



Supplementary Financial Information

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' STATEMENT

Directors' Statement

The Directors of Elanor Investors Group (Group, Consolidated Group or Elanor) present this Supplementary Financial Information in accordance with the conditions set out in the Information Memoranda dated 13 October 2017 and 14 December 2017 for the issue of \$40,000,000 and \$20,000,000 7.10 per cent five year Unsecured Fixed Rate notes due 17 October 2022 (Notes).

The purpose of this Supplementary Financial Information is to present Supplementary Statements of Profit or Loss, Financial Position and Cash Flows to holders of the Notes, the Note Trustee, the Lead Manager and Initial Subscriber under the Note conditions, for the half year ended 31 December 2019.

In the Elanor Investors Group's Interim Financial Report for the half year ended 31 December 2019, where Elanor is deemed to have a controlling interest in any particular managed fund, the consolidation method is required in respect of Elanor's co-investment in that fund. This Supplementary Financial Information is presented on the basis that all of Elanor's managed fund co-investments are accounted for using the equity method.

In this Supplementary Financial Information, the Group's financial results including an equity accounted presentation of all managed fund co-investments is defined as the "ENN Group".

The Supplementary Statements of Profit or Loss, Financial Position and Cash Flows present both the Consolidated Group results and the ENN Group results, and "Adjustments" that reflect the required adjustments to the Consolidated Group results to remove the impact of the consolidation of the Group's deemed controlled managed fund co-investments and record their investments in accordance with the principles of equity accounting.

This Supplementary Financial Information should be read in conjunction with Elanor Investors Group's Interim Financial Report for the half year ended 31 December 2019.

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.



Paul Bedbrook
Chairman



Glenn Willis
CEO and Managing Director

Sydney, 14 February 2020

Independent Auditor's Review Report to holders of the Notes, the Note Trustee, the Lead Manager and the Initial Subscriber under the Note conditions of Elanor Investors Group

We have reviewed the accompanying half-year Supplementary Financial Information of Elanor Investors Group, being the consolidated stapled entity ("Elanor Investors Group"). The consolidated stapled entity comprises Elanor Investors Limited and the entities it controlled at the half-year's end or from time to time during the half-year, including Elanor Investment Fund and the entities it controlled at the half-year's end or from time to time during the half-year. The half-year Supplementary Financial Information has been prepared for the purposes of meeting the requirements of the Information Memoranda "Issue of A\$40,000,000 7.10 per cent. Unsecured Fixed Rate Notes due 17 October 2022" and "Issue of A\$20,000,000 7.10 per cent. Unsecured Fixed Rate Notes due 17 October 2022" (the Notes), and comprises the supplementary statement of financial position as at 31 December 2019, the supplementary statement of profit or loss and the supplementary statement of cash flows for the half-year ended on that date, notes comprising the basis of preparation and other explanatory information, and the directors' statement.

Directors' Responsibility for the Half-Year Supplementary Financial Information

The directors of Elanor Investors Group are responsible for the preparation of the half-year Supplementary Financial Information in accordance with the basis of preparation set out within the notes to the half-year Supplementary Financial Information as required by the holders of the Notes, the Note Trustee, the Lead Manager and the Initial Subscriber under the Note conditions and for such internal control as the directors determine is necessary to enable the preparation of the half-year Supplementary Financial Information that 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 Supplementary Financial Information 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 Supplementary Financial Information is not prepared, in all material respects, in accordance with the basis of preparation and with the reporting requirements of the Notes. As the auditor of Elanor Investors Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year Supplementary Financial Information 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.

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 Supplementary Financial Information of Elanor Investors Group has not been prepared, in all material respects in accordance with the basis of preparation set out within the notes to the half-year Supplementary Financial Information and with the reporting requirements of the Notes.

Basis of Preparation and Restriction on Distribution and Use

Without modifying our conclusion, we draw attention to the notes to the half-year Supplementary Financial Information, which describes the basis of preparation. The half-year Supplementary Financial Information has been prepared to assist Elanor Investors Group to meet the financial reporting requirements of the Notes. As a result, the half-year Supplementary Financial Information may not be suitable for another purpose. Our report is intended solely for the holders of the Notes, the Note Trustee, the Lead Manager and the Initial Subscriber under the Note conditions and should not be distributed to or used by any other parties.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



D Nell
Partner
Chartered Accountants
Sydney, 14 February 2020

ELANOR INVESTORS GROUP

SUPPLEMENTARY STATEMENTS OF PROFIT OR LOSS FOR THE HALFYEAR ENDED 31 DECEMBER 2019

	Consolidated Group 31 December 2019 \$'000	Adjustments 31 December 2019 \$'000	ENN Group 31 December 2019 \$'000
Income			
Revenue from operating activities	37,750	(23,330)	14,420
Interest income	1,095	65	1,160
Rental income	2,202	(2,202)	–
Share of profit / (loss) from equity accounted investments	1,175	(6,310)	(5,135)
Realised loss on disposal of investment	(260)	–	(260)
Fair value gain on revaluation of assets / investment properties	(7,845)	7,845	–
Other income	418	(216)	202
Total income	34,535	(24,148)	10,387
Expenses			
Changes in inventories of finished goods	2,823	(2,152)	671
Salary and employee benefits	20,856	(9,400)	11,456
Property expenses	4,021	(3,605)	416
Operator management costs	3,676	(3,598)	78
Borrowing costs	5,100	(2,363)	2,737
Depreciation	5,520	(4,691)	829
Amortisation	537	(98)	439
Marketing and promotion	2,072	(828)	1,244
Repairs, maintenance and technology	714	(404)	310
Other expenses	2,929	(1,086)	1,842
Total expenses	48,248	(28,223)	20,026
Net profit / (loss) before income tax expense	(13,713)	4,075	(9,639)
Income tax (benefit) / expense	(1,327)	(157)	(1,170)
Net profit / (loss) for the period from continuing operations after tax	(12,386)	3,918	(8,469)
Discontinued operations			
Net profit / (loss) for the period from discontinued operations after tax	–	–	–
Net profit / (loss) for the period	(12,386)	3,918	(8,469)
Net profit / (loss) attributable to security holders of:			
- Parent Entity	(6,238)	(6,210)	(12,448)
- Non-controlling interest EIF	(2,393)	6,372	3,980
Net profit / (loss) attributable to ENN security holders	(8,631)	163	(8,469)
Attributable to security holders of:			
- External Non-controlling interest	(3,755)	3,755	–
Net profit / (loss) for the period	(12,386)	3,919	(8,469)
Net profit / (loss) attributable to equity holders of the parent entity relates to:			
Profit from continuing operations	(6,238)	(6,210)	(12,448)
Profit / (loss) from discontinued operations	–	–	–
Net profit / (loss) for the period	(6,238)	(6,210)	(12,448)
Basic earnings / (loss) of the ENN security holders from continuing operations per stapled security (cents)	(11.97)		(12.03)
Diluted earnings / (loss) of the ENN security holders from continuing operations per stapled security (cents)	(11.97)		(12.03)

ELANOR INVESTORS GROUP

SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Consolidated Group 31 December 2019 \$'000	Adjustments 31 December 2019 \$'000	ENN Group 31 December 2019 \$'000
Current assets			
Cash and cash equivalents	30,914	(5,323)	25,591
Receivables	17,855	5,586	23,441
Financial assets	7,859	1,775	9,634
Inventories	881	(855)	26
Other current assets	1,721	(709)	1,012
Current tax asset	7,007	(2,591)	4,416
Assets held for sale	207	–	207
Total current assets	66,444	(2,117)	64,327
Non-current assets			
Property, plant and equipment	303,146	(295,815)	7,331
Investment properties	48,224	(48,224)	–
Equity accounted investments	100,088	102,122	202,211
Goodwill and intangible assets	674	–	674
Deferred tax assets	7,437	(1,837)	5,600
Total non-current assets	459,569	(243,753)	215,816
Total assets	526,013	(245,870)	280,143
Current liabilities			
Payables	9,014	(3,818)	5,196
Derivative financial instruments	1,282	(1,282)	–
Interest bearing liabilities	65,817	(65,817)	–
Current provisions	2,742	(699)	2,043
Other current liabilities	721	37	757
Contract liabilities	1,206	(1,191)	15
Liabilities directly associated with discontinued operations	2,623	–	2,623
Total current liabilities	83,405	(72,771)	10,634
Non-current liabilities			
Derivative financial instruments	601	(601)	–
Interest bearing liabilities	187,837	(100,025)	87,812
Non-current provisions	289	(76)	213
Other non-current liabilities	30	–	30
Deferred tax liabilities	6,438	(2,195)	4,242
Total non-current liabilities	195,195	(102,898)	92,297
Total liabilities	278,599	175,668	102,931
Net assets	247,414	(70,200)	177,212

ELANOR INVESTORS GROUP

SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Consolidated Group 31 December 2019 \$'000	Adjustments 31 December 2019 \$'000	ENN Group 31 December 2019 \$'000
Equity			
<i>Equity Holders of Parent Entity</i>			
Contributed equity	71,235	–	71,235
Treasury shares	(528)	–	(528)
Reserves	14,449	(13,552)	897
Retained profits / (accumulated losses)	(38,937)	15,679	(23,258)
Parent entity interest	46,218	2,127	48,346
<i>Equity Holders of Non Controlling Interest</i>			
Contributed equity - Elanor Investment Fund	101,017	–	101,017
Treasury shares	(1,306)	–	(1,306)
Reserves	12,467	(10,042)	2,425
Retained profits / (accumulated losses)	17,327	9,403	26,730
Non-controlling interest	129,505	(638)	128,866
<i>Equity Holders of Non Controlling Interest - External</i>			
Contributed equity - External	46,747	(46,747)	–
Reserves	20,441	(20,441)	–
Retained profits / (accumulated losses)	4,503	(4,503)	–
External Non-controlling interest	71,691	(71,691)	–
Total equity attributable to stapled security holders:			
- Parent Entity	46,218	2,127	48,346
- Non-controlling Interest - EIF	129,505	(639)	128,866
Total equity attributable to ENN security holders	175,723	1,487	177,212
Total equity attributable to stapled security holders:			
- Non-controlling interest - External	71,691	(71,691)	–
Total equity	247,414	(70,204)	177,212

ELANOR INVESTORS GROUP

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

	Consolidated Group	Adjustments	ENN Group
	31 December 2019	31 December 2019	31 December 2019
Note	\$'000	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers	45,376	(27,740)	17,636
Payments to suppliers and employees	(40,115)	23,196	(16,919)
Interest received	2,641	65	2,706
Finance costs paid	(4,931)	2,055	(2,876)
Income tax paid	—	—	—
Net cash flows from operating activities	2,971	(2,424)	547
Cash flows from investing activities			
Receipts for business and asset disposals	43,650	(4,650)	39,000
Receipts for equity accounted investments	12,921	—	12,921
Proceeds from financial asset disposals	35,670	(12)	35,658
Payments for property, plant and equipment / investment properties	(111,672)	109,720	(1,952)
Loans to associates	(4,871)	(2,176)	(7,047)
Payments for equity accounted investments	(48,887)	(52,553)	(101,440)
Distributions received from equity accounted investments	2,657	1,162	3,819
Net cash flows from investing activities	(70,533)	51,492	(19,041)
Cash flows from financing activities			
Net proceeds / (repayments) from borrowings	55,275	(51,275)	4,000
Proceeds from equity raisings	36,429	—	36,429
Costs associated with equity raisings	(1,058)	—	(1,058)
Distributions paid to security holders	(11,451)	1,728	(9,723)
Net cash flows from financing activities	79,195	(49,547)	29,648
Net increase / (decrease) in cash and cash equivalents	11,633	(479)	11,154
Cash and cash equivalents at the beginning of the period	19,281	(4,844)	14,437
Cash at the end of the period	30,914	(5,323)	25,591
Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position)	30,914	(5,323)	25,591
Cash and cash equivalents (included within assets held for sale)	—	—	—
	30,914	(5,323)	25,591

ELANOR INVESTORS GROUP

SUPPLEMENTARY FINANCIAL INFORMATION FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. Basis of Preparation

This Supplementary Financial Information does not include all of the information required in financial statements in accordance with Australian Accounting Standards and should be read in conjunction with Elanor Investors Group's Interim Financial Report for the half year ended 31 December 2019 and any public announcements made by the Group during the period in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The Supplementary Financial Information incorporates the Consolidated Group's audited Statements of Profit or Loss, Financial Position and Cash Flow for the half year ended 31 December 2019 that have been prepared in accordance with Corporations Act 2001.

Unless disclosed otherwise, this Supplementary Financial Information has been prepared in accordance with the same accounting policies adopted in the Group's Interim Financial Report for the period ended 31 December 2019.

In the Elanor Investors Group's Interim Financial Report for the half year ended 31 December 2019, where Elanor is deemed to have a controlling interest in any particular managed fund, the consolidation method is required in respect of Elanor's co-investment in that fund. This Supplementary Financial Information is presented on the basis that all of Elanor's managed fund co-investments are accounted for using the equity method.

In this Supplementary Financial Information, the Group's financial results including an equity accounted presentation of all managed fund co-investments is defined as the "ENN Group". The ENN Group incorporates the assets and liabilities of Elanor Investors Limited and all its subsidiaries, Elanor Investment Fund and its controlled entities and EMPR, Bluewater and Auburn Office Syndicate on an equity accounted basis as at 31 December 2019.

The Supplementary Statements of Profit or Loss, Financial Position and Cash Flows present both the Consolidated Group results and the ENN Group results, and "Adjustments" that reflect the required adjustments to the Consolidated Group results to remove the impact of the consolidation of the Group's deemed controlled managed fund co-investments.

Background Information on Elanor's Control of the Funds

The Consolidated Group incorporates the assets and liabilities of Elanor Investors Limited and all of its subsidiaries, Elanor Investment Fund and its controlled entities, Elanor Metro and Prime Regional Hotel Fund (EMPR), Elanor Luxury Hotel Fund (ELHF) and Bluewater Square Syndicate (Bluewater) as at 31 December 2019. Together, EMPR, ELHF and Bluewater are the Funds.

EMPR comprises stapled securities in Elanor Metro and Prime Regional Hotel Fund, EMPR Management Pty Limited, Elanor Metro and Prime Regional Hotel Fund II and EMPR II Management Pty Limited. ELHF comprises stapled securities in Elanor Luxury Hotel Fund and Elanor Luxury Hotel Fund Pty Limited. The Group holds 42.63% of the equity in EMPR, 100% of the equity in ELHF and 42.27% of the equity in Bluewater. The Group held 100% of the equity in Auburn Office Syndicate for the period to 18 December 2019, and hence the financial results of the fund has been consolidated into the financial results of the Group up until that date.

Elanor Funds Management Limited acts as the Manager and Trustee of the Funds. The Trustee is owned wholly by the Group and governed by the licensing and legal obligations of a professional asset manager. The powers of the Trustee are governed by the Funds' constitution, which sets out the basis of fees that the Trustee can receive. These fees include management fees, performance fees, and acquisition fees.

Therefore, as set out in the Elanor Investors Group's Interim Financial Report for the half year ended 31 December 2019, because Elanor is deemed to have a controlling interest in the Funds given its level of ownership and role as Trustee and Manager, the AASB 10 definition of control for Elanor's equity investment in the Funds is met, and the Funds are included on consolidated basis in the Consolidated Group.