategy, including approving the Group's strategic goals.

The Board seeks to ensure that the Group is properly managed to protect and enhance securityholder interests, and that the Group, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing the Group, including Board and Committee Charters and various corporate governance policies designed to promote the responsible management and conduct of the Group.

Securityholder Analysis

As at 1 October 2021

Stapled Securities

The units of the Trust and the shares of the Company are combined and issued as stapled securities in the Group. The Group's securities are traded on the Australian Securities Exchange (ASX: ENN), having listed on 11 July 2014. The units of the Trust and shares of the Company cannot be traded separately and can only be traded as stapled securities. In accordance with the ASX's requirements for stapled securities, the ASX reserves the right (but without limiting its absolute discretion) to remove the Company or the Trust or both from the ASX Official List if any of the units and the shares cease to be stapled together or any equity securities issued by the Company or the Trust which are not stapled to equivalent securities in the other entity.

Top 20 Securityholders

| Number | Securityholder | No. of Securities | % |
|----------------------------|---|--------------------|---------------|
| 1 | HSBC Custody Nominees (Australia) Limited | 18,532,429 | 15.32 |
| 2 | Rockworth Investment Holdings Pte Ltd | 17,932,967 | 14.82 |
| 3 | J P Morgan Nominees Australia Pty Limited | 8,200,197 | 6.78 |
| 4 | CPU Share Plans Pty Ltd <ENN DSI Control A/C> | 4,270,632 | 3.53 |
| 5 | Perpetual Corporate Trust Ltd <QCAXSIVECF A/C> | 3,533,573 | 2.92 |
| 6 | BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C> | 3,237,760 | 2.68 |
| 7 | H & G Limited | 3,225,000 | 2.67 |
| 8 | Mr Glenn Willis | 2,800,000 | 2.31 |
| 9 | National Nominees Limited | 2,573,968 | 2.13 |
| 10 | Armada Investments Pty Ltd | 2,295,605 | 1.90 |
| 11 | Citicorp Nominees Pty Limited | 1,589,501 | 1.31 |
| 12 | BNP Paribas Noms Pty Ltd <Drp> | 1,090,469 | 0.90 |
| 13 | Danissa Pty Ltd <P & B S Siviour Family A/C> | 880,705 | 0.73 |
| 14 | Crownace Pty Ltd | 787,195 | 0.65 |
| 15 | Citano Pty Ltd <GN Willis Family A/C> | 545,795 | 0.45 |
| 16 | Citano Pty Ltd <GN Willis Super Fund A/C> | 533,839 | 0.44 |
| 17 | BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <Drp A/C> | 526,684 | 0.44 |
| 18 | Danissa Pty Ltd <Siviour Super Fund A/C> | 474,993 | 0.39 |
| 19 | Colovine Pty Ltd | 462,514 | 0.38 |
| 20 | J B Holdings Pty Ltd <J B Holdings S/F A/C> | 450,000 | 0.37 |
| Total | | 73,943,826 | 61.12 |
| Balance of Register | | 47,030,689 | 38.88 |
| Grand Total | | 120,974,515 | 100.00 |

Securityholder Analysis

As at 1 October 2021

Range Report

| Range | No. of Securities | % | No. of Holders | % |
|-------------------|--------------------|---------------|----------------|---------------|
| 100,001 and over | 85,988,570 | 71.08 | 91 | 3.48 |
| 10,001 to 100,000 | 28,785,619 | 23.79 | 1,053 | 40.30 |
| 5,001 to 10,000 | 4,190,376 | 3.46 | 526 | 20.13 |
| 1,001 to 5,000 | 1,855,212 | 1.53 | 606 | 23.19 |
| 1 to 1,000 | 154,738 | 0.13 | 337 | 12.90 |
| Total | 120,974,515 | 100.00 | 2,613 | 100.00 |

The total number of security holders with an unmarketable parcel of securities was 92.

Substantial Securityholders

| Securityholder | No. of Securities | % |
|---------------------------------------|-------------------|-------|
| Rockworth Investment Holdings Pte Ltd | 17,932,967 | 14.82 |
| Perpetual Limited | 14,877,096 | 12.30 |

Voting rights

On a poll, each securityholder has, in relation to resolutions of the Trust, one vote for each dollar value of their total units held in the Trust and in relation to resolutions of the Company, one vote for each share held in the Company.

On-Market Buy-back

There is no current on-market buy-back program in place.

Corporate Directory

Elanor Investors Group (ASX Code: ENN)

Elanor Investors Limited (ACN 169 308 187) and
Elanor Investment Fund (ARSN 169 450 926)
(Elanor Funds Management Limited (ACN 125 903 031)
is the Responsible Entity)

Level 38
259 George Street
Sydney NSW 2000
T: +61 2 9239 8400

Directors of the Responsible Entity and Elanor Investors Limited

Paul Bedbrook (Chairman)
Glenn Willis (Managing Director and CEO)
Nigel Ampherlaw
Anthony (Tony) Fehon
Lim Su Kiat (Appointed 1 October 2021)

Company Secretary of the Responsible Entity and Elanor Investors Limited

Symon Simmons

Security Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Auditors

PricewaterhouseCoopers
One International Towers
Watermans Quay
Barangaroo NSW 2000

Custodian

The Trust Company (Australia) Limited
Level 18
123 Pitt Street
Sydney NSW 2000

Website

www.elanorinvestors.com



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