



Interim Financial Report

For the half year ended
31 December 2019

Elanor Investors Group

Comprising the stapling of units in Elanor Investment Fund (ARSN 169 450 926) and ordinary shares in Elanor Investors Limited (ABN 33 169 308 187)

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ELANOR INVESTORS GROUP

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ELANOR INVESTORS GROUP

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 half year ended 31 December 2019 (period).

The interim financial report of Elanor Investors Group comprises the Company and its controlled entities, including Elanor Investment Fund (Trust) and its controlled entities. The interim 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
Anthony Fehon (Appointed 20 August 2019)
William (Bill) Moss AO (Resigned 17 September 2019)

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 investment assets and businesses.

3. Distributions

Distributions relating to the half year ended 31 December 2019 comprise:

| Distribution | Half Year Ended 31 December 2019 |
|---|---|
| Interim Distribution | |
| Amount payable (cents per stapled security) | 9.51 |
| Payment date | 28 February 2020 |

A provision for the Interim Distribution has not been recognised in the consolidated financial statements for the year as the distribution had not been declared at the reporting date. The Interim Distribution of 9.51 cents compares to an Interim Distribution and Final Distribution for the financial year ended 30 June 2019 of 6.32 and 9.74 cents per stapled security respectively.

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review

OVERVIEW AND STRATEGY

The key strategic objective of Elanor is to invest in real estate backed assets that deliver strong returns for both Elanor's funds management capital partners and Elanor's security holders. Elanor's investment focus is on acquiring and unlocking value in assets that provide high quality income and strong capital growth potential. Elanor's highly active approach to asset management is underpinned with urgency and an acute focus on 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 sector focuses are the commercial office real estate, retail real estate and the accommodation hotels, tourism and leisure sectors.

During the six months to 31 December 2019, Elanor increased its assets under management from \$1,550.1 million to \$1,889.1 million. Co-investments of \$55.8 million were made in new managed funds and a further co-investment of \$30.0 million was made in the Elanor Commercial Property Fund on listing of the fund on 6 December 2019.

The growth in assets under management has been assisted by the introduction of a number of global and domestic institutional capital partners, directly reflecting the Group's increased focus in this area.

The Group completed the following funds management initiatives during the six month period:

- The establishment of the Elanor Wildlife Park Fund in November 2019 which acquired the Mogo Zoo in Mogo, NSW and Featherdale Wildlife Park in Sydney, NSW. The fund had a gross asset value of \$53.5 million as at 31 December 2019.
- The listing of the Elanor Commercial Property Fund (ASX: ECF) on the Australian Securities Exchange on 6 December 2019. In conjunction with the listing, the fund acquired the residual 48.5% equity interest in the WorkZone West property in Perth, WA for \$66.0 million, and the commercial property at 200 Adelaide Street in Brisbane, QLD for \$44.2 million.
- The acquisition by the Elanor Commercial Property Fund of the Garema Court property in Canberra, ACT for \$71.5 million, in December 2019.
- The divestment of the Auburn Office Syndicate on 18 December 2019 for \$4.7 million.
- The establishment of the Elanor Healthcare Real Estate Fund, to be seeded with two high quality healthcare properties, with a combined asset value of \$123.3 million. The seed assets are both multi-tenanted medical office and day surgeries at 55 Little Edward Street, Spring Hill, Brisbane, and Pacific Private, Southport, Gold Coast. Settlement of the fund will be completed in March 2020.

ENN's strong investment track record and investor base continues to be evidenced by the demand from wholesale and institutional investors for ENN's funds. Elanor has a well-resourced and scalable platform with substantial capacity for growth. Coupled with the Group's available capital, Elanor is well positioned to grow its funds management business.

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

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 |
|--|--|---|-------------------------------|
| Auburn Office Syndicate | Auburn, NSW | Commercial office building | 4.7 |
| Belconnen Markets Syndicate | Canberra, ACT | Shopping centre | 52.0 |
| Bluewater Square Syndicate | Redcliffe, QLD | Neighbourhood shopping centre | 48.8 |
| Elanor Commercial Property Fund (ASX: ECF) | QLD (4), SA (1), WA (1), ACT (1) | Commercial office buildings | 387.0 |
| Elanor Luxury Hotel Fund | Adelaide, SA | Accommodation hotels | 158.6 |
| Elanor Metro and Prime Regional Hotel Fund | NSW (6), ACT (2), SA (2) | Accommodation hotels | 165.0 |
| Elanor Retail Property Fund (ASX: ERF) | Auburn, Taree and Tweed Heads, NSW, Bundaberg, Moranbah and Gladstone, QLD, and Glenorchy, TAS | Sub-regional and neighbourhood shopping centres | 343.8 |
| Fairfield Centre Syndicate | Fairfield, NSW | Sub-regional shopping centre | 89.4 |
| Hunters Plaza Syndicate | Auckland, NZ | Sub-regional shopping centre | 50.8 |
| Stirling Street Syndicate | Perth, WA | Commercial office building | 24.7 |
| Waverley Gardens Fund | Mulgrave, VIC | Sub-regional shopping centre | 182.2 |
| Additions since 30 June 2019 | | | |
| Elanor Healthcare Real Estate Fund | Brisbane and Gold Coast, QLD | Commercial office buildings | 123.3 |
| Elanor Wildlife Park Fund | Sydney Mogo, NSW | Wildlife parks | 53.5 |
| Disposals since 30 June 2019 | | | |
| Auburn Office Syndicate | Auburn, NSW | Commercial office building | (4.7) |
| Total Managed Funds | | | 1,679.1 |

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

Investment Portfolio

| Asset | Location | Type | Note | Carrying Value \$'m |
|---------------------------|--------------|---------------------|------|------------------------|
| Featherdale Wildlife Park | Sydney, NSW | Wildlife park | 1 | 39.0 |
| Hotel Ibis Styles Albany | Albany, WA | Accommodation hotel | 1 | 5.3 |
| 1834 Hospitality | Adelaide, SA | Hotel management | | 2.6 |

| Managed Fund Co-Investments | Location | Type | Note | Equity accounted value \$'m |
|--|--|---|------|--------------------------------------|
| Auburn Office Syndicate | Auburn, NSW | Commercial office building | | 2.4 |
| Belconnen Markets Syndicate | Canberra, ACT | Shopping centre | 2 | 0.6 |
| Bluewater Square Syndicate | Redcliffe, QLD | Neighbourhood shopping centre | 3 | 7.1 |
| Elanor Commercial Property Fund (ASX: ECF) | QLD (4), SA (1), WA (1), ACT (1) | Commercial office buildings | 2 | 38.1 |
| Elanor Metro and Prime Regional Hotel Fund | NSW (6), ACT (2), SA (2) | Accommodation hotels | 3 | 48.9 |
| Elanor Retail Property Fund (ASX: ERF) | Auburn, Taree and Tweed Heads, NSW, Bundaberg, Moranbah and Gladstone, QLD, and Glenorchy, TAS | Sub-regional and neighbourhood shopping centres | 2 | 35.5 |
| Fairfield Centre Syndicate | Fairfield, NSW | Sub-regional shopping centre | 2 | 8.6 |
| Hunters Plaza Syndicate | Auckland, NZ | Sub-regional shopping centre | 2 | 1.3 |
| Waverley Gardens Fund | Mulgrave, VIC | Sub-regional shopping centre | 2 | 14.8 |

Additions since 30 June 2019

| | | | | |
|---------------------------|------------------|----------------------|---|------|
| Elanor Luxury Hotel Fund | SA (2), TAS (1) | Accommodation hotels | 1 | 48.7 |
| Elanor Wildlife Park Fund | Sydney Mogo, NSW | Wildlife parks | 1 | 7.1 |

Disposals since 30 June 2019

| | | | | |
|-----------------------------------|----------------|------------------------------|---|--------------|
| Auburn Office Syndicate | Auburn, NSW | Commercial office building | | (2.4) |
| Fairfield Centre Syndicate | Fairfield, NSW | Sub-regional shopping centre | 2 | (8.6) |
| Featherdale Wildlife Park | Sydney, NSW | Wildlife park | 1 | (39.0) |
| Total Investment Portfolio | | | | 210.0 |

| | | | | |
|---|--|--|--|----------------|
| Total Managed Funds and Investment Portfolio | | | | 1,889.1 |
|---|--|--|--|----------------|

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 land and buildings and stated at fair value.

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.

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS

The Group recorded a statutory loss after tax from continuing operations of \$12.4 million for the six months ended 31 December 2019.

At the balance date, Elanor held a 42.64% 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 period ended 31 December 2019. Elanor held a 100% interest in Auburn Office Syndicate (Auburn Office) for the period to 18 December 2019, and hence the financial results of the fund have been consolidated into the financial results of the Group up until that date.

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.

Core or Distributable Earnings for the period were \$12.42 million or 10.57 cents per stapled security. An Interim Distribution of \$11.17 million or 9.51 cents per stapled security has been declared for the six months ended 31 December 2019 (90% pay-out ratio on Core Earnings). Core Earnings is considered the most appropriate estimate of the underlying recurring cash earnings of the Group and has been determined in accordance with ASIC Regulatory Guide 230.

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

| | Group 31 December 2019 | Group 31 December 2018 | EIF Group 31 December 2019 | EIF Group 31 December 2018 |
|--|------------------------------|------------------------------|----------------------------------|----------------------------------|
| Statutory financial results | | | | |
| Net profit / (loss) after tax from continuing operations (\$'000) | (12,386) | 9,482 | (5,244) | 1,950 |
| Net profit / (loss) after tax from continuing operations (\$'000) (EMPR, ELHF, Auburn Office and Bluewater equity accounted) | (8,469) | 11,066 | (2,403) | (2,045) |
| Core Earnings (\$'000) | 12,415 | 6,745 | 12,415 | 6,199 |
| Distributions payable to security holders (\$'000) | 11,174 | 6,070 | 11,174 | 5,579 |
| Core Earnings per stapled security (cents) | 10.57 | 7.03 | 10.57 | 6.46 |
| Core Earnings per weighted average stapled security (cents) | 12.00 | 7.31 | 12.00 | 6.72 |
| Distributions (cents per stapled security / unit) | 9.51 | 6.32 | 9.51 | 5.81 |
| Net tangible assets (\$ per stapled security) | 2.10 | 2.34 | 1.85 | 1.96 |
| Net tangible assets (\$ per stapled security) (EMPR, ELHF and Bluewater equity accounted) | 1.50 | 1.54 | 0.88 | 1.04 |
| Gearing (net debt / total assets less cash) (%) | 45.1 | 39.2 | 38.5 | 27.8 |
| Gearing (net debt / total assets less cash) (%) (EMPR, ELHF and Bluewater equity accounted) | 24.4 | 26.1 | 10.5 | 0.7 |

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS (CONTINUED)

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

| | Group 31 December 2019 \$'000 | Group 31 December 2018 \$'000 | EIF Group 31 December 2019 \$'000 | EIF Group 31 December 2018 \$'000 |
|--|--|--|--|--|
| Statutory Net Profit / (Loss) After Tax | (12,386) | 9,482 | (5,244) | 1,950 |
| Adjustment to remove the impact of consolidation of EMPR, ELHF, Auburn Office and Bluewater | (3,538) | 92 | 7,250 | (2,119) |
| Adjustment to include the impact of accounting for EMPR, ELHF, Auburn Office and Bluewater using the equity method | 7,455 | 1,492 | (4,409) | (1,875) |
| Adjusted Net Profit / (Loss) After Tax | (8,469) | 11,066 | (2,403) | (2,044) |
| Adjustments for items included in statutory profit / (loss) | | | | |
| Increase in equity accounted investments to reflect distributions received / receivable | 2 | 9,415 | 6,055 | 7,327 |
| Net (gain) / loss on disposals of equity accounted investments | 3 | 38 | (571) | 38 |
| Profit on Sale of Featherdale Wildlife Park | 4 | 26,000 | – | 23,483 |
| Profit on Sale of Featherdale Wildlife Park Retained | 4 | (20,000) | – | (20,000) |
| Profit on Sale of Cradle Mountain Lodge | 5 | 4,178 | – | 4,178 |
| Holdback of Merrylands net profit after tax | 6 | – | (10,452) | – |
| Building depreciation expense | 7 | 17 | 17 | 17 |
| Straight lining of rental expense | | – | (1) | – |
| Fair value adjustments on investment property | | – | – | (1,034) |
| Amortisation amounts | 8 | 1,336 | 696 | 809 |
| Tax adjustments | | (100) | (64) | – |
| Core Earnings | 1 | 12,415 | 6,745 | 12,415 |
| | | 6,199 | | 6,199 |

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 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 sold Featherdale Wildlife Park to the Elanor Wildlife Park Fund for \$39.0 million. This asset was accounted for by the Group on a fair value basis whereby revaluation increases arising from changes in the fair value of land and buildings are recognised in other comprehensive income and accumulated within equity as opposed to being reflected in the consolidated profit and loss of the Group. Consequently, and consistent with the Group's policy, the profit on divestment of Featherdale Wildlife Park (\$26.0 million) has been included in Core Earnings for the period. Furthermore, an amount of \$20.0 million of this profit has been retained to assist in achieving the future growth plans of the Group.

Note 5: During the period the Group sold the Cradle Mountain Lodge asset from the Elanor Metro and Prime Regional Hotel Fund (EMPR) to the recently established Elanor Luxury Hotel Fund (ELHF) for \$55.0 million. Following the divestment, the EMPR Fund declared and paid a return of capital to its investors, incorporating the net proceeds from the sale. The Group has recognised its 42.6% share of profit on the sale and has included this amount in Core Earnings.

Note 6: As a result of the Group's adoption of the new Revenue accounting standard, AASB 15 Revenue from Contracts with Customers on 1 July 2018, the net profit on sale of the Merrylands Property, that was appropriately recognised in the Group's profit and loss for the period ended 30 June 2018, has also been recognised in the period ended 30 June 2019. This profit on the sale of the Merrylands Property was removed from Core Earnings. The net profit after tax on the sale of the Merrylands profit of \$10.45 million was included in the statutory net profit after tax for the year as a result of the Group's adoption of AASB 15.

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS (CONTINUED)

Note 7: During the period, the Group incurred total depreciation charges of \$0.92 million, however only the depreciation expense on buildings of \$0.02 million has been added back for the purposes of calculating Core Earnings.

Note 8: 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.

REVIEW OF OPERATIONAL RESULTS

The Group is organised into three divisions by business type.

Funds Management manages third party owned investment funds and syndicates.

Hotels, Tourism and Leisure has extensive investment management expertise in acquiring and operating real estate backed accommodation hotel and leisure investments. The current investment portfolio includes Ibis Styles Albany Hotel and 1834 Hospitality, along with co-investments in Elanor Metro and Prime Regional Hotel Fund (EMPR), Elanor Luxury Hotel Fund (ELHF), and the Elanor Wildlife Park Fund (EWPF).

The Real Estate division has proven management expertise in the retail and commercial office sectors. The division's focus is to identify and originate investments that provide superior investment returns through active asset management and the realisation of 'value-add' operational and strategic opportunities. The current investment portfolio comprises co-investments in Elanor Retail Property Fund (ASX: ERF), Elanor Commercial Property Fund (ASX: ECF), Hunters Plaza Syndicate, Bluewater Square Syndicate, Waverley Gardens Fund and the Belconnen Markets Syndicate.

Set out below is an adjusted presentation of the statutory financial results by segment, on the basis that the Group's interest in EMPR, ELHF and Bluewater are accounted for using the equity method rather than on a consolidated basis. 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'.

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

The performance of the ENN Group for the period ended 31 December 2019, as represented by the aggregate results of its operations for the period, was as follows:

| ENN Group Revenue and EBITDA (adjusted to reflect EMPR, ELHF, Auburn Office and Bluewater accounted for using the equity method) | ENN Group Segment Revenue 31 December 2019 \$'000 | ENN Group Segment Revenue 31 December 2018 \$'000 | ENN Group Segment EBITDA 31 December 2019 \$'000 | ENN Group Segment EBITDA 31 December 2018 \$'000 |
|--|---|---|--|--|
| Funds Management | 8,325 | 7,507 | 6,730 | 6,206 |
| Hotels, Tourism and Leisure | 1,871 | 7,077 | (3,108) | 1,249 |
| Real Estate | (909) | (2,087) | (2,606) | (3,060) |
| Sale of Merrylands property ¹ | – | 36,000 | – | 14,932 |
| Total Segment Revenue and EBITDA | 9,287 | 48,497 | 1,016 | 19,327 |
| Unallocated corporate costs | | | (7,549) | (3,140) |
| Group EBITDA | | | (6,533) | 16,187 |
| Depreciation and amortisation | | | (905) | (493) |
| Group EBIT | | | (7,438) | 15,694 |
| Gain / (loss) on investments | | | (260) | 2,235 |
| Interest income | | | 1,160 | 855 |
| Borrowing costs | | | (3,101) | (2,363) |
| Group net profit / (loss) before income tax | | | (9,639) | 16,421 |
| Income tax (expense) / benefit | | | 1,170 | (5,355) |
| Group net profit / (loss) after income tax | | | (8,469) | 11,066 |

Note 1: This result reflects the sale of the Merrylands property, previously recognised in the financial year ended 30 June 2018, as a result of the Group's adoption of AASB 15.

Group EBITDA shown above includes the equity accounted result of the Group's co-investments in funds managed by Elanor, including EMPR, ELHF, Auburn Office and Bluewater. The Group measures the performance of its co-investments based on distributions received / receivable from these co-investments, consistent with the treatment within Core Earnings. Group segment EBITDA, adjusted to show distributions received / receivable from co-investments rather than the equity accounted result is as follows:

| Segment operating performance for period ended 31 December 2019 | ENN Group EBITDA \$'000 | Remove Equity Accounted Result \$'000 | Add Distributions received / receivable \$'000 | EBITDA Contribution to Core Earnings \$'000 |
|--|----------------------------|--|---|--|
| Funds Management | 6,730 | – | – | 6,730 |
| Hotels, Tourism and Leisure | (3,108) | 4,226 | 1,520 | 2,638 |
| Real Estate | (2,606) | 909 | 2,759 | 1,062 |
| EBITDA | 1,016 | 5,135 | 4,279 | 10,430 |

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Funds Management

The performance of the Funds Management division for the period is summarised as follows:

| Operating Performance | 31 December | 31 December |
|--------------------------------------|-------------|-------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Total adjusted revenue | 8,325 | 7,507 |
| EBITDA Contribution to Core Earnings | 6,730 | 6,206 |
| Operating margin | 80.8% | 82.7% |

| Funds under Management | 31 December | 31 December |
|---|----------------|----------------|
| | 2019 | 2018 |
| | \$'m | \$'m |
| Opening funds under management (as at 30 June 2019) | 1,387.0 | 1,082.6 |
| Increase in value of funds under management | 120.3 | 12.9 |
| Disposals / decrease in value of funds under management | (4.7) | (159.5) |
| New funds | 176.5 | 212.9 |
| Total | 1,679.1 | 1,148.9 |

The Group has added significant new funds under management since July 2019, with the Group establishing two new managed funds, being the Elanor Wildlife Park Fund and the Elanor Healthcare Real Estate Fund.

During the period the Group continued to strengthen its internal asset management and investment management capabilities, along with its asset origination resources. The Group also broadened its offshore and domestic institutional capital partner base to support the Group's strategic focus to deliver growth in funds under management and the performance of assets under management.

Hotels, Tourism and Leisure

The performance of the Hotels, Tourism and Leisure division for the period is summarised as follows:

| Operating Performance | 31 December | 31 December |
|--------------------------------------|-------------|-------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Total adjusted revenue ¹ | 7,617 | 8,992 |
| EBITDA Contribution to Core Earnings | 2,637 | 3,164 |
| Operating margin | 34.6% | 35.2% |

Note 1: Revenue has been adjusted to show distributions received / receivable from co-investments rather than the equity accounted result.

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings includes the results of Featherdale Wildlife Park (until 29 November 2019 when it was sold into EWPF), and Ibis Styles Albany Hotel.

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings also includes distributions received / receivable from the Group's co-investment in funds managed by the Group of \$1.52 million for the period ended 31 December 2019 (\$1.3 million for the comparative period).

The table below sets out the assessed value of each investment portfolio asset as at 31 December 2019.

| Carrying Value of Investment Assets | 31 December | 31 December |
|-------------------------------------|-------------|-------------|
| | 2019 | 2018 |
| | \$'m | \$'m |
| Featherdale Wildlife Park | – | 39.0 |
| Ibis Styles Albany Hotel | 5.3 | 5.2 |
| 1834 Hospitality | 2.6 | – |
| Total | 7.9 | 44.2 |

The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 31 December 2019, using the equity method, is as follows:

| Carrying Value of Co-Investments | 31 December | 31 December |
|--|--------------|-------------|
| | 2019 | 2018 |
| | \$'m | \$'m |
| Elanor Metro and Prime Regional Hotel Fund | 48.9 | 36.7 |
| Elanor Luxury Hotel Fund | 48.7 | – |
| Elanor Wildlife Park Fund | 7.2 | – |
| Total | 104.8 | 36.7 |

Real Estate

Real Estate comprises distributions received / receivable from co-investments in funds managed by the Group as follows:

| Operating Performance | 31 December | 31 December |
|--------------------------------------|-------------|-------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Total adjusted revenue ¹ | 2,759 | 2,053 |
| EBITDA Contribution to Core Earnings | 1,063 | 1,080 |
| Operating margin | 38.5% | 52.6% |

Note 1: Revenue has been adjusted to show distributions received / receivable from co-investments rather than the equity accounted result.

Real Estate EBITDA contribution to Core Earnings comprises distributions received / receivable from the Group's co-investment in funds managed by the Group of \$2.76 million for the period ended 31 December 2019 (\$2.1 million for the comparative period).

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

The carrying value of these investments as at 31 December 2019, using the equity method, is as follows:

| Carrying Value of Co-Investments | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| | \$'m | \$'m |
| Elanor Commercial Property Fund (ASX: ECF) | 38.1 | 13.1 |
| Elanor Retail Property Fund (ASX: ERF) | 35.5 | 33.3 |
| Auburn Office Syndicate | – | 4.8 |
| Belconnen Markets Syndicate | 0.6 | 0.5 |
| Bluewater Square Syndicate | 7.1 | 9.9 |
| Hunters Plaza Syndicate | 1.3 | 1.2 |
| Waverley Gardens Fund | 14.8 | 14.7 |
| WorkZone West Syndicate | – | 0.1 |
| Total | 97.4 | 77.6 |

Summary and Outlook

The Group's key strategic objective will remain focused on growing funds under management and delivering strong returns for Elanor capital partners and security holders. The Group will look to increase income from managed funds, seed new managed funds with Group owned investments, and continue to co-invest with external capital partners.

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) and 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 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 an active pipeline of potential 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 31 December 2019 '000 | Consolidated Group 30 June 2019 '000 |
|---|--|--|
| Stapled securities on issue at the beginning of the year | 99,822 | 93,016 |
| Stapled securities issued through Institutional Placement and Share Purchase Plan | 17,348 | 3,500 |
| Stapled securities issued under the short term incentive scheme | 317 | 346 |
| Stapled securities issued for 2014 LTI securities converted | – | 2,960 |
| Stapled securities on issue at the end of the period | 117,487 | 99,822 |

ELANOR INVESTORS GROUP

DIRECTORS' REPORT

6. 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.

7. Events occurring after reporting date

Subsequent to the period end, a distribution of 9.51 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$11.2 million will be paid on or before 28 February 2020 in respect of the six months ended 31 December 2019.

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 half year ended 31 December 2019.

8. 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, 14 February 2020

The Directors
Elanor Investors Limited and
Elanor Funds Management Limited
(as responsible entity for Elanor Investment Fund)
Level 38, 259 George Street
Sydney NSW 2000

14 February 2020

Dear Directors,

**Auditor's Independence Declaration to
Elanor Investors Limited and Elanor Investment Fund**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Elanor Investors Limited and Elanor Funds Management Limited in its capacity as responsible entity for Elanor Investment Fund.

As lead audit partner for the review of the half year financial report of Elanor Investors Limited and Elanor Investment Fund for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



D Nell
Partner
Chartered Accountants

ELANOR INVESTORS GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 31 December 2018 \$'000 | EIF Group 31 December 2019 \$'000 | EIF Group 31 December 2018 \$'000 |
|--|----|--|--|---|---|
| Income | | | | | |
| Revenue from operating activities | 2 | 37,750 | 37,199 | – | – |
| Revenue from property inventory | | – | 36,000 | – | – |
| Interest income | | 1,095 | 874 | 16 | 12 |
| Rental income | | 2,202 | 2,490 | 8,406 | 8,661 |
| Share of profit / (loss) from equity accounted investments | | 1,175 | (2,944) | 1,220 | (2,966) |
| Realised (loss) / gain on disposal of investment | | (260) | 1,984 | (260) | 1,984 |
| Fair value (loss) / gain on revaluation of assets / investment properties | | (7,845) | 592 | (8,432) | 568 |
| Other income | | 418 | 239 | 216 | 203 |
| Total income | | 34,535 | 76,434 | 1,166 | 8,462 |
| Expenses | | | | | |
| Changes in inventories of finished goods | | 2,823 | 23,946 | – | – |
| Salary and employee benefits | | 20,856 | 16,194 | 683 | 354 |
| Property expenses | | 4,021 | 3,843 | 395 | 301 |
| Operator management costs | | 3,676 | 2,330 | 1,403 | 1,303 |
| Borrowing costs | | 5,100 | 4,573 | 3,182 | 2,810 |
| Depreciation | | 5,520 | 4,491 | – | – |
| Amortisation | | 537 | 403 | 233 | 131 |
| Marketing and promotion | | 2,072 | 1,688 | (1) | 69 |
| Repairs, maintenance and technology | | 714 | 746 | 58 | 87 |
| Other expenses | | 2,929 | 3,680 | 458 | 1,457 |
| Total expenses | | 48,248 | 61,894 | 6,411 | 6,512 |
| Net (loss) / profit before income tax expense | | (13,713) | 14,540 | (5,245) | 1,950 |
| Income tax (benefit) / expense | 4 | (1,327) | 5,058 | – | – |
| Net (loss) / profit for the period from continuing operations | | (12,386) | 9,482 | (5,245) | 1,950 |
| Discontinued operations: | | | | | |
| Net profit / (loss) for the period from discontinued operations after tax | 17 | – | – | – | – |
| Net (loss) / profit for the period | | (12,386) | 9,482 | (5,245) | 1,950 |
| Attributable to security holders of: | | | | | |
| - Parent Entity | | (6,238) | 9,282 | (2,393) | 733 |
| - Non-controlling interest EIF | | (2,393) | (1,854) | – | – |
| Net (loss) / profit attributable to ENN security holders | | (8,631) | 7,428 | (2,393) | 733 |
| Attributable to security holders of: | | | | | |
| - External Non-controlling interest | | (3,755) | 2,054 | (2,852) | 1,217 |
| Net (loss) / profit for the period | | (12,386) | 9,482 | (5,245) | 1,950 |
| Net profit / (loss) attributable to equity holders of the parent entity relates to: | | | | | |
| (Loss) / profit from continuing operations | | (6,238) | 9,282 | (2,393) | 733 |
| Profit / (loss) from discontinued operations | | – | – | – | – |
| Net (loss) / profit for the period | | (6,238) | 9,282 | (2,393) | 733 |
| Basic (loss) / earnings per stapled security from continuing operations (cents) | | (11.97) | 10.28 | | |
| Diluted (loss) / earnings per stapled security from continuing operations (cents) | | (11.97) | 10.28 | | |
| Basic (loss) / earnings of the parent entity from continuing operations (cents) | | (6.03) | 10.06 | | |
| Diluted (loss) / earnings of the parent entity from continuing operations (cents) | | (6.03) | 10.06 | | |

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

ELANOR INVESTORS GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 31 December 2018 \$'000 | EIF Group 31 December 2019 \$'000 | EIF Group 31 December 2018 \$'000 |
|--|--|--|---|---|
| Net (loss) / profit for the period | (12,386) | 9,482 | (5,245) | 1,950 |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified subsequently to profit and loss</i> | | | | |
| Profit / (loss) on revaluation of cash flow hedge | 438 | (230) | 438 | (258) |
| <i>Items that may not be reclassified to profit and loss</i> | | | | |
| Share of asset revaluation reserve from equity accounted investments | (3,490) | (42) | (3,528) | (42) |
| Gain on revaluation of property, plant and equipment | 1,359 | 1,138 | 1,359 | 1,807 |
| Income tax relating to these items | - | (13) | - | - |
| Other comprehensive income for the period, net of tax | (1,693) | 853 | (1,730) | 1,507 |
| Total comprehensive (loss) / income net of tax from continuing operations | (14,079) | 10,335 | (6,975) | 3,457 |
| Total comprehensive income / (loss) net of tax from discontinued operations | - | - | - | - |
| Total comprehensive (loss) / income for the period, net of tax | (14,079) | 10,335 | (6,975) | 3,457 |
| Attributable to security holders of: | | | | |
| - Parent entity | (6,133) | 9,286 | (4,950) | 1,238 |
| - Non-controlling interest - EIF | (4,950) | (2,019) | - | - |
| Total comprehensive (loss) / income for the period, net of tax, of ENN security holders | (11,082) | 7,267 | (4,950) | 1,238 |
| Attributable to security holders of: | | | | |
| - External non-controlling interest | (2,996) | 3,068 | (2,025) | 2,219 |
| Total comprehensive (loss) / income for the period, net of tax | (14,079) | 10,335 | (6,975) | 3,457 |

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

ELANOR INVESTORS GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 | EIF Group 31 December 2019 \$'000 | EIF Group 30 June 2019 \$'000 |
|--|-------|--|--|---|---|
| | Note | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 30,914 | 19,281 | 761 | 1,094 |
| Receivables | 11,19 | 17,855 | 14,735 | 11,261 | 15,681 |
| Financial assets | 9 | 7,859 | 45,034 | – | – |
| Inventories | | 881 | 994 | – | – |
| Other current assets | | 1,721 | 1,735 | (17) | 698 |
| Current tax asset | | 7,007 | 4,674 | – | – |
| Assets held for sale | 17 | 207 | 714 | – | – |
| Total current assets | | 66,444 | 87,167 | 12,005 | 17,473 |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 303,146 | 237,286 | – | – |
| Investment properties | 6,19 | 48,224 | 58,859 | 319,943 | 270,747 |
| Equity accounted investments | 7,19 | 100,088 | 76,701 | 95,486 | 73,598 |
| Goodwill and intangible assets | | 674 | 750 | – | – |
| Deferred tax assets | | 7,437 | 8,061 | – | – |
| Total non-current assets | | 459,569 | 381,657 | 415,429 | 344,345 |
| Total assets | | 526,013 | 468,824 | 427,434 | 361,818 |
| Current liabilities | | | | | |
| Payables | 12,19 | 9,014 | 7,392 | 5,016 | 5,342 |
| Derivative financial instruments | | 1,282 | 1,261 | 1,181 | 1,180 |
| Interest bearing liabilities | 8,19 | 65,817 | – | 31,363 | 1,600 |
| Current provisions | | 2,742 | 2,076 | – | – |
| Other current liabilities | | 721 | 310 | 19 | 10 |
| Contract liabilities | | 1,206 | 692 | 9 | 19 |
| Liabilities directly associated with discontinued operations | 17 | 2,623 | 4,677 | – | – |
| Total current liabilities | | 83,405 | 16,408 | 37,588 | 8,151 |
| Non-current liabilities | | | | | |
| Derivative financial instruments | | 601 | 1,030 | 529 | 937 |
| Interest bearing liabilities | 8,19 | 187,837 | 198,241 | 134,950 | 114,166 |
| Non-current provisions | | 289 | 747 | – | – |
| Other non-current liabilities | | 30 | 366 | – | 300 |
| Deferred tax liabilities | | 6,438 | 6,157 | – | – |
| Loan from the Company | 19 | – | – | 36,314 | 29,538 |
| Total non-current liabilities | | 195,195 | 206,541 | 171,793 | 144,941 |
| Total liabilities | | 278,599 | 222,949 | 209,381 | 153,092 |
| Net assets | | 247,414 | 245,875 | 218,053 | 208,726 |

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

ELANOR INVESTORS GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 | EIF Group 31 December 2019 \$'000 | EIF Group 30 June 2019 \$'000 |
|---|----|--|--|---|---|
| Equity | | | | | |
| <i>Equity Holders of Parent Entity</i> | | | | | |
| Contributed equity | 10 | 71,235 | 61,672 | 101,017 | 74,466 |
| Treasury shares | 10 | (528) | (349) | (1,306) | (808) |
| Reserves | | 14,448 | 13,929 | 12,087 | 13,972 |
| Retained accumulated profits / (losses) | | (38,937) | (32,699) | 32,707 | 45,503 |
| Parent entity interest | | 46,218 | 42,553 | 144,505 | 133,133 |
| <i>Equity Holders of Non Controlling Interest</i> | | | | | |
| Contributed equity - Elanor Investment Fund | 10 | 101,017 | 74,466 | - | - |
| Treasury shares | 10 | (1,306) | (808) | - | - |
| Reserves | | 12,467 | 40,550 | - | - |
| Retained accumulated profits / (losses) | | 17,327 | 3,925 | - | - |
| Non-controlling interest | | 129,505 | 118,133 | - | - |
| <i>Equity Holders of Non Controlling Interest - External</i> | | | | | |
| Contributed equity - External | | 46,747 | 54,023 | 50,265 | 52,138 |
| Reserves | | 20,441 | 19,682 | 6,616 | 5,879 |
| Retained accumulated profits / (losses) | | 4,503 | 11,484 | 16,667 | 17,666 |
| External Non-controlling interest | | 71,691 | 85,189 | 73,548 | 75,683 |
| Total equity attributable to stapled security holders: | | | | | |
| - Parent Entity | | 46,218 | 42,553 | 144,505 | 133,133 |
| - Non-controlling Interest - EIF | | 129,505 | 118,133 | - | - |
| Total equity attributable to ENN security holders | | 175,723 | 160,686 | 144,505 | 133,133 |
| Total equity attributable to stapled security holders: | | | | | |
| - Non-controlling interest - External | | 71,691 | 85,189 | 73,548 | 75,593 |
| Total equity | | 247,414 | 245,875 | 218,053 | 208,726 |

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

ELANOR INVESTORS GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Note | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment (accumulated 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 2019 | | 61,672 | (349) | 13,094 | (15) | 849 | (32,699) | 42,553 | 118,133 | 160,685 | 85,189 | 245,875 |
| Profit / (loss) for the period | | - | - | - | - | - | (6,238) | (6,238) | (2,393) | (8,631) | (3,755) | (12,386) |
| Other comprehensive income / (expense) for the period | | - | - | 38 | - | 68 | - | 106 | (2,557) | (2,451) | 759 | (1,693) |
| Total comprehensive income / (expense) for the period | | - | - | 38 | - | 68 | (6,238) | (6,133) | (4,950) | (11,082) | (2,996) | (14,079) |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | | |
| Contributions of equity, net of issue costs | 10 | 9,563 | (179) | - | - | - | - | 9,384 | 26,053 | 35,437 | - | 35,437 |
| Reserve transfer relating to disposed assets | | - | - | - | - | - | - | - | - | - | - | - |
| Security-based payments | 10 | - | - | - | - | 415 | - | 415 | 673 | 1,087 | - | 1,087 |
| Distributions paid and payable | | - | - | - | - | - | - | - | (10,403) | (10,403) | (10,501) | (20,905) |
| Total equity at 31 December 2019 | | 71,235 | (528) | 13,132 | (15) | 1,332 | (38,937) | 46,219 | 129,505 | 175,723 | 71,691 | 247,414 |

| | Note | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment (accumulated 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 2018 | | 57,994 | (179) | 13,130 | 18 | 500 | (33,729) | 37,734 | 101,021 | 138,755 | 69,757 | 208,512 |
| Profit / (loss) for the period | | - | - | - | - | - | 9,282 | 9,282 | (1,854) | 7,428 | 2,054 | 9,482 |
| Other comprehensive income / (expense) for the period | | - | - | (1) | 5 | - | - | 4 | (165) | (161) | 1,014 | 853 |
| Total comprehensive income / (expense) for the period | | - | - | (1) | 5 | - | 9,282 | 9,286 | (2,019) | 7,267 | 3,068 | 10,335 |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | | |
| Contributions of equity, net of issue costs | 10 | 1,761 | - | - | - | - | - | 1,761 | 1,923 | 3,684 | 12,286 | 15,970 |
| Security-based payments | 10 | - | - | - | - | 150 | - | 150 | 291 | 441 | - | 441 |
| Distributions paid and payable | | - | - | - | - | - | (3,228) | (3,228) | (5,445) | (8,673) | (1,259) | (9,932) |
| Total equity at 31 December 2018 | | 59,755 | (179) | 13,129 | 23 | 650 | (27,675) | 45,703 | 95,771 | 141,474 | 83,852 | 225,326 |

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

ELANOR INVESTORS GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Note | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment Reserve | Retained profits/ (accumulated 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 2019 | | 74,466 | (808) | 13,371 | (764) | 1,365 | 45,503 | 133,133 | 75,593 | 208,726 |
| Profit / (loss) for the period | | - | - | - | - | - | (2,393) | (2,393) | (2,852) | (5,245) |
| Other comprehensive income / (expense) for the period | | - | - | - | 204 | - | - | 204 | 234 | 438 |
| Share of reserves of equity accounted investments | | - | - | (2,761) | - | - | - | (2,761) | 594 | (2,167) |
| Total comprehensive income / (expense) for the period | | - | - | (2,761) | 204 | - | (2,393) | (4,950) | (2,025) | (6,974) |
| Transactions with owners in their capacity as owners: | | | | | | | | | | |
| Contributions of equity, net of issue costs | 10 | 26,551 | (498) | - | - | - | - | 26,053 | 895 | 26,948 |
| Reserve transfer relating to disposed assets | | - | - | - | - | - | - | - | - | - |
| Security-based payments | | - | - | - | - | 673 | - | 673 | - | 673 |
| Distributions paid and payable | | - | - | - | - | - | (10,403) | (10,403) | (915) | (11,319) |
| Total equity at 31 December 2019 | | 101,017 | (1,306) | 10,610 | (560) | 2,038 | 32,707 | 144,505 | 73,548 | 218,053 |

| | Note | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment Reserve | Retained profits/ (accumulated 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 2018 | | 67,338 | (347) | 7,903 | (194) | 644 | 30,114 | 105,457 | 69,667 | 175,124 |
| Profit / (loss) for the period | | - | - | - | - | - | 732 | 732 | 1,218 | 1,950 |
| Other comprehensive income / (expense) for the period | | - | - | - | (96) | - | - | (96) | (161) | (258) |
| Share of reserves of equity accounted investments | | - | - | 602 | - | - | 1 | 603 | 1,162 | 1,765 |
| Total comprehensive income / (expense) for the period | | - | - | 6,394 | (90) | - | 733 | 1,239 | 2,219 | 3,457 |
| Transactions with owners in their capacity as owners: | | | | | | | | | | |
| Contributions of equity, net of issues costs | 10 | 1,923 | - | - | - | - | - | 1,923 | 13,959 | 15,883 |
| Reserve transfer relating to disposed assets | | - | - | (1,974) | - | - | 1,974 | - | - | - |
| Security-based payments | | - | - | - | - | 292 | - | 292 | - | 292 |
| Distributions paid and payable | | - | - | - | - | - | (5,445) | (5,445) | (1,259) | (6,704) |
| Total equity at 31 December 2018 | | 69,261 | (347) | 6,531 | (290) | 936 | 27,376 | 103,466 | 84,586 | 188,052 |

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

ELANOR INVESTORS GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Consolidated Group | Consolidated Group | EIF Group | EIF Group |
|--|-----------------------|-----------------------|---------------------|---------------------|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities | | | | |
| Receipts from customers | 45,376 | 43,597 | – | – |
| Payments to suppliers and employees | (40,115) | (41,419) | (2,665) | (4,049) |
| Interest received | 2,641 | 874 | 16 | 12 |
| Finance costs paid | (4,931) | (4,595) | (3,148) | (2,814) |
| Rent receipts from the Company | – | – | 10,513 | 7,065 |
| Income tax paid | – | (637) | – | – |
| Net cash flows from operating activities | 2,971 | (2,180) | 4,716 | 214 |
| Cash flows from investing activities | | | | |
| Payments for business and asset acquisitions | – | – | – | – |
| Receipts for business and asset disposals | 43,650 | 5,400 | 41,385 | – |
| Payments for property, plant and equipment / investment properties | (111,672) | (2,290) | (93,281) | (5,798) |
| Loans to associates | (4,871) | 1,123 | – | (748) |
| Proceeds from financial asset disposals | 35,670 | 4,656 | – | – |
| Payments for equity accounted investments | (48,887) | (29,703) | (45,325) | (29,403) |
| Receipts for equity accounted investments | 12,921 | 15,838 | 12,921 | 15,838 |
| Distributions received from equity accounted investments | 2,657 | 1,710 | 2,657 | 1,710 |
| Loans from Company | – | – | 6,776 | 17,444 |
| Net cash flows from investing activities | (70,533) | (3,266) | (74,867) | (957) |
| Cash flows from financing activities | | | | |
| Net proceeds / (repayments) from borrowings | 55,275 | 6,317 | 55,275 | (64) |
| Proceeds from equity raisings | 36,429 | 11,989 | 26,783 | 10,730 |
| Costs associated with equity raisings | (1,058) | – | (788) | – |
| Distributions paid to security holders | (11,451) | (9,920) | (11,451) | (6,693) |
| Net cash flows from financing activities | 79,195 | 8,386 | 69,819 | 3,973 |
| Net increase / (decrease) in cash and cash equivalents | 11,633 | 2,940 | (333) | 3,230 |
| Cash and cash equivalents at the beginning of the period | 19,281 | 17,355 | 1,094 | 2,883 |
| Cash at the end of the period | 30,914 | 20,295 | 761 | 6,113 |

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

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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).

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.

Basis of preparation

These interim financial reports do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year except the adoption of AASB 16 *Leases* which became mandatory this financial period.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, property, plant and equipment and derivative financial instruments held at fair value.

Going concern

As at 31 December 2019, the Group's current liabilities exceeded its current assets by \$17.0 million and EIF Group's current liabilities exceeded its current assets by \$25.6 million due primarily to the maturity of debt facilities of \$66.3 million in October 2020. The Group is currently negotiating with the relevant banks in respect of a renewal of the facilities and the Group is confident the facilities will be renewed before the maturity date. In addition, the Group has access to facilities to enable the Group and EIF Group to continue as a concern and meets its financial obligations as and when they fall due, for at least 12 months from the date of signing of the Group's financial statements for the half year ended 31 December 2019.

Statement of Compliance

The interim financial report is a general purpose report prepared in accordance with the *Corporations Act 2001*, the Trust Constitution and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The interim financial report does not include notes of the type normally included in an annual financial report.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Basis of preparation (continued)

Accounting Estimates and Judgements

In applying the Group's accounting policies, management has made a number of judgements, estimates and assumptions regarding future events. The estimates and associated assumptions that are deemed to have a potential material impact on the financial statements relate to the following:

- Property, plant and equipment
- Investment properties
- Deferred tax assets
- Investment in equity accounted investments

New accounting standards and interpretations

Certain new Accounting Standards and Interpretations have been published that are mandatory for the half year ended 31 December 2019. The Group's assessment of the impact of these new standards and interpretation are set out below.

| Reference | Description | Impact on the Group's financial statements |
|---|--|---|
| AASB 16 Leases (Applicable 1 January 2019) | AASB 16 introduces new requirements in relation to lease classification and recognition, measurement and presentation and disclosure of leases for lessees and lessors. For lessees a (right-of-use) asset and a lease liability will be recognised on the balance sheet in respect of all leases subject to limited exceptions. The accounting for lessors will not significantly change. | The Group is party to long-term non-cancellable property leases which are not expected to have a material impact when recognised in the statement of financial position. The Group has adopted the standard retrospectively from 1 July 2019, but has not restated comparatives, as permitted under the specific transition provisions in the standard. The Group recognised lease liabilities and right of use assets of \$0.99 million. |
| AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle (Effective for reporting periods after 1 January 2019). | Amendments made to the following accounting standards: AASB 3 <i>Business Combination</i> ; AASB 11 <i>Joint Arrangements</i> ; AASB 112 <i>Income Tax</i> ; and AASB 13 <i>Borrowing costs</i> . | The application of the amendments does not have a material impact on the Group's financial statement. |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The notes to the consolidated Financial Statements have been organised into the following sections for reduced complexity and ease of navigation:

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ELANOR INVESTORS GROUP

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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. In addition, depreciation and amortisation are analysed by division. Each of these income statement items is reviewed after adjusting for transaction and establishment costs, amortisation of intangible assets and impairment of goodwill.

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 31 December 2019, the Funds Management division has approximately \$1,680 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 co-investments 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.

Real Estate

Real Estate originates and manages investment and funds management assets. The current investment portfolio comprises co-investments in Elanor Commercial Property Fund, Elanor Retail Property Fund, Bluewater Square Syndicate, Hunters Plaza Syndicate, Waverley Gardens Fund and the Belconnen Markets Syndicate. The Bluewater Square Syndicate is consolidated in the Financial Statements.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. Segment information (continued)

The table below shows segment results from continuing operations:

Consolidated Group – 31 December 2019

| | Funds Management | Hotels, Tourism & Leisure | Real Estate | Unallocated Corporate | Total |
|---|---------------------|---------------------------------|----------------|--------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue from trading activities | 5,440 | 27,150 | 2,203 | – | 34,793 |
| Revenue from wildlife parks | – | 5,160 | – | – | 5,160 |
| Share of profit of equity accounted investments | – | 65 | 1,110 | – | 1,175 |
| Operating expense | (853) | (24,224) | (2,607) | (11,274) | (38,958) |
| Divisional EBITDA | 4,587 | 8,151 | 706 | (11,274) | 2,170 |
| Depreciation and amortisation | (75) | (4,625) | – | (723) | (5,423) |
| Divisional EBIT from continuing operations | 4,512 | 3,526 | 706 | (11,997) | (3,253) |
| Fair value adjustment on revaluation of investment property | – | – | (5,542) | – | (5,542) |
| Realised gain / (loss) on disposal of investment | – | (1,680) | 1,420 | – | (260) |
| Unrealised loss | – | – | – | – | – |
| Acquisition costs | – | (190) | – | – | (190) |
| Interest income | 85 | (35) | – | 1,044 | 1,094 |
| Amortisation of borrowing costs | – | – | – | (462) | (462) |
| Borrowing costs | – | – | – | (5,100) | (5,100) |
| Net tax benefit / (expense) | – | – | – | 1,327 | 1,327 |
| Profit / (loss) for the year | 4,597 | 1,621 | (3,416) | (15,188) | (12,388) |

Total segment assets

| | | | | | |
|------------------|--------|---------|--------|---------|---------|
| 31 December 2019 | 11,916 | 238,497 | 48,884 | 226,716 | 526,013 |
| 30 June 2019 | 10,782 | 247,890 | 59,697 | 150,455 | 468,824 |

Total segment liabilities

| | | | | | |
|------------------|-------|---------|--------|--------|---------|
| 31 December 2019 | 4,042 | 153,226 | 32,572 | 88,759 | 278,599 |
| 30 June 2019 | 3,935 | 113,802 | 34,889 | 70,323 | 222,949 |

Consolidated Group – 31 December 2018

| | Funds Management | Hotels, Tourism & Leisure | Real Estate | Unallocated Corporate | Total |
|---|---------------------|---------------------------------|-------------|--------------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue from trading activities | 5,096 | 25,147 | 2,473 | 18 | 32,734 |
| Revenue from wildlife parks | – | 6,956 | – | – | 6,956 |
| Revenue from sale of property inventory | – | – | – | 36,000 | 36,000 |
| Share of profit of equity accounted investments | – | (29) | (2,915) | – | (2,944) |
| Operating expense | (1,227) | (23,774) | (1,968) | (24,149) | (51,118) |
| Divisional EBITDA | 3,869 | 8,300 | (2,410) | 11,869 | 21,628 |
| Depreciation and amortisation | (75) | (4,260) | – | (231) | (4,566) |
| Divisional EBIT from continuing operations | 3,794 | 4,040 | (2,410) | 11,638 | 17,062 |
| Fair value gain on revaluation of investment properties | – | – | 1,338 | – | 1,338 |
| Realised gain on disposal of investment | – | 564 | 1,420 | – | 1,984 |
| Unrealised loss | – | (1,070) | – | – | (1,070) |
| Acquisition costs | – | (747) | – | – | (747) |
| Interest income | 116 | 17 | 2 | 739 | 874 |
| Amortisation of borrowing costs | – | – | – | (328) | (328) |
| Borrowing costs | – | – | – | (4,573) | (4,573) |
| Net tax benefit / (expense) | – | – | – | (5,058) | (5,058) |
| Profit / (loss) for the year | 3,910 | 2,804 | 350 | 2,418 | 9,482 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

2. Revenue

OVERVIEW

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

Revenue from operating activities

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 31 December 2018 \$'000 |
|---|--|--|
| Revenue from hotels | 27,150 | 25,147 |
| Revenue from wildlife park | 5,160 | 6,956 |
| Revenue from funds management | 5,440 | 5,096 |
| Total revenue from continuing operations | 37,750 | 37,199 |

ACCOUNTING POLICY

Revenue recognition

In accordance with the new accounting standard AASB 15 *Revenue from Contracts with Customers*, revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it can be readily measured and when it transfers control over a product or services for each of Elanor's activities as described below.

Funds management fee revenue

Funds management fee revenue is recognised when the performance obligation is completed, in accordance with the Fund's constitution. The funds management and transaction related services are utilised when the Group has provided the services, and revenue is calculated and recognised in accordance with the Fund's constitution over time. Where fees are subject to meeting certain performance hurdles, they are recognised as income at the point in time when those conditions have been met.

Hotel and wildlife park revenue

Revenue from contracts with customers is recognised when control of the good or service is transferred to the customer.

If not received at balance date, revenue is reflected in the balance sheet as a receivable and carried at its recoverable value.

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.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

3. Distributions

OVERVIEW

The Group's aim is to provide investors with superior risk adjusted returns.

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 Earnings, reflecting the Director's view of underlying earnings from ongoing operating activities for the period.

The following table summarises the distributions of the ENN Group either during the period or post balance date:

ENN Group

| | Distribution cents per stapled security 31 December 2019 | Distribution cents per stapled security 31 December 2018 | Total Amount 31 December 2019 \$'000 | Total Amount 31 December 2018 \$'000 |
|---|--|--|--|--|
| Distribution for the half year ended 31 December 2019 | 9.51 | 6.32 | 11,173 | 6,070 |

*The interim distribution of 9.51 cents per stapled security for the period ended 31 December 2019 was not declared prior to 31 December 2019. The Distribution will be paid on 28 February 2020. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

4. 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 profit before income tax as shown in the income statement to the actual income tax expense / benefit.

Income Tax Expense

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 31 December 2018 \$'000 |
|---------------------------------------|--|--|
| Current tax expense | (2,284) | 1,365 |
| Deferred tax expense | 957 | 3,693 |
| Income tax (benefit) / expense | (1,327) | 5,058 |

Reconciliation of income tax expense to prima facie tax expense

| | | |
|---|----------------|--------------|
| Profit / (loss) before income tax expense - continuing operations | (13,713) | 14,540 |
| Profit / (loss) before income tax expense - discontinued operations | - | - |
| Profit / (loss) before income tax expense | (13,713) | 14,540 |
| Less: Profit from the Trust (which is not taxable) | 5,245 | (1,950) |
| Prima facie profit / (loss) | (8,468) | 12,590 |
| Tax at the Australian tax rate of 30% | (2,540) | 3,777 |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: | | |
| Entertainment | 15 | 13 |
| Non-deductible depreciation and amortisation | 1,098 | 479 |
| Fair value adjustments to investment property in the Trust | (176) | (7) |
| Non-deductible expenses | 48 | 35 |
| Impact of consolidations | 226 | 734 |
| Insurance proceeds on plant and equipment | - | 33 |
| Other | 2 | (7) |
| Income tax (benefit) / expense | (1,327) | 5,058 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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.

5. 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.

Carrying value of property, plant and equipment

The carrying amount of property, plant and equipment at the beginning and end of the current period is set out below:

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|---|--|--|
| Carrying amount at the beginning of the period for continuing operations | 265,836 | 244,145 |
| Acquisitions | 101,383 | – |
| Additions | 9,998 | 6,135 |
| Revaluation (decrements) / increments | (1,461) | 17,482 |
| Disposals | (39,000) | (1,926) |
| Carrying amount at the end of the period | 336,756 | 265,836 |
| Accumulated depreciation at the beginning of the period for continuing operations | (28,550) | (19,342) |
| Depreciation | (5,060) | (9,207) |
| Accumulated depreciation at the end of the period | (33,610) | (28,550) |
| Total carrying value at the end of the period | 303,146 | 237,286 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

5. Property, plant and equipment (continued)

The following table represents the total fair value of property, plant and equipment at 31 December 2019:

| Property | Valuation | Consolidated Group | Consolidated Group |
|-----------------------------|------------------|---------------------------|---------------------------|
| | | 31 December 2019 | 30 June 2019 |
| | | \$'000 | \$'000 |
| Eaglehawk Hotel | Internal | 21,500 | 21,500 |
| Wollongong Hotel | Internal | 13,800 | 13,800 |
| Albany Hotel | Internal | 5,250 | 5,250 |
| Featherdale Wildlife Park | Internal | – | 39,000 |
| Port Macquarie Hotel | Internal | 12,000 | 12,000 |
| Tall Trees Hotel | Internal | 14,250 | 14,250 |
| Pavillion Wagga Wagga Hotel | Internal | 7,250 | 7,250 |
| Parklands Resort Mudgee | Internal | 12,965 | 11,600 |
| Narrabundah Hotel | Internal | 31,000 | 31,000 |
| Byron Bay Hotel | Internal | 25,903 | 25,880 |
| Adabco Boutique Hotel | Internal | 13,000 | – |
| Mayfair Hotel | Internal | 86,000 | – |
| Cradle Mountain Lodge | Internal | 59,513 | 55,000 |
| Other | Internal | 715 | 756 |
| Total | | 303,146 | 237,286 |

As at 31 December 2019, the Directors assessed the fair value of the properties above, supported by independent or internal valuation reports.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

6. Investment properties

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

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|---|--|--|
| Carrying amount at the beginning of the period | 58,859 | 52,202 |
| Total costs on acquisition | – | 4,650 |
| Additions | 291 | 241 |
| Revaluation (decrements) / increments | (6,276) | 1,766 |
| Disposals | (4,650) | – |
| Carrying amount at the end of the period | 48,224 | 58,859 |

The following table represents the total fair value of investment properties at 31 December 2019.

| Property | Valuation | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|------------------|-------------|--|--|
| Bluewater Square | Independent | 48,224 | 54,209 |
| Auburn Office | Internal | – | 4,650 |
| Total | | 48,224 | 58,859 |

As at 31 December 2019, the Directors assessed the fair value of the property above, supported by an independent or internal valuation report.

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

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

7. 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. These include joint ventures where the Group has joint control over an investee together with one or more joint venture partners and investments in associates, which are entities over which the Group is presumed to have significant influence but not control or joint control.

The Group's equity accounted investments are as follows:

31 December 2019

| | Principal activity | Percentage Ownership | Consolidated Group 31 December 2019 \$'000 |
|--|--------------------|----------------------|---|
| Elanor Retail Property Fund (ASX: ERF) | Shopping Centres | 17.89% | 35,491 |
| Elanor Commercial Property Fund (ASX: ECF) | Office Buildings | 15.00% | 38,124 |
| Belconnen Markets Syndicate | Shopping Centre | 2.08% | 554 |
| Hunters Plaza Syndicate | Shopping Centre | 4.73% | 1,284 |
| Waverley Gardens Fund | Shopping Centre | 19.64% | 14,804 |
| 1834 Hospitality | Hotel Management | 25.00% | 2,636 |
| Elanor Wildlife Park Fund | Wildlife Parks | 27.32% | 7,194 |
| Total equity accounted investments | | | 100,088 |

30 June 2019

| | Principal activity | Percentage Ownership | Consolidated Group 30 June 2019 \$'000 |
|---|--------------------|----------------------|---|
| Elanor Retail Property Fund (ASX: ERF) | Shopping Centres | 17.89% | 34,945 |
| Elanor Commercial Property Fund | Office Buildings | 13.27% | 13,784 |
| Belconnen Markets Syndicate | Shopping Centre | 2.08% | 536 |
| Hunters Plaza Syndicate | Shopping Centre | 4.73% | 1,194 |
| Workzone West Syndicate | Office Building | 0.16% | 104 |
| Waverley Gardens Fund | Shopping Centre | 20.27% | 14,960 |
| Fairfield Centre Syndicate | Shopping Centre | 22.30% | 8,611 |
| 1834 Hospitality | Hotel Management | 25.00% | 2,567 |
| Total equity accounted investments | | | 76,701 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Finance and Capital Structure

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

8. 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.

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|---|--|--|
| Current | | |
| Bank loan - term debt | 66,300 | – |
| Bank loan - borrowing costs less amortisation | (483) | – |
| Total current | 65,817 | – |
| Non-current | | |
| Unsecured notes | 60,000 | 60,000 |
| Unsecured notes - borrowing costs less amortisation | (959) | (1,132) |
| Bank loan - term debt | 129,857 | 140,901 |
| Bank loan - borrowing costs less amortisation | (1,061) | (1,528) |
| Total non-current | 187,837 | 198,241 |
| Total interest bearing liabilities | 253,654 | 198,241 |

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

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

8. Interest bearing liabilities (continued)

CREDIT FACILITIES

As at 31 December 2019, the Group had unrestricted access to the following credit facilities:

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|---|--|--|
| ENN Group | | |
| Facility - ENN | 30,000 | 30,000 |
| Total amount used | (29,500) | (25,500) |
| Total amount unused - ENN | 500 | 4,500 |
| EMPR Group | | |
| Facility - EMPR | 87,425 | 87,425 |
| Total amount used | (87,425) | (83,325) |
| Total amount unused - EMPR | - | 4,100 |
| Bluewater Square Syndicate | | |
| Facility - Bluewater | 29,700 | 30,150 |
| Total amount used | (29,700) | (29,700) |
| Total amount unused - Bluewater | - | 450 |
| Auburn Office Syndicate | | |
| Facility - Auburn Office | - | 2,325 |
| Total amount used | - | (2,325) |
| Total amount unused - Auburn Office | - | - |
| Elanor Luxury Hotel Fund | | |
| Facility - ELHF | 49,500 | - |
| Total amount used | (49,500) | - |
| Total amount unused - Elanor Luxury Hotel Fund | - | - |
| Total amount unused - Consolidated Group | 500 | 9,050 |

The ENN Group has access to a \$30.0 million revolver facility, with a maturity date of 29 April 2022. The drawn amount at 31 December 2019 is \$29.5 million. At 31 December 2019 the amount of drawn facilities was not hedged.

The EMPR Group has access to a \$87.43 million facility, upon which both the company and trust can draw. The drawn amount at 31 December 2019 is \$87.43 million. Of the EMPR Group facility, \$36.6 million will mature on 31 October 2020, with the remaining \$46.7 million maturing on 31 October 2021. A renewal of the \$36.6 million facility is currently undergoing negotiation and is expected to be renewed before the maturity date. At 31 December 2019, the amount of drawn facilities was hedged to 100%.

At 31 December 2019, the ELHF Group had access to a \$49.5 million facility. The drawn amount at 31 December 2019 was \$49.5 million which will mature on 3 December 2022.

The Bluewater Square Syndicate has access to a \$29.7 million facility. The drawn amount at 31 December 2019 is \$29.7 million which will mature on 30 October 2020. A renewal of the \$29.7 million facility is currently undergoing negotiation and is expected to be renewed before the maturity date. At 31 December 2019, the amount of drawn facilities is hedged to 100%.

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 31 December 2019, including the impact of the interest rate swaps, is 4.54% per annum.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

8. 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.

9. Financial assets

OVERVIEW

The Group's financial assets consist of short term financing provided by the Group. The Group's financial assets as at 31 December 2019 are detailed below:

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|--|--|--|
| Merrylands property vendor finance | 5,830 | 30,152 |
| Other financial assets and receivables | 2,029 | 14,882 |
| Total financial assets | 7,859 | 45,034 |

ACCOUNTING POLICY

The Group measures its financial assets at amortised cost.

At initial recognition, the Group measures its 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 simplified approach permitted by AASB 9 which requires expected lifetime losses to be recognised from initial recognition of receivables.

The expected credit losses in these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions where appropriate at reporting date.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

10. 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 31 December 2019

| No. of securities/shares | Details | Date of income entitlement | Total Equity 31 December 2019 \$'000 | Parent Entity 31 December 2019 \$'000 | EIF 31 December 2019 \$'000 |
|--------------------------|--|----------------------------|--------------------------------------|---------------------------------------|-----------------------------|
| 99,822,220 | Opening balance | 1 Jul 2019 | 136,138 | 61,672 | 74,466 |
| 14,973,333 | Securities issued (Placement) | 18 Nov 2019 | 30,493 | 8,075 | 22,418 |
| 2,373,857 | Securities issued (Security Purchase Plan) | 17 Dec 2019 | 4,944 | 1,309 | 3,635 |
| 317,165 | 2020 STI Securities granted | 19 Dec 2019 | 677 | 179 | 498 |
| 117,486,575 | Securities on issue | 31 Dec 2019 | 172,252 | 71,235 | 101,017 |

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 31 December 2019 \$'000 | Parent Entity 31 December 2019 \$'000 | EIF 31 December 2019 \$'000 |
|--------------------------|-------------------------------------|----------------------------|--------------------------------------|---------------------------------------|-----------------------------|
| 609,991 | Opening balance | 1 Jul 2019 | 1,157 | 349 | 808 |
| 317,165 | 2020 STI Securities granted | 19 Dec 2019 | 677 | 179 | 498 |
| 927,156 | Treasury securities on issue | 31 Dec 2019 | 1,834 | 528 | 1,306 |

Contributed equity for the period ended 30 June 2019

| No. of securities/shares | Details | Date of income entitlement | Total Equity 30 June 2019 \$'000 | Parent Entity 30 June 2019 \$'000 | EIF 30 June 2019 \$'000 |
|--------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------------------|-------------------------|
| 93,015,503 | Opening balance | 1 Jul 2018 | 125,332 | 57,994 | 67,338 |
| 160,000 | Securities issued | 28 Sep 2018 | 200 | 96 | 104 |
| 2,800,000 | Securities issued | 26 Oct 2018 | 3,500 | 1,673 | 1,827 |
| 3,500,000 | Securities issued | 10 Apr 2019 | 6,475 | 1,739 | 4,736 |
| 346,717 | 2019 STI Securities granted | 27 Jun 2019 | 631 | 170 | 461 |
| 99,822,220 | Securities on issue | 30 Jun 2019 | 136,138 | 61,672 | 74,466 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

10. 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 2019 \$'000 | Parent Entity 30 June 2019 \$'000 | EIF 30 June 2019 \$'000 |
|------------------------------|-------------------------------------|----------------------------|---|--|----------------------------------|
| 263,274 | Opening balance | 1 Jul 2018 | 526 | 179 | 347 |
| 346,717 | 2019 STI Securities issued | 27 Jun 2019 | 631 | 170 | 461 |
| 609,991 | Treasury securities on issue | 30 Jun 2019 | 1,157 | 349 | 808 |

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.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Other Items

This section includes information that is not directly related to the specific line items in the consolidated financial statements, including information about related parties, events after the end of the reporting period and certain EIF Group disclosures.

11. Receivables

OVERVIEW

This note provides further information about assets that are incidental to the Group's trading activities, being trade and other receivables.

Receivables

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|--------------------------|--|--|
| Current | | |
| Trade receivables | 4,421 | 6,173 |
| Other receivables | 13,434 | 8,562 |
| Total receivables | 17,855 | 14,735 |

12. Payables

OVERVIEW

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

Payables

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|-----------------------|--|--|
| Trade creditors | 2,638 | 1,290 |
| Accrued expenses | 5,380 | 5,156 |
| GST payable | 996 | 946 |
| Total payables | 9,014 | 7,392 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

13. Net tangible assets

OVERVIEW

This note sets out the net tangible assets of the Group.

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|---|--|--|
| Net tangible assets are calculated as follows: | | |
| Total assets | 526,013 | 468,824 |
| Less: Intangible assets | (675) | (750) |
| Less: Total liabilities | (278,599) | (222,949) |
| Net tangible assets | 246,739 | 245,125 |
| | | |
| Total number of stapled securities on issue | 117,487 | 99,822 |
| Net tangible asset backing per stapled security | 2.10 | 2.46 |

14. Commitments

OVERVIEW

This note sets out the material commitments of the Group.

Contingent liabilities and commitments

Unless otherwise disclosed in the financial statements, there are no material contingent liabilities and commitments.

Lease commitments: the Group as lessee

The Group has non-cancellable leases in respect of premises. From 1 July 2019, the Group has recognised the right of use assets for these leases.

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|--|--|--|
| Within one year | 556 | 946 |
| Later than one year but not later than 5 years | – | 80 |
| Later than 5 years | – | – |
| Total lease commitments | 556 | 1,026 |

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 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|--|--|--|
| Within one year | 3,443 | 3,827 |
| Later than one year but not later than 5 years | 11,575 | 10,934 |
| Later than 5 years | 3,302 | 6,486 |
| Total lease commitments | 18,320 | 21,247 |

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

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

15. 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

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 six months ended 31 December 2019, this amount is \$65,000.

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 half year ended 31 December 2019 was 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 31 December 2019 \$'000 | Consolidated Group 31 December 2018 \$'000 |
|---------------------------------|---|---|
| Elanor Retail Property Fund | 1,314 | 1,260 |
| Elanor Commercial Property Fund | 1,410 | 1,377 |
| Hunters Plaza Syndicate | 275 | 269 |
| Belconnen Markets Syndicate | 259 | 247 |
| Workzone West Syndicate | 596 | 497 |
| Waverley Gardens Fund | 385 | 865 |
| Stirling Street Syndicate | 134 | 580 |
| Fairfield Centre Syndicate | 7 | – |
| Elanor Wildlife Park Fund | 1,060 | – |
| Total | 5,440 | 5,096 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

16. Significant events

Establishment of Elanor Wildlife Park Fund

On 28 November 2019, the Group established Elanor Wildlife Park Fund (EWPF) which acquired Mogo Zoo in Mogo, NSW for \$9.7 million and Featherdale Wildlife Park in Doonside, NSW for \$39 million, which was previously owned by the Group.

Settlement of Elanor Luxury Hotel Fund acquisitions

On 5 December 2019, the Elanor Luxury Hotel Fund (ELHF) settled on the acquisitions of Mayfair Hotel and Adabco Boutique Hotel in Adelaide, SA, for \$99 million. Subsequent to balance date, the fund also settled on the acquisition of Peppers Cradle Mountain Lodge for \$55 million, purchased from another Group managed fund, Elanor Metro and Prime Regional Hotel Fund.

Initial Public Offering of Elanor Commercial Property Fund

The Group completed the Initial Public Offering ("IPO") of Elanor Commercial Property Fund (ASX: ECF) on 6 December 2019, offering 138.9 million securities at an offer price of \$1.25, raising \$173.6 million. ECF listed with an initial market capitalisation of \$255.5 million.

Elanor holds a 15.0% co-investment in ECF and is therefore strongly aligned with the Fund's investors.

ECF was an existing Elanor managed fund and acquired a new property, 200 Adelaide Street, at IPO. Existing investors in ECF provided overwhelming support for ECF, with 83.6% of existing investors electing to retain their investment. In addition, these investors elected to invest further significant funds in ECF.

At 31 December 2019, ECF had a portfolio of 6 commercial office buildings, valued at \$305.6 million.

Elanor Healthcare Real Estate Fund

The Group established the Elanor Healthcare Real Estate Fund in December 2019, to be seeded with medical offices in Brisbane and Gold Coast, QLD, with a combined asset value of \$123.3 million. Settlement of the fund is expected in March 2020.

Sale of Auburn Office

On 18 December 2019, the Group disposed of its investment in the Auburn Office Syndicate when the fund sold its commercial property for \$4.75 million and subsequently wound up the fund.

17. Discontinued operations

On 26 June 2018, following a strategic review of the deteriorating trading and financial performance of the John Cootes Furniture business, the Directors resolved to exit the business, either through a sale or a closure of the business. Following this decision, the John Cootes Furniture business has continued to be classified under accounting standards as a Discontinued Operation within these financial statements.

On 13 August 2018 ENN Group announced that following a sale campaign where no firm proposals were received at that stage, Elanor decided to commence an orderly closure of the business. The JCF stores were all closed during the 12 month period ended 30 June 2019.

The remaining Ashley branded Furniture Homestores (Ashley stores) owned by the business were sold on 4 February 2019. Settlement occurred in August 2019.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

17. Discontinued operations (continued)

Analysis of Profit or Loss for the year from Discontinued Operations

The combined results of the discontinued operations included in the profit and loss for the period ended 31 December 2019 are set out below. The comparative profit and cash flows from discontinued operations have been presented to include those operations classified as discontinued in the current half year.

Profit or Loss for the period from Discontinued Operations

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 31 December 2018 \$'000 |
|--|--|--|
| John Cootes Furniture Business | | |
| Revenue from sale of goods | – | 16,709 |
| Costs of goods sold | – | (11,267) |
| Expenses relating to discontinuing the operations ¹ | – | (5,442) |
| (Loss) / Profit before Income Tax | – | – |
| Net tax benefit / (expense) | – | – |
| Profit / (loss) for the year from discontinued operations | – | – |

Note 1: Includes the updated provision assumptions relating to the discontinued operations.

Cash flows from / (used in) discontinued operations

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 31 December 2018 \$'000 |
|---|--|--|
| John Cootes Furniture Business | | |
| Net cash outflow from operating activities | (1,701) | (1,937) |
| Net cash inflow / (outflow) from investing activities | – | – |
| Net cash outflow / (inflow) from financing activities | – | (36) |
| | (1,701) | (1,973) |

Assets held for sale

Assets relating to the Ashley stores held for sale are included in the following table:

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|---|--|--|
| John Cootes Furniture Business | | |
| Cash & cash equivalent | – | – |
| Property, plant and equipment | – | – |
| Inventory | – | – |
| Other assets | 207 | 714 |
| Total assets classified as held for sale | 207 | 714 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

17. Discontinued operations (continued)

Total liabilities directly associated with discontinued operations

| | Consolidated Group 31 December 2019 \$'000 | Consolidated Group 30 June 2019 \$'000 |
|---|--|--|
| John Cootes Furniture Business | | |
| Liabilities directly associated with assets held for sale | – | – |
| Provisions for onerous leases relating to the JCF business | 2,623 | 4,677 |
| Other costs associated with the close down of the JCF business | – | – |
| Total liabilities directly associated with discontinued operations | 2,623 | 4,677 |

ACCOUNTING POLICY

Discontinued Operations

A discontinued operation is a component of the Group that represents a separate major line of business that is part of a disposal plan. The results of discontinued operations are presented separately in the Consolidated Statement of Profit or Loss.

Critical Accounting Estimates

The estimates and judgements of impairment of the John Cootes Furniture business assets and associated costs, that involve a high degree of complexity and have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent periods, are incorporated above. Any changes to carrying values in subsequent periods due to revisions to estimates or assumptions or as a result of the final realisation of the business assets and liabilities upon exit of the business will be recognised in the Group's profit or loss as part of discontinued operations up to the cessation of the John Cootes Furniture business.

18. Events occurring after reporting date

Subsequent to the period end, a distribution of 9.51 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$11.2 million will be paid on or before 28 February 2020 in respect of the six months ended 31 December 2019.

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 half year ended 31 December 2019.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

19. 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.

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.

Distributions

The following table summarises the distributions of the EIF Group in respect of the period:

| | Distribution cents per stapled security 31 December 2019 | Distribution cents per stapled security 31 December 2018 | Total Amount 31 December 2019 \$'000 | Total Amount 31 December 2018 \$'000 |
|---|--|--|--|--|
| Distribution for the half year ended 31 December 2019 | 9.51 | 5.81 | 11,173 | 5,579 |

1. The interim distribution of 9.51 cents per stapled security for the period ended 31 December 2019 was not declared prior to 31 December 2019. The distribution will be paid on 28 February 2020.

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.

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 31 December 2019 \$'000 | EIF Group 30 June 2019 \$'000 |
|---|---|---|
| Carrying amount at the beginning of the period | 270,747 | 248,291 |
| Total costs on acquisition | 89,306 | 4,650 |
| Additions | 5,896 | 324 |
| Revaluation (decrements) / increments | (9,076) | 17,482 |
| Disposals | (36,930) | – |
| Carrying amount at the end of the period | 319,943 | 270,747 |

Refer to Note 5 Property, plant and equipment and Note 6 Investment properties for further details.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

19. Non-Parent disclosure (continued)

The following table represents the total fair value of Investment Properties at 31 December 2019:

| | EIF Group 31 December 2019 \$'000 | EIF Group 30 June 2019 \$'000 |
|----------------------------|---|---|
| Cradle Mountain Lodge | 50,686 | 50,534 |
| Albany Hotel | 4,893 | 4,882 |
| Featherdale Wildlife Park | – | 32,280 |
| Eaglehawk Hotel | 25,858 | 23,805 |
| Wollongong Hotel | 13,405 | 13,343 |
| Port Macquarie Hotel | 10,903 | 10,959 |
| Tall Trees Hotel | 10,322 | 10,369 |
| Pavilion Wagga Wagga Hotel | 5,096 | 5,024 |
| Parklands Resort | 8,138 | 8,190 |
| Narrabundah Hotel | 27,354 | 26,829 |
| Byron Bay Hotel | 25,759 | 25,673 |
| Bluewater Square | 48,224 | 54,209 |
| Auburn Office Syndicate | – | 4,650 |
| Adabco Boutique Hotel | 10,442 | – |
| Mayfair Hotel | 78,864 | – |
| Total | 319,943 | 270,747 |

The Trust's equity accounted investments are as follows:

31 December 2019

| | Principal activity | Percentage Ownership | EIF Group 31 December 2019 \$'000 |
|---|--------------------|-------------------------|---|
| Elanor Retail Property Fund (ASX: ERF) | Shopping Centres | 17.89% | 35,491 |
| Elanor Commercial Property Fund | Office Buildings | 15.00% | 38,124 |
| Hunters Plaza Syndicate | Shopping Centre | 4.73% | 1,284 |
| Waverley Gardens Fund | Shopping Centre | 19.64% | 14,868 |
| Elanor Wildlife Park Fund | Wildlife Parks | 27.32% | 5,718 |
| Total equity accounted investments | | | 95,486 |

30 June 2019

| | Principal activity | Percentage Ownership | EIF Group 30 June 2019 \$'000 |
|---|--------------------|-------------------------|---|
| Elanor Retail Property Fund (ASX: ERF) | Shopping Centres | 17.89% | 34,945 |
| Elanor Commercial Property Fund | Office Buildings | 13.27% | 13,784 |
| Hunters Plaza Syndicate | Shopping Centre | 4.73% | 1,194 |
| Workzone West Syndicate | Office Building | 0.16% | 104 |
| Waverley Gardens Fund | Office Buildings | 20.27% | 14,960 |
| Fairfield Centre Syndicate | Shopping Centre | 22.30% | 8,611 |
| Total equity accounted investments | | | 73,598 |

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

19. Non-Parent disclosure (continued)

Interest bearing liabilities

| | EIF Group 31 December 2019 \$'000 | EIF Group 30 June 2019 \$'000 |
|---|---|---|
| Current | | |
| Bank loan - term debt | 68,064 | 1,600 |
| Borrowing costs less amortisation | (483) | – |
| Total current | 67,581 | 1,600 |
| Non-current | | |
| Bank loan - term debt | 99,512 | 115,388 |
| Bank loan - borrowing costs less amortisation | (780) | (1,223) |
| Loan from the company | 36,314 | 29,538 |
| Total non-current | 135,047 | 143,703 |
| Total interest bearing liabilities | 202,627 | 145,303 |

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 31 December 2019, the outstanding payable to the Company was \$36.3 million.

Credit facilities

As at 30 June 2019, the EIF Group had unrestricted access to the following credit facilities:

| | EIF Group 31 December 2019 \$'000 | EIF Group 30 June 2019 \$'000 |
|--|---|---|
| EIF | | |
| Facility - EIF | 30,000 | 30,000 |
| Total amount used | (29,500) | (25,500) |
| Total amount unused - EIF | 500 | 4,500 |
| EMPR Group | | |
| Facility - EMPR | 87,425 | 87,425 |
| Total amount used | (87,425) | (83,325) |
| Total amount unused - EMPR | – | 4,100 |
| Bluewater Square Syndicate | | |
| Facility - Bluewater | 29,700 | 30,150 |
| Total amount used | (29,700) | (29,700) |
| Total amount unused - Bluewater | – | 450 |
| Auburn Office Syndicate | | |
| Facility - Auburn Office | – | 2,325 |
| Total amount used | – | (2,325) |
| Total amount unused - Auburn Office | – | – |
| Elanor Luxury Hotel Fund | | |
| Facility - ELHF | 49,500 | – |
| Total amount used | (49,500) | – |
| Total amount unused - Auburn Office | – | – |
| Total amount unused - EIF Group | 500 | 9,050 |

The ENN Group has access to a \$30.0 million revolver facility, with a maturity date of 29 April 2022. The drawn amount at 31 December 2019 is \$29.5 million. At 31 December 2019 the amount of drawn facilities was not hedged.

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

19. Non-Parent disclosure (continued)

The EMPR Group has access to a \$87.4 million facility, upon which Trust can draw. The drawn amount at 31 December 2019 is \$87.4 million out of which \$36.6 million will mature on 31 October 2020, with the remaining \$46.7 million maturing on 31 October 2021. At 31 December 2019, the amount of drawn facilities is hedged to 100%.

Bluewater has access to a \$29.7 million facility. The drawn amount at 31 December 2019 is \$29.7 million which will mature on 30 October 2020. At 31 December 2019, the amount of drawn facilities is hedged to 100%.

The ELHF Group has access to a \$49.5 million facility. The drawn amount at 31 December 2019 is \$49.5 million which will mature on 3 December 2022.

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 31 December 2019 \$'000 | EIF Group 30 June 2019 \$'000 |
|--------------------------|---|---|
| Current | | |
| Trade receivables | 10,996 | 15,415 |
| Other receivables | 265 | 266 |
| Total receivables | 11,261 | 15,681 |

Payables

| | EIF Group 31 December 2019 \$'000 | EIF Group 30 June 2019 \$'000 |
|-----------------------|---|---|
| Trade creditors | 4,396 | 2,987 |
| Accrued expenses | 420 | 2,050 |
| GST payable | 200 | 305 |
| Total payables | 5,016 | 5,342 |

ELANOR INVESTORS GROUP

DIRECTORS' DECLARATION TO STAPLED SECURITY HOLDERS

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 16-49 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 December 2019 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.

This declaration is made in accordance with a resolution of the Boards of Directors in accordance with Section 303(5) of the *Corporations Act 2001 (Cth)*.



Glenn Willis
CEO and Managing Director

Sydney
14 February 2020

Independent Auditor's Review Report to the Stapled Security Holders of Elanor Investors Group and the Unitholders of Elanor Investors Fund Group

We have reviewed the accompanying half-year financial report which comprises:

- The consolidated statements of financial position as at 31 December 2019, the consolidated statements of profit or loss and comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Elanor Investors Group, being the consolidated stapled entity ("Elanor Investors Group"). The consolidated stapled entity, as disclosed in the notes to the financial report, comprises Elanor Investors Limited and the entities it controlled at the end of the half-year or from time to time during the half-year, including Elanor Investment Fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 16 to 50; and
- The consolidated statements of financial position as at 31 December 2019, the consolidated statements of profit or loss and comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity Elanor Investors Fund, being the consolidated entity ("EIF Group"). The consolidated entity comprises Elanor Investment Fund and the entities it controlled at the half-year's end or from time to time during the half-year as set out on pages 16 to 50.

Directors' Responsibility for the Half-Year Financial Report

The directors of Elanor Investors Limited and Elanor Funds Management Limited, as responsible entity of Elanor Investment Fund, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial reports that give a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entities' financial position as at 31 December 2019 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Elanor Investors Limited and Elanor Investment Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elanor Investors Limited and Elanor Funds Management Limited, as responsible entity of EIF Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elanor Investors Group and EIF Group are not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Elanor Investors Group and EIF Group's financial positions as at 31 December 2019 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



D Nell
Partner
Chartered Accountants
Sydney, 14 February 2020