



# Interim Financial Report

For the half year ended  
31 December 2017

## **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 2017 (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 (Chair)  
Glenn Willis (Managing Director and Chief Executive Officer)  
Nigel Ampherlaw  
William (Bill) Moss AO

### 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 2017 comprise:

Distribution	Half Year Ended 31 December 2017
Interim Distribution	
Amount payable (cents per stapled security)	7.16
Payment Date	2 March 2018

A provision for the Final Distribution has not been recognised in the consolidated financial statements for the half year as the distribution had not been declared at the reporting date. The Interim Distribution of 7.16 cents compares to an Interim Distribution and Final Distribution for the financial year ended 30 June 2017 of 7.77 and 5.01 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 grow funds under management by identifying and originating investments that deliver strong performance for both Elanor's funds management capital partners and Elanor's security holders. Elanor seeks to co-invest with its capital partners in funds managed by Elanor for both strategic and alignment purposes.

Investments are also originated and held on balance sheet where they provide opportunities for future co-investment by external capital partners.

Elanor's core focus is in hotels, tourism and leisure, and real estate. In addition, special situations investments incorporate assets that are high yielding and exhibit strong real estate backing that may fall outside of the sectors in which the Group currently focuses.

During the six months Elanor increased assets under management from \$681.6 million to \$864.4 million. Co-investments of \$34.0 million were made in new managed funds.

On 17 October 2017 and 18 December 2017 the Group issued tranches of \$40 million and \$20 million 7.1% unsecured 5 year fixed rate notes (Corporate Notes). The notes are due for repayment on 17 October 2022.

The Corporate Notes issue related to two key funds management initiatives that were completed in the six months ended 31 December 2017 and current pipeline opportunities. The two funds management initiatives were:

- The establishment of Elanor Metro and Prime Regional Hotel Fund (EMPR), a multi-asset hotel fund. EMPR acquired Ibis Styles Eaglehawk, Byron Bay Hotel and Apartments and Ibis Styles Canberra in November 2017. These acquisitions established the fund which had a gross asset value of \$78.3 million as at 31 December 2017.
- In addition, the Bluewater Square Syndicate was established in October 2017, acquiring the Bluewater Square Shopping Centre in Redcliffe QLD, with a gross asset value of \$56.1 million at 31 December 2017.

ENN's strong investment track record and investor base continues to be evidenced by the demand from investors for ENN's newly established funds. Elanor has a well resourced and scalable platform with capacity for growth. The Group invested in additional senior experienced asset and capital origination talent and strengthened its asset and investment management capabilities during the period. This, coupled with the Group's available capital, means that the Group is strongly positioned to grow the funds management business.

Whilst prevailing market conditions for "value" investors are more challenging, the Group's pipeline is encouraging.

# 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

<b>Funds</b>	<b>Location</b>	<b>Type</b>	<b>Gross Asset Value \$'m</b>
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	24.7
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	161.2
Elanor Hospitality and Accommodation Fund	NSW, TAS and ACT	Six hotels across NSW (4), TAS (1) and ACT (1)	100.4
Limestone Street Centre Syndicate	Ipswich, QLD	Commercial office building	35.8
Elanor Retail Property Fund (ASX:ERF)	Auburn, Taree and Tweed Heads, NSW, Bundaberg and Gladstone, QLD, and Glenorchy, TAS	Sub-regional shopping centre	308.7
Elanor Commercial Property Fund	Cannon Hill and Mt Gravatt, QLD	Commercial office buildings	51.9
Hunters Plaza Syndicate	Auckland, NZ	Sub-regional shopping centre	47.3
<b>Additions since 30 June 2017</b>			
Elanor Metro and Prime Regional Hotel Fund (Nov 2017)	Canberra and Narrabundah ACT and Byron Bay NSW	Three hotels across ACT (2) and NSW (1)	78.3
Bluewater Square Syndicate (Oct 2017)	Redcliffe, QLD	Shopping centre	56.1
<b>Total Managed Funds</b>			<b>864.4</b>

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 4. Operating and financial review (continued)

#### MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

##### Investment Portfolio

Balance Sheet Asset	Location	Type	Note	Carrying Value \$'m
<b>Hotels Tourism and Leisure</b>				
Featherdale Wildlife Park	Sydney, NSW	Wildlife Park	1	39.0
Hotel Ibis Styles Albany	Albany, WA	Hotel	1	5.3
				<b>Cost \$'m</b>
<b>Special Situations Investments</b>				
John Cootes Furniture	15 locations across NSW	Furniture retailer	2	16.1
Merrylands Property	Merrylands, NSW	Property associated with John Cootes Furniture	3	17.6
				<b>Equity accounted value \$'m</b>
<b>Managed Fund Co-Investments</b>				
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	4	1.1
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	4	12.0
Elanor Hospitality and Accommodation Fund	NSW, TAS and ACT	Six hotels across NSW (4), TAS (1) and ACT (1)	5	19.7
Limestone Street Centre Syndicate	Ipswich, QLD	Commercial office	4	1.4
Elanor Retail Property Fund (ASX: ERF)	Auburn, Taree and Tweed Heads, NSW, Bundaberg and Gladstone, QLD, and Glenorchy, TAS	Sub-regional shopping centres	4	33.4
Elanor Commercial Property Fund	Cannon Hill and Mt Gravatt, QLD	Commercial offices	4	0.5
Hunters Plaza Syndicate	Auckland, NZ	Sub-regional shopping centre	4	1.2
<b>Additions since 30 June 2017</b>				
Elanor Metro and Prime Regional Hotel Fund	Canberra and Narrabundah ACT and Byron Bay NSW	Three hotels across ACT (2) and NSW (1)	5	17.7
Bluewater Square Syndicate	Redcliffe, QLD	Shopping centre	5	10.6
<b>Total Investment Portfolio</b>				<b>175.6</b>
<b>Total Managed Funds and Investment Portfolio</b>				<b>1,040.0</b>

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 4. Operating and financial review (continued)

#### MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

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: The John Cootes Furniture business is a wholly owned subsidiary of the Company and accounted for using the basis of consolidation.

Note 3: The Merrylands property is stated at cost.

Note 4: Managed Fund co-investments are associates and accounted for using the equity method.

Note 5: The co-investment in Elanor Hospitality and Accommodation Fund (EHAF), Elanor Metro and Prime Regional Hotel Fund (EMPR) and Bluewater Square Syndicate (Bluewater) has been consolidated in the financial statements. The amount shown assumes that the investments were accounted for using the equity method.

#### REVIEW OF FINANCIAL RESULTS

The Group recorded a statutory loss after tax of \$3.16 million for the period ended 31 December 2017 after \$5.4 million of transaction and establishment costs associated with the establishment of EMPR and Bluewater.

Core or Distributable earnings were \$7.4 million or 7.96 cents per stapled security. An Interim Distribution of \$6.6 million or 7.16 cents per stapled security has been declared for the six months ended 31 December 2017 (90% pay-out ratio on Core Earnings). Core Earnings is considered more relevant than statutory profit as it represents an 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:

	<b>Group 31 December 2017</b>	<b>Group 31 December 2016</b>	<b>EIF Group 31 December 2017</b>	<b>EIF Group 31 December 2016</b>
<b>Statutory financial results</b>				
Net (loss) / profit after tax (\$'000)	(3,157)	6,166	(180)	4,898
Net profit / (loss) after tax (\$'000) (EHAF, EMPR and Bluewater equity accounted)	1,267	4,833	1,840	2,118
Core Earnings (\$'000)	7,374	7,703	7,469	3,778
Distributions payable to security holders (\$'000)	6,637	6,933	6,637	4,250
Core Earnings per stapled security (cents)	7.96	8.63	8.06	4.23
Core Earnings per weighted average stapled security (cents)	8.22	8.99	8.33	4.41
Distributions (cents per stapled security / unit)	7.16	7.77	7.16	4.76
Net tangible assets (\$ per stapled security) <sup>1</sup>	2.30	1.68	1.81	1.13
Net tangible assets (\$ per stapled security) (EHAF, EMPR and Bluewater equity accounted) <sup>1</sup>	1.62	1.38	1.10	0.82
Gearing (net debt / total assets less cash) (%)	39.4	20.50	31.5	27.53
Gearing (net debt / total assets less cash) (%) (EHAF, EMPR and Bluewater equity accounted)	22.6	(0.33)	0.68	8.08

Note 1: The net tangible assets (NTA) reduces from \$2.30 to \$1.62 per stapled security for the half year ended 31 December 2017 as a result of equity accounting the Group's interest in EHAF, EMPR and Bluewater rather than consolidating. In addition, NTA as at 31 December 2017 is reduced by the one off impact of transaction costs in establishing EMPR and Bluewater. These transaction costs equate to 7.4 cents per security on the basis that EHAF, EMPR and Bluewater are consolidated and 3.2 cents per security on the basis that these funds are equity accounted.

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 4. Operating and financial review (continued)

#### REVIEW OF FINANCIAL RESULTS (CONTINUED)

As Elanor holds a 42.35% interest in the Elanor Hospitality and Accommodation Fund (“EHAF”), 44.04% interest in the Elanor Metro and Prime Regional Hotel Fund (“EMPR”) and 41.92% interest in the Bluewater Square Syndicate (“Bluewater”) for accounting purposes, Elanor is deemed to have a controlling interest in EHAF, EMPR and Bluewater given its level of ownership and role as manager of the Fund. This means that the financial results and financial position of the EHAF, EMPR and Bluewater are consolidated into the financial statements of the Group for the period ended 31 December 2017.

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 EHAF, EMPR 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.

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

		Group 31 December 2017 \$'000	Group 31 December 2016 \$'000	EIF Group 31 December 2017 \$'000	EIF Group 31 December 2016 \$'000
<b>Statutory Net (loss) / profit after tax</b>		<b>(3,157)</b>	<b>6,166</b>	<b>(180)</b>	<b>4,898</b>
Adjustment to remove the impact of consolidation of EHAF, EMPR and Bluewater		5,575	(1,890)	3,738	(4,025)
Adjustment to include the impact of accounting for EHAF, EMPR and Bluewater using the equity method		(1,151)	557	(1,718)	1,245
<b>Adjusted Net profit / (loss) after tax</b>		<b>1,267</b>	<b>4,833</b>	<b>1,840</b>	<b>2,118</b>
<i>Adjustments for items included in statutory profit / (loss)</i>					
Increase in equity accounted investments to reflect distributions received / receivable	2	2,983	2,288	2,643	1,831
Gain on the sale of Ibis Styles Eaglehawk	3	2,258	-	2,258	-
Building depreciation expense	4	117	157	-	-
Straight lining of rental expense		2	11	-	-
Fair value adjustments on investment property		-	-	310	(397)
Amortisation amounts	5	812	465	418	226
Tax adjustments		(65)	(51)	-	-
<b>Core Earnings</b>	<b>1</b>	<b>7,374</b>	<b>7,703</b>	<b>7,469</b>	<b>3,778</b>

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.



# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 4. Operating and financial review (continued)

#### REVIEW OF FINANCIAL RESULTS (CONTINUED)

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: In November 2017 the Group sold Ibis Styles Eaglehawk to Elanor Metro and Prime Regional Hotel Fund for \$20.0 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 building are recognised in other comprehensive income and accumulated within equity as opposed to being reflected in the consolidated profit and loss of the Group.

Note 4: During the period, the Group incurred total depreciation charges of \$0.688 million, however only the depreciation expense on buildings of \$0.117 million has been added back for the purposes of calculating Core Earnings as per supplementary statements.

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

#### REVIEW OF OPERATIONAL RESULTS

The Group is organised into four divisions by business type.

Funds Management manages third party owned investment funds and syndicates.

Hotels, Tourism and Leisure originates investment and fund management assets. The current investment portfolio includes Featherdale Wildlife Park and Ibis Styles Albany Hotel, along with co-investments in 193 Clarence Hotel Syndicate, four Bell City syndicates, Elanor Hospitality and Accommodation Fund and Elanor Metro and Prime Regional Hotel Fund. Hotels, Tourism and Leisure also manages these syndicates.

Real Estate originates investment and fund management assets. The current investment portfolio comprises investments in Elanor Retail Property Fund (ASX: ERF), Elanor Commercial Property Fund, Limestone Street Centre Syndicate, Hunters Plaza Syndicate and Bluewater Square Syndicate. Real Estate manages each of these syndicates.

Special Situations Investments contains the John Cootes Furniture business and the property associated with John Cootes Furniture business at Merrylands, NSW.

Set out below is an adjusted presentation of the statutory financial results by segment, on the basis that the Group's interest in EHAF, EMPR 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 2017, as represented by the aggregate results of its operations for the period, was as follows:

	ENN Group Segment Revenue 31 December 2017 \$'000	ENN Group Segment Revenue 31 December 2016 \$'000	ENN Group Segment EBITDA 31 December 2017 \$'000	ENN Group Segment EBITDA 31 December 2016 \$'000
<b>ENN Group Revenue and EBITDA (adjusted to reflect EHAF, EMPR and Bluewater accounted for using the equity method)</b>				
Funds Management	5,643	9,326	4,314	7,844
Hotels, Tourism and Leisure	9,725	12,314	1,754	3,713
Real Estate	1,024	(1,277)	378	(1,510)
Special Situations Investments	15,261	15,793	(881)	544
<b>Total Segment Revenue and EBITDA</b>	<b>31,653</b>	<b>36,156</b>	<b>5,565</b>	<b>10,591</b>
Unallocated corporate costs			(3,386)	(3,152)
<b>Group EBITDA</b>			<b>2,179</b>	<b>7,439</b>
Depreciation and amortisation			(763)	(894)
Group EBIT			1,416	6,545
Other income			-	140
Interest income			412	185
Borrowing costs			(1,038)	(458)
Group net profit / (loss) before income tax			790	6,412
Income tax expense			477	(1,579)
<b>Group net profit / (loss) after income tax</b>			<b>1,267</b>	<b>4,833</b>

For further information on the segment performance, see Note 1 to the consolidated financial statements.

Group EBITDA shown above includes the equity accounted result of the Group's co-investments in funds managed by Elanor, including EHAF, EMPR 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 EBITDA, adjusted to show distributions received / receivable from co-investments rather than the equity accounted result is as follows:

Operating Performance for period ended 31 December 2017	ENN Group EBITDA \$'000	Remove Equity Accounted Result \$'000	Add Distributions received / receivable \$'000	EBITDA Contribution to Core Earnings \$'000
Funds Management	4,314	-	-	4,314
Hotels, Tourism and Leisure	1,754	1,075	1,455	4,284
Real Estate	378	(1,024)	1,476	830
Special Situation Investments	(881)	-	-	(881)
Unallocated Corporate Costs	(3,386)	-	-	(3,386)
<b>EBITDA</b>	<b>2,179</b>	<b>51</b>	<b>2,931</b>	<b>5,161</b>

# 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:

<b>Operating Performance</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Adjusted revenue	5,643	9,326
EBITDA Contribution to Core Earnings	4,314	7,844
Operating margin	76.4%	84.1%

Set out below is a breakdown of Funds Management revenue for the period ended 31 December 2017:

	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Asset management fees	4,216	3,550
Acquisition fees	1,427	1,986
Performance fees	-	3,790
<b>Total Adjusted Revenue</b>	<b>5,643</b>	<b>9,326</b>

<b>Funds under Management</b>	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>\$'m</b>	<b>\$'m</b>
Opening funds under management (as at 30 June)	681.6	484.5
Increase in value of funds under management	48.4	11.3
Disposals / decrease in value of funds under management	-	(139.0)
New funds	134.4	289.6
<b>Total</b>	<b>864.4</b>	<b>646.4</b>

The Group has achieved significant growth in funds under management since July 2017, with the Group establishing two new funds being Elanor Metro and Prime Retail Hotel Fund (a multi-asset fund comprising 3 hotels) and Bluewater Square Syndicate.

During the period the Group strengthened its internal asset management and investment management capabilities, along with its asset origination resources, and deepened its 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:

<b>Operating Performance</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Adjusted revenue	12,255	12,752
EBITDA Contribution to Core Earnings	4,284	4,151
Operating margin	35.0%	32.6%

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings includes the results of Featherdale Wildlife Park, and Ibis Styles Albany Hotel and Ibis Styles Canberra Eaglehawk Hotel, until 31 October 2017, when it was sold to EMPR. The comparative result included the results of Ibis Styles Canberra Eaglehawk Hotel for the full six months.

# 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 also includes distributions received / receivable from the Group's co-investment in funds managed by the Group of \$1.5 million for the period ended 31 December 2017 (\$1.4 million for the comparative period).

Distribution received / receivable from the co-investment in Hotels, Tourism and Leisure funds managed by the Group represent an average annualised return of 7.0%.

The table below sets out the assessed value of each investment portfolio property at 31 December 2017.

<b>Carrying Value of Properties</b>	<b>2017</b>	<b>2016</b>
	<b>\$'m</b>	<b>\$'m</b>
Featherdale Wildlife Park	39.0	16.1
Ibis Styles Eaglehawk Hotel	-	17.7
Ibis Styles Albany Hotel	5.3	5.3
<b>Total</b>	<b>44.3</b>	<b>39.1</b>

The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 31 December 2017, using the equity method, is as follows:

<b>Carrying Value of Co-Investments</b>	<b>2017</b>	<b>2016</b>
	<b>\$'m</b>	<b>\$'m</b>
Elanor Hospitality and Accommodation Fund	19.7	19.5
Elanor Metro and Prime Regional Hotel Fund	17.7	-
Bell City Fund	12.0	12.3
193 Clarence Hotel Syndicate	1.1	1.2
<b>Total</b>	<b>50.5</b>	<b>33.0</b>

#### Real Estate

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

<b>Operating Performance</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Adjusted revenue	1,476	576
EBITDA Contribution to Core Earnings	830	340
Operating margin	56.2 %	59.0%

The carrying value of these investments as at 31 December 2017, using the equity method, is as follows:

<b>Carrying Value of Co-Investments</b>	<b>2017</b>	<b>2016</b>
	<b>\$'m</b>	<b>\$'m</b>
Elanor Retail Property Fund (ASX: ERF)	33.4	25.9
Bluewater Square Syndicate	10.6	-
Elanor Commercial Property Fund	0.5	0.6
Hunters Plaza Syndicate	1.2	-
Limestone Street Centre Syndicate	1.4	1.4
<b>Total</b>	<b>47.1</b>	<b>27.9</b>

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 4. Operating and financial review (continued)

#### REVIEW OF OPERATIONAL RESULTS (CONTINUED)

##### Special Situations Investments

Special Situations Investments contains the John Cootes Furniture business and the property associated with John Cootes Furniture business at Merrylands.

During the half year period new John Cootes Furniture stores were opened in Auburn, Marsden Park and Penrith NSW.

The performance of the Special Situations Investments division for the period is summarised as follows:

<b>Operating Performance</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Adjusted revenue	15,261	15,793
EBITDA Contribution to Core Earnings	(881)	544
Operating margin	(5.8%)	3.4%

##### Summary and Outlook

The Group's core strategy will remain focused on growing its managed funds and earnings from the funds management business and actively managing its investment portfolio. The Group has a number of funds management opportunities under consideration, with a particular focus on the real estate and hotels, tourism and leisure sectors. 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 potential earnings variability associated with general economic and market conditions including inbound tourism and domestic retail spending, the availability of capital for funds management opportunities, movement in property valuations, tightening debt capital markets and possible weather related events. The Group manages these risks through its active asset management approach across its investment portfolio, continuing to focus on broadening the Group's capital partner base, insurance arrangements and through the active management of the Group and its managed fund capital structures.

The Group is committed to growing its funds management business as a result of the acquisition of quality assets based on the Group's investment philosophy and criteria. The Group has an active pipeline of potential funds management opportunities in a market where identifying and acquiring quality assets that meet our investment criteria has been challenging particularly over the last six months. Continued growth in Core Earnings will be predicated on the Group's ability to continue to grow funds under management through the acquisition of quality assets, and the timing of realisation and size of future performance fees.

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 5. Interests in the Group

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

	<b>Consolidated Group 31 December 2017 '000</b>	<b>Consolidated Group 30 June 2017 '000</b>
Stapled securities on issue at the beginning of the year	89,224	71,386
Stapled securities issued for business acquisitions through Institutional Placement	-	16,216
Stapled securities issued for Security Purchase Plan	-	1,622
Stapled securities issued for 2014 LTI securities converted	3,448	-
<b>Stapled securities on issue at the end of the period</b>	<b>92,672</b>	<b>89,224</b>

### 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

The Directors of the Responsible Entity and the Company are not aware of any other matter since the end of the period that has or may significantly affect the operations of the Group, the result of those operations, or the state of the Group's affairs in future financial periods that are not otherwise referred to in this Directors' Report.

### 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, 15 February 2018

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

15 February 2018

Dear Directors,

**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 statements of Elanor Investors Limited and Elanor Investment Fund for the half year ended 31 December 2017, 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



AG Collinson  
Partner  
Chartered Accountants

# ELANOR INVESTORS GROUP

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		Consolidated Group	Consolidated Group	EIF Group	EIF Group
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Note	\$'000	\$'000	\$'000	\$'000
<b>Income</b>					
Revenue from operating activities	2	45,581	49,669	–	–
Interest income		422	190	10	4
Rental income		1,214	56	7,112	6,166
Share of profit / (loss) from equity accounted investments		2,359	(1,120)	2,359	(1,120)
Realised gain on disposal of investment		–	141	–	141
Fair value gain on revaluation of assets / investment properties		–	1,454	–	1,930
Other income		37	515	–	–
<b>Total income</b>		<b>49,613</b>	<b>50,905</b>	<b>9,481</b>	<b>7,121</b>
<b>Expenses</b>					
Changes in inventories of finished goods		9,715	10,267	–	–
Salary and employee benefits		17,882	16,683	440	297
Property expenses		5,905	4,111	102	–
Operator management costs		1,726	1,215	785	–
Borrowing costs		2,318	1,252	1,691	1,067
Depreciation		3,483	3,136	–	–
Amortisation		251	284	84	165
Marketing and promotion		2,822	2,315	35	–
Repairs, maintenance and technology		737	526	18	–
Transaction, establishment costs and fair value decrement		5,439	–	6,498	–
Other expenses		3,012	3,951	8	694
<b>Total expenses</b>		<b>53,290</b>	<b>43,740</b>	<b>9,661</b>	<b>2,223</b>
<b>Net (loss) / profit before income tax expense</b>		<b>(3,677)</b>	<b>7,165</b>	<b>(180)</b>	<b>4,898</b>
Income tax (benefit) / expense	4	(520)	999	–	–
<b>Net (loss) / profit for the period</b>		<b>(3,157)</b>	<b>6,166</b>	<b>(180)</b>	<b>4,898</b>
<b>Attributable to security holders of:</b>					
- Parent Entity		(1,508)	2,305	1,935	3,155
- Non-controlling interest EIF		1,526	2,758	–	–
<b>Net (loss) / profit attributable to ENN security holders</b>		<b>18</b>	<b>5,063</b>	<b>1,935</b>	<b>3,155</b>
<b>Attributable to security holders of:</b>					
- External Non-controlling interest		(3,175)	1,103	(2,115)	1,743
<b>Net (loss) / profit for the period</b>		<b>(3,157)</b>	<b>6,166</b>	<b>(180)</b>	<b>4,898</b>
Basic (loss) / earnings per stapled security (cents) - Parent Entity		(1.68)	2.69		
Diluted (loss) / earnings per stapled security (cents) - Parent Entity		(1.68)	2.61		
Basic earnings / (loss) per ENN stapled security (cents)		0.02	5.91		
Diluted earnings / (loss) per ENN stapled security (cents)		0.02	5.73		

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 2017

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 31 December 2016 \$'000	EIF Group 31 December 2017 \$'000	EIF Group 31 December 2016 \$'000
<b>Net (loss) / profit for the half year</b>	<b>(3,157)</b>	<b>6,166</b>	<b>(180)</b>	<b>4,898</b>
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit and loss</i>				
(Loss) / gain on revaluation of cash flow hedge	(200)	551	(225)	385
<i>Items that may not be reclassified to profit and loss</i>				
Share of asset revaluation reserve from equity accounted investments	418	163	418	163
Gain on revaluation of property, plant and equipment	1,465	523	936	–
Income tax relating to these items	(6)	(33)	–	–
Other comprehensive income for the half year, net of tax	1,677	1,204	1,129	548
<b>Total comprehensive (loss) / income for the half year, net of tax</b>	<b>(1,480)</b>	<b>7,370</b>	<b>949</b>	<b>5,446</b>
<b>Attributable to security holders of:</b>				
- Parent entity	(1,441)	2,916	2,655	3,517
- Non-controlling interest - EIF	2,724	3,120	–	–
<b>Total comprehensive income / (loss) for the year, net of tax, of ENN Security holders</b>	<b>1,283</b>	<b>6,036</b>	<b>2,655</b>	<b>3,517</b>
<b>Attributable to security holders of:</b>				
- External Non-controlling interest	(2,763)	1,334	(1,706)	1,929
<b>Total comprehensive (loss) / income for the year, net of tax</b>	<b>(1,480)</b>	<b>7,370</b>	<b>949</b>	<b>5,446</b>

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 2017

	Note	Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000	EIF Group 31 December 2017 \$'000	EIF Group 30 June 2017 \$'000
<b>Current assets</b>					
Cash and cash equivalents		18,112	15,725	4,713	8,435
Receivables		9,020	8,218	7,626	6,687
Financial assets	9	27,084	–	–	–
Inventories		8,160	6,566	–	–
Other current assets		1,713	995	176	–
Current tax asset		953	772	–	–
<b>Total current assets</b>		<b>65,042</b>	<b>32,276</b>	<b>12,515</b>	<b>15,122</b>
<b>Non-current assets</b>					
Property, plant and equipment	5	217,145	162,549	–	–
Investment properties	6	55,250	–	238,557	135,144
Non-current inventories		15,717	15,137	–	–
Equity accounted investments	7	49,661	45,891	49,661	45,891
Goodwill and intangible assets		7,445	7,520	–	–
Deferred tax assets		1,638	965	–	–
<b>Total non-current assets</b>		<b>346,856</b>	<b>232,062</b>	<b>288,218</b>	<b>181,035</b>
<b>Total assets</b>		<b>411,898</b>	<b>264,338</b>	<b>300,733</b>	<b>196,157</b>
<b>Current liabilities</b>					
Payables	12	11,015	6,570	3,078	1,555
Derivative financial instruments		–	4	–	4
Interest bearing liabilities	8	60	550	–	–
Current provisions		1,280	1,505	–	–
Other current liabilities		3,413	1,619	172	9
Income tax payable		–	2,104	–	–
Loan from the Company		–	–	98	–
<b>Total current liabilities</b>		<b>15,768</b>	<b>12,352</b>	<b>3,348</b>	<b>1,568</b>
<b>Non-current liabilities</b>					
Derivative financial instruments		530	329	472	244
Interest bearing liabilities	8	173,503	67,747	98,033	51,902
Non-current provisions		728	684	–	–
Other non-current liabilities		364	934	–	–
Deferred tax liabilities		243	–	–	–
Loan from the Company		–	–	31,437	12,868
<b>Total non-current liabilities</b>		<b>175,368</b>	<b>69,694</b>	<b>129,942</b>	<b>65,014</b>
<b>Total liabilities</b>		<b>191,136</b>	<b>82,046</b>	<b>133,290</b>	<b>66,582</b>
<b>Net assets</b>		<b>220,762</b>	<b>182,292</b>	<b>167,443</b>	<b>129,575</b>

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 2017

		Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000	EIF Group 31 December 2017 \$'000	EIF Group 30 June 2017 \$'000
	Note				
<b>Equity</b>					
<i>Equity Holders of Parent Entity</i>					
Contributed equity	10	57,878	55,768	66,862	64,503
Treasury shares	10	(691)	(691)	(749)	(749)
Reserves		13,970	13,849	3,055	2,274
Retained accumulated (losses) / profits		(9,659)	(7,228)	34,521	36,507
<b>Parent entity interest</b>		<b>61,498</b>	<b>61,698</b>	<b>103,689</b>	<b>102,535</b>
<i>Equity Holders of Non Controlling Interest</i>					
Contributed equity - Elanor Investment Fund	10	66,862	64,503	–	–
Treasury shares	10	(749)	(749)	–	–
Reserves		30,537	29,277	–	–
Retained accumulated (losses) / profits		(2,161)	234	–	–
<b>Non-controlling interest</b>		<b>94,489</b>	<b>93,265</b>	<b>–</b>	<b>–</b>
<i>Equity Holders of Non Controlling Interest - External</i>					
Contributed equity - External		71,048	30,329	67,327	28,398
Reserves		816	405	539	130
Retained accumulated (losses) / profits		(7,089)	(3,405)	(4,112)	(1,488)
<b>External Non-controlling interest</b>		<b>64,775</b>	<b>27,329</b>	<b>63,754</b>	<b>27,040</b>
<b>Total equity attributable to stapled security holders:</b>					
- Parent Entity		61,498	61,698	103,689	102,535
- Non-controlling Interest - EIF		94,489	93,265	–	–
<b>Total equity attributable to ENN security holders</b>		<b>155,987</b>	<b>154,963</b>	<b>103,689</b>	<b>102,535</b>
<b>Total equity attributable to stapled security holders:</b>					
- Non-controlling interest - External		64,775	27,329	63,754	27,040
<b>Total equity</b>		<b>220,762</b>	<b>182,292</b>	<b>167,443</b>	<b>129,575</b>

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 2017

	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
<b>Consolidated Group</b>												
Total equity at 1 July 2017		55,768	(691)	13,065	–	784	(7,228)	61,698	93,265	154,963	27,329	182,292
Profit / (loss) for the period		–	–	–	–	–	(1,508)	(1,508)	1,526	18	(3,175)	(3,157)
Other comprehensive income / (expense) for the period		–	–	59	8	–	–	67	1,199	1,266	411	1,677
<b>Total comprehensive income / (expense) for the period</b>		–	–	59	8	–	(1,508)	(1,441)	2,725	1,284	(2,764)	(1,480)
<b>Transactions with owners in their capacity as owners:</b>												
Contributions of equity, net of issue costs	10	2,110	–	–	–	–	–	2,110	2,359	4,469	40,719	45,188
Security-based payments		–	–	–	–	54	–	54	61	115	–	115
Distributions paid and payable		–	–	–	–	–	(923)	(923)	(3,921)	(4,844)	(509)	(5,353)
<b>Total equity at 31 December 2017</b>		<b>57,878</b>	<b>(691)</b>	<b>13,124</b>	<b>8</b>	<b>838</b>	<b>(9,659)</b>	<b>61,498</b>	<b>94,489</b>	<b>155,987</b>	<b>64,775</b>	<b>220,762</b>

	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
<b>Consolidated Group</b>												
Total equity at 1 July 2016		42,280	(691)	13,065	(53)	399	(6,968)	48,032	47,717	95,749	29,493	125,242
Profit / (loss) for the period		–	–	–	–	–	2,305	2,305	2,758	5,063	1,103	6,166
Other comprehensive income / (expense) for the period		–	–	555	56	–	–	611	362	973	231	1,204
<b>Total comprehensive income / (expense) for the period</b>		–	–	555	56	–	2,305	2,916	3,120	6,036	1,334	7,370
<b>Transactions with owners in their capacity as owners:</b>												
Contributions of equity, net of issue costs		13,317	–	–	–	–	–	13,317	18,294	31,611	–	31,611
Security-based payments		–	–	–	–	225	–	225	295	520	–	520
Distributions paid and payable		–	–	–	–	–	–	–	(5,241)	(5,241)	(1,570)	(6,811)
<b>Total equity at 31 December 2016</b>		<b>55,597</b>	<b>(691)</b>	<b>13,620</b>	<b>3</b>	<b>624</b>	<b>(4,663)</b>	<b>64,490</b>	<b>64,185</b>	<b>128,675</b>	<b>29,257</b>	<b>157,932</b>

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 2017

	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
<b>EIF Group</b>										
Total equity at 1 July 2017		64,503	(749)	1,509	(104)	869	36,507	102,535	27,040	129,575
Profit / (loss) for the period		–	–	–	–	–	1,935	1,935	(2,115)	(180)
Other comprehensive income / (expense) for the period		–	–	396	(94)	–	–	302	409	711
Share of reserves of Equity Accounted Investments		–	–	418	–	–	–	418	–	418
<b>Total comprehensive income / (expense) for the period</b>		–	–	814	(94)	–	1,935	2,655	(1,706)	949
<b>Transactions with owners in their capacity as owners:</b>										
Contributions of equity, net of issue costs	10	2,359	–	–	–	–	–	2,359	38,929	41,288
Security-based payments		–	–	–	–	61	–	61	–	61
Distributions paid and payable		–	–	–	–	–	(3,921)	(3,921)	(509)	(4,430)
<b>Total equity at 31 December 2017</b>		<b>66,862</b>	<b>(749)</b>	<b>2,323</b>	<b>(198)</b>	<b>930</b>	<b>34,521</b>	<b>103,689</b>	<b>63,754</b>	<b>167,443</b>

	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
<b>EIF Group</b>										
Total equity at 1 July 2016		46,209	(749)	1,148	(350)	290	10,712	57,260	26,467	83,727
Profit / (loss) for the period		–	–	–	–	–	3,155	3,155	1,743	4,898
Other comprehensive income / (expense) for the period		–	–	–	199	–	–	199	186	385
Share of reserves of Equity Accounted Investments		–	–	163	–	–	–	163	–	163
<b>Total comprehensive income / (expense) for the period</b>		–	–	<b>163</b>	<b>199</b>	–	<b>3,155</b>	<b>3,517</b>	<b>1,929</b>	<b>5,446</b>
<b>Transactions with owners in their capacity as owners:</b>										
Contributions of equity, net of issues costs		18,294	–	–	–	–	–	18,294	–	18,294
Security-based payments		–	–	–	–	296	–	296	–	296
Distributions paid and payable		–	–	–	–	–	(5,241)	(5,241)	(1,570)	(6,811)
<b>Total equity at 31 December 2016</b>		<b>64,503</b>	<b>(749)</b>	<b>1,311</b>	<b>(151)</b>	<b>586</b>	<b>8,626</b>	<b>74,126</b>	<b>26,826</b>	<b>100,952</b>

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 2017

	Consolidated Group	Consolidated Group	EIF Group	EIF Group
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
Receipts from customers	49,824	51,568	–	–
Payments to suppliers and employees	(44,158)	(43,284)	374	(783)
Interest received	55	190	10	4
Finance costs paid	(1,733)	(1,252)	(1,773)	(1,075)
Rent receipts from the Company	–	–	6,761	5,316
Income tax paid	(2,190)	(527)	–	–
<b>Net cash flows from operating activities</b>	<b>1,798</b>	<b>6,695</b>	<b>5,372</b>	<b>3,462</b>
<b>Cash flows from investing activities</b>				
Payments for asset acquisitions	(108,450)	–	(101,850)	–
Receipts for asset disposals	–	755	–	755
Financial assets acquired	(26,717)	–	–	–
Transaction costs for asset acquisitions	(6,907)	–	(6,907)	–
Payments for non-current inventory	(580)	(569)	–	–
Payments for property, plant and equipment	(2,072)	(2,104)	(1,038)	(144)
Loans to associates	1,700	(743)	2,425	–
Payments for equity accounted investments	(2,706)	(21,183)	(2,706)	(21,183)
Distributions received from equity accounted investments	1,563	1,043	1,563	1,043
Loans from Company	–	–	16,605	7,332
<b>Net cash flows from investing activities</b>	<b>(144,169)</b>	<b>(22,801)</b>	<b>(91,908)</b>	<b>(12,197)</b>
<b>Cash flows from financing activities</b>				
Net proceeds / (repayments) from borrowings	105,343	(3,840)	46,156	(2,681)
Proceeds from equity raisings	45,040	33,000	41,324	19,348
Costs associated with equity raisings	(271)	(1,338)	(236)	(774)
Distributions paid to security holders	(5,354)	(6,802)	(4,430)	(6,802)
<b>Net cash flows from financing activities</b>	<b>144,758</b>	<b>21,020</b>	<b>82,814</b>	<b>9,091</b>
Net increase / (decrease) in cash and cash equivalents	2,387	4,914	(3,722)	356
Cash and cash equivalents at the beginning of the period	15,725	8,192	8,435	2,081
<b>Cash at the end of the period</b>	<b>18,112</b>	<b>13,106</b>	<b>4,713</b>	<b>2,437</b>

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 2017

### 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 Class Order 05/642 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 2017 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 interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2017.

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.

#### *Statement of Compliance*

The interim financial report has been 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 half year 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 2017

### Basis of Consolidation

The consolidated Financial Statements of the Group incorporate the assets and liabilities of Elanor Investors Limited (the Parent) and all of its subsidiaries, including Elanor Investment Fund and its subsidiaries as at 31 December 2017. Elanor Investors Limited is the parent entity in relation to the stapling. The results and equity of Elanor Investment Fund (which is not directly owned by Elanor Investors Limited) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of Elanor Investment Fund are disclosed as a non-controlling interest, the stapled security holders of Elanor Investment Fund are the same as the stapled security holders of Elanor Investors Limited.

These consolidated Financial Statements also include a separate column representing the consolidated Financial Statements of EIF Group, incorporating the assets and liabilities of Elanor Investment Fund and all of its subsidiaries, as at 31 December 2017.

### Control of Elanor Hospitality and Accommodation Fund (EHAF), Elanor Metro and Prime Regional Hotel Fund (EMPR) and Bluewater Square Syndicate (Bluewater).

#### EHAF

EHAF comprises stapled securities in Elanor Hospitality and Accommodation Fund and EHAF Management Pty Limited. The Group holds 42.35% of the equity in EHAF. The Group's 42.35% ownership interest in EHAF gives the Group the same percentage of the voting rights in EHAF. EHAF is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

#### EMPR

EMPR comprises stapled securities in Elanor Metro and Prime Regional Hotel Fund and EMPR Management Pty Limited. The Group holds 44.04% of the equity in EMPR. The Group's 44.04% ownership interest in EMPR gives the Group the same percentage of the voting rights in EMPR. EMPR is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

#### Bluewater

The Group holds 41.92% of the equity in Bluewater Square Syndicate. The Group's 41.92% ownership interest in Bluewater gives the Group the same percentage of the voting rights in Bluewater. Bluewater is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

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

Based on the assessment above, at the current level of equity investment in EHAF, EMPR and Bluewater the AASB 10 definition of control for these investments are met, and therefore each of these investments are consolidated into Elanor Investors Group Financial Statements.



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 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 looked at 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 2017, the Funds Management division has approximately \$629.6 million of external investments (excluding EHAF, EMPR and Bluewater) under management, being the managed investments.

#### HOTELS, TOURISM AND LEISURE

Hotels, Tourism and Leisure originates investment and fund management assets. The current investment portfolio includes Featherdale Wildlife Park and Ibis Styles Albany Hotel along with co-investments in 193 Clarence Hotel Syndicate and Bell City Fund, Elanor Hospitality and Accommodation Fund (Peppers Cradle Mountain Lodge, Mantra Wollongong Hotel, Mantra Pavilion Wagga Wagga, Best Western Port Macquarie, Best Western Tall Trees and Parklands Resort Mudgee) and Elanor Metro and Prime Regional Fund (Eaglehawk Hotel, Byron Bay Hotel and Narrabundah Hotel) are consolidated in the Financial Statements. Hotels, Tourism and Leisure also manages all of the above syndicates.

#### REAL ESTATE

Real Estate originates investment and fund management assets. The current investment portfolio comprises co-investments in Elanor Commercial Property Fund, Elanor Retail Property Fund, Limestone Street Centre Syndicate and Hunters Plaza. Bluewater Square Syndicate is consolidated in the Financial Statements. Real Estate also manages all of the above syndicates.

#### SPECIAL SITUATION INVESTMENTS

Special Situations Investments comprises the John Cootes Furniture business and the property associated with John Cootes Furniture business at Merrylands, NSW.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 1. Segment information (continued)

The table below shows segment results:

#### Consolidated Group – 31 December 2017

	Funds Management	Hotels, Tourism & Leisure	Real Estate	Special Situations Investments	Unallocated Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from trading activities	3,094	19,831	1,163	15,261	–	39,349
Revenue from wildlife parks	–	7,483	–	–	–	7,483
Share of profit of equity accounted investments	–	35	2,324	–	–	2,359
Operating expense	(1,091)	(19,805)	(1,218)	(16,142)	(3,543)	(41,799)
Divisional EBITDA	2,003	7,544	2,269	(881)	(3,543)	7,392
Depreciation and amortisation	(75)	(3,195)	–	(149)	(139)	(3,558)
Divisional EBIT	1,928	4,349	2,269	(1,030)	(3,682)	3,834
Fair value adjustment on revaluation of investment property	–	(2,814)	(2,625)	–	–	(5,439)
Interest income	18	9	2	12	381	422
Amortisation of Borrowing costs	–	–	–	–	(176)	(176)
Borrowing costs	–	–	–	–	(2,318)	(2,318)
Net tax benefit / (expense)	–	–	–	–	520	520
<b>Profit / (loss) for the year</b>	<b>1,946</b>	<b>1,544</b>	<b>(354)</b>	<b>(1,018)</b>	<b>(5,275)</b>	<b>(3,157)</b>
Total assets	7,232	222,135	56,914	39,819	85,798	411,898

#### Consolidated Group – 31 December 2016

	Funds Management	Hotels, Tourism & Leisure	Real Estate	Special Situations Investments	Unallocated Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from trading activities	8,503	18,934	–	15,793	–	43,230
Revenue from wildlife parks	–	6,870	–	–	–	6,870
Share of profit of equity accounted investments	–	157	(1,277)	–	–	(1,120)
Operating expense	(1,181)	(18,940)	(266)	(15,265)	(3,276)	38,928
Divisional EBITDA	7,322	7,021	(1,543)	528	(3,276)	10,052
Depreciation and amortisation	(75)	(2,846)	–	(120)	(170)	(3,211)
Divisional EBIT	7,247	4,175	(153)	408	(3,446)	6,841
Transaction and establishment costs not included in divisional EBIT	–	–	–	–	1,454	1,454
Other income	–	–	–	–	141	141
Other expense	–	–	–	–	–	–
Interest income	53	7	–	8	122	190
Amortisation of borrowing costs	–	–	–	–	(209)	(209)
Borrowing costs	–	–	–	–	(1,252)	(1,252)
Net tax benefit / (expense)	–	–	–	–	(999)	(999)
<b>Profit / (loss) for the year</b>	<b>7,300</b>	<b>4,182</b>	<b>(1,543)</b>	<b>416</b>	<b>(4,189)</b>	<b>6,166</b>
Total assets	10,528	117,383	27,261	33,622	40,339	229,133

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 2. Revenue

#### OVERVIEW

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

#### Revenue from operating activities

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 31 December 2016 \$'000
Revenue from hotels	19,794	18,934
Revenue from wildlife park	7,483	6,870
Revenue from sale of furniture	15,210	15,362
Revenue from Funds Management	3,094	8,503
<b>Total Revenue from Operating activities</b>	<b>45,581</b>	<b>49,669</b>

### 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.

#### ENN Group

	Distribution cents per stapled security	Total Amount \$'000
Distribution for the half year ended 31 December 2017*	7.16	6,637

\*The distribution of 7.16 cents per stapled security for the period ended 31 December 2017 was not declared prior to 31 December 2017. The Distribution will be paid on 2 March 2018. 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 2017

### 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.

#### (a) Income Tax Expense

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 31 December 2016 \$'000
Current tax expense	(14)	883
Deferred tax expense	(506)	116
<b>Income tax (benefit) / expense</b>	<b>(520)</b>	<b>999</b>

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

(Loss) / (profit) from continuing operations before income tax expense:	(3,677)	7,165
Less: (Loss) / profit from the Trust (which is not taxable)	180	(4,898)
Prima facie profit / (loss)	(3,497)	2,267
Tax at the Australian tax rate of 30%	(1,049)	680
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Entertainment	11	10
Non-deductible expenses	33	18
Fair value adjustments to investment property in the Trust	55	143
Impact of consolidations	396	24
Insurance proceeds on plant and equipment	34	32
Prior year impact of EHAF consolidation	-	92
<b>Income tax (benefit) / expense</b>	<b>(520)</b>	<b>999</b>

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 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 2017 \$'000	Consolidated Group 30 June 2017 \$'000
Carrying amount at the beginning of the period	174,835	142,117
Acquisitions	56,760	–
Additions	2,072	3,976
Revaluation (decrements) / increments	(753)	28,758
Disposals	–	(16)
<b>Carrying amount at the end of the period</b>	<b>232,914</b>	<b>174,835</b>
Accumulated depreciation at the beginning of the period	(12,286)	(5,969)
Depreciation	(3,483)	(6,317)
<b>Accumulated depreciation at the end of the period</b>	<b>(15,769)</b>	<b>(12,286)</b>
<b>Total carrying value at the end of the period</b>	<b>217,145</b>	<b>162,549</b>

The following table represents the total fair value of property, plant and equipment at 31 December 2017:

Property	Valuation	Date	Group 31 December 2017 \$'000	Group 30 June 2017 \$'000
Cradle Mountain Lodge	Internal	December 2017	38,000	38,015
Eaglehawk Hotel	Internal	December 2017	20,000	20,000
Wollongong Hotel	Internal	December 2017	9,000	9,000
Albany Hotel	Internal	December 2017	5,254	5,254
Featherdale Wildlife Park	Internal	December 2017	39,000	39,000
Port Macquarie Hotel	Internal	December 2017	9,350	9,350
Tall Trees Hotel	Internal	December 2017	14,200	14,200
Pavillion Wagga Wagga Hotel	Internal	December 2017	11,500	11,500
Parklands Resort Mudgee	Internal	December 2017	11,410	11,400
Narrabundah Hotel	Independent	December 2017	27,500	–
Byron Bay Hotel	Independent	December 2017	25,680	–
Other			6,251	4,830
<b>Total</b>			<b>217,145</b>	<b>162,549</b>

As at 31 December 2017, 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 2017

### 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 2017 \$'000	Consolidated Group 30 June 2017 \$'000
Carrying amount at the beginning of the period	–	–
Total costs on acquisition	58,470	–
Additions	1	–
Revaluation (decrements) / increments	(3,221)	–
<b>Carrying amount at the end of the period</b>	<b>55,250</b>	<b>–</b>

The following table represents the total fair value of investment properties at 31 December 2017:

Property	Valuation	Date	Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000
Bluewater Square	Independent	December 2017	55,250	–
<b>Total</b>			<b>55,250</b>	<b>–</b>

As at 31 December 2017, the Directors assessed the fair value of the property above, supported by an independent valuation report.

### 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 Group is presumed to have significant influence but not control or joint control.

The Group's equity accounted investments are as follows:

31 December 2017	Principal activity	Percentage Ownership	Consolidated Group 31 December 2017 \$'000
193 Clarence Hotel Syndicate	Accommodation	10.00%	1,127
Bell City Fund	Accommodation	17.64%	11,985
Elanor Retail Property Fund (ASX: ERF)	Shopping Centres	17.75%	33,386
Limestone Street Centre Syndicate	Office Building	8.19%	1,431
Elanor Commercial Property Fund	Office Buildings	1.97%	521
Hunters Plaza Syndicate	Shopping Centre	4.73%	1,211
<b>Total equity accounted investments</b>			<b>49,661</b>

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 7. Equity accounted investments (continued)

30 June 2017	Principal activity	Percentage Ownership	Consolidated Group 30 June 2017 \$'000
193 Clarence Hotel Syndicate	Accommodation	10.00%	1,143
Bell City Fund	Accommodation	17.64%	11,796
Elanor Retail Property Fund (ASX: ERF)	Shopping Centres	17.00%	31,012
Limestone Street Centre Syndicate	Office Building	8.19%	1,418
Elanor Commercial Property Fund	Office Buildings	1.97%	522
<b>Total equity accounted investments</b>			<b>45,891</b>



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### Finance and Capital Structure

This section provides further information on the Group's debt finance, risk management arrangements including derivatives, contributed equity and reserves.

### 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 EHAF, EMPR and Bluewater Square Syndicate.

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000
<b>Current</b>		
Bank loan - term debt	60	550
<b>Total current</b>	<b>60</b>	<b>550</b>
<b>Non-current</b>		
Unsecured Notes	60,000	–
Unsecured Notes - Borrowing Costs less amortisation	(1,682)	–
Bank loan - term debt	115,904	67,945
Bank loan - Borrowing Costs less amortisation	(719)	(198)
<b>Total non-current</b>	<b>173,503</b>	<b>67,747</b>
<b>Total interest bearing liabilities</b>	<b>173,563</b>	<b>68,297</b>

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.

#### CONSOLIDATED GROUP

Included in the above numbers, the ENN Group has access to a \$18.5 million facility, upon which both the Company and the Trust can draw. The drawn amount at 31 December 2017 is \$1.3 million which will mature on 11 July 2020. At 31 December 2017 the amount of drawn facilities was not hedged.

Included in the above numbers, the EHAF Group has access to a \$46.7 million facility, upon which both the Company and Trust can draw. The drawn amount at 31 December 2017 is \$46.7 million which will mature on 21 March 2019. At 31 December 2017, the amount of drawn facilities is hedged to 100%.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 8. Interest bearing liabilities (continued)

Included in the above numbers, the EMPR Group has access to a \$36.6 million facility, upon which both the Company and Trust can draw. The drawn amount at 31 December 2017 is \$36.6 million which will mature on 5 November 2021. At 31 December 2017, the amount of drawn facilities is hedged to 100%.

Included in the above numbers, Bluewater has access to a \$31.7 million facility. The drawn amount at 31 December 2017 is \$31.3 million which will mature on 30 October 2021. At 31 December 2017, 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 2017, including the impact of the interest rate swaps, is 4.24% per annum.

### 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.

### 9. Financial assets

#### OVERVIEW

The Group's financial assets consist of short term financing provided by the Group during the half year ended 31 December 2017 to Bell City Syndicates and 193 Clarence Hotel Syndicate.

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000
Loan to Bell City Syndicates	14,375	–
Loan to 193 Clarence Hotel Syndicate	12,709	–
<b>Total Financial Assets</b>	<b>27,084</b>	<b>–</b>

### 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.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 10. Contributed equity (continued)

Contributed equity for the period ended 31 December 2017

No. of securities/ shares	Details	Date of income entitlement	Total Equity 31 December 2017 \$'000	Company 31 December 2017 \$'000	EIF 31 December 2017 \$'000
89,224,342	Opening balance	1 Jul 2017	120,271	55,768	64,503
247,887	Securities issued	1 Sep 2017	538	190	348
80,000	2014 LTI Securities converted	24 Nov 2017	100	48	52
3,120,000	2014 LTI Securities converted	14 Dec 2017	3,831	1,872	1,959
<b>92,672,229</b>	<b>Securities on issue</b>	<b>31 Dec 2017</b>	<b>124,740</b>	<b>57,878</b>	<b>66,862</b>

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 2017 \$'000	Company 31 December 2017 \$'000	EIF 31 December 2017 \$'000
741,453	Opening balance	1 Jul 2017	1,440	691	749
–	Issue of Treasury securities	–	–	–	–
<b>741,453</b>	<b>Treasury securities on issue</b>	<b>31 Dec 2017</b>	<b>1,440</b>	<b>691</b>	<b>749</b>

Contributed equity for the period ended 30 June 2017

No. of securities/ shares	Details	Date of income entitlement	Total Equity 30 June 2017 \$'000	Company 30 June 2017 \$'000	EIF 30 June 2017 \$'000
71,386,205	Opening balance	1 Jul 2016	88,489	42,280	46,209
16,216,217	Placement	04 Aug 2016	28,905	12,300	16,605
1,621,920	Security Purchase Plan	26 Aug 2016	2,877	1,188	1,689
<b>89,224,342</b>	<b>Securities on issue</b>	<b>30 Jun 2017</b>	<b>120,271</b>	<b>55,768</b>	<b>64,503</b>

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 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 2017 \$'000	Company 30 June 2017 \$'000	EIF 30 June 2017 \$'000
741,453	Opening balance	30 Jun 2016	1,440	691	749
–	Issue of Treasury securities	–	–	–	–
<b>741,453</b>	<b>Treasury securities on issue</b>	<b>30 Jun 2017</b>	<b>1,440</b>	<b>691</b>	<b>749</b>

### 11. Fair value measurement of financial and non-financial instruments

#### OVERVIEW

The Group recognises the following assets and liabilities at fair value on a recurring basis:

- Investment Properties
- Property, plant and equipment
- Financial assets and liabilities carried at fair value through profit and loss or reserves

#### (a) Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

- Quotes prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Consolidated Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2017 on a recurring basis:

Consolidated Group December 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial Assets	–	–	–	–
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Derivatives at fair value through reserves	–	530	–	530
<b>Total liabilities</b>	<b>–</b>	<b>530</b>	<b>–</b>	<b>530</b>

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 11. Fair value measurement of financial and non-financial instruments (continued)

<b>Consolidated Group June 2017</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial Assets	–	–	–	–
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Derivatives at fair value through reserves	–	333	–	333
<b>Total liabilities</b>	<b>–</b>	<b>333</b>	<b>–</b>	<b>333</b>

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

Specific valuation techniques used to value financial instruments include:

- a) The use of quoted market prices or dealer quotes for similar instruments;
- b) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- c) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### Other Items

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

## 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 2017 \$'000	Consolidated Group 30 June 2017 \$'000
Trade creditors	4,407	2,157
Accrued expenses	5,600	3,390
GST payable	1,008	1,023
<b>Total payables</b>	<b>11,015</b>	<b>6,570</b>

## 13. Net tangible assets

### OVERVIEW

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

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000
Net tangible assets are calculated as follows:		
Total assets	411,898	264,338
Less: Intangible assets	(7,445)	(7,520)
Less: Total liabilities	(191,136)	(82,046)
<b>Net tangible assets</b>	<b>213,317</b>	<b>174,772</b>
Total number of stapled securities on issue	92,672	89,224
Net tangible asset backing per stapled security	2.30	1.96

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 14. Commitments

#### OVERVIEW

This note sets out the material commitments of the Group.

#### (a) Lease commitments

The Elanor Group has non-cancellable leases in respect of premises. The leases form a duration of between 1 to 7 years and are classified as operating leases. The minimum lease payments are as follows:

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000
Within one year	6,745	5,328
Later than one year but not later than 5 years	21,281	19,847
Later than 5 years	7,858	4,648
<b>Total lease commitments</b>	<b>35,884</b>	<b>29,823</b>

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

### 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 ending 31 December 2017, 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 2017 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.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 15. Related parties (continued)

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

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 31 December 2016 \$'000
Elanor Retail Property Fund	1,405	2,482
Elanor Commercial Property Fund	326	729
Griffin Plaza Syndicate	–	25
Super A Mart Auburn Syndicate	–	1,680
John Cootes Diversified Property Syndicate	–	57
193 Clarence Hotel Syndicate	149	198
Bell City Syndicates	734	742
Auburn Central Syndicate	–	2,286
Limestone Syndicate	231	228
Hunters Plaza Syndicate	249	–
Other	–	76
<b>Total</b>	<b>3,094</b>	<b>8,503</b>

#### Bell City Syndicates and 193 Clarence Hotel Syndicate

During the half year ended 31 December 2017 the Group provided short term financing to Bell City Syndicates and 193 Clarence Hotel Syndicate for \$14.4 million and \$12.7 million respectively. Total interest charged on these loans was \$0.36 million.

#### Merrylands Property

On the sale of the Merrylands Property, Moss Capital of which Glenn Willis and William (Bill) Moss AO are directors and shareholders, will be entitled to a performance fee of 20% of the amount by which the IRR on the Merrylands Property exceeds 15%, plus GST.

### 16. Significant events

Establishment of Elanor Metro and Prime Regional Hotel Fund (EMPR) and Bluewater Square Syndicate:

On 6 November 2017 the Group established a new multi asset managed fund, the Elanor Metro and Prime Regional Hotel Fund (EMPR). The Fund comprises portfolio of 3 Australian Hotels (Ibis Styles Canberra Eaglehawk, Byron Bay Hotel and Apartments, and Ibis Styles Canberra). Consistent with its strategy of aligning interests with investors, at 31 December 2017 the Group holds a co-investment of approximately 44% of the Fund's equity.

In addition the Group established Bluewater Square Syndicate in October 2017 which acquired the Bluewater Square retail shopping centre. Consistent with its strategy of aligning interests with investors, at 31 December 2017 the Group holds a co-investment of approximately 42% of the Fund's equity.

### 17. Events occurring after reporting date

Subsequent to the period end, a distribution of 7.16 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$6.6 million will be paid on or before 2 March 2018 in respect of the six months ended 31 December 2017

Other than the event 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 2017.



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 18. 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.

#### (a) 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.

#### (b) Distributions

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

	Distribution cents per stapled security	Total Amount \$'000
Distribution for the half year ended 31 December 2017*	7.16	6,637

\*The distribution of 7.16 cents per stapled security for the period ended 31 December 2017 was not declared prior to 31 December 2017. The Distribution will be paid on 2 March 2018. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

#### (c) 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.

#### (d) 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 2017 \$'000	EIF Group 30 June 2017 \$'000
Carrying amount at the beginning of the period	135,144	106,087
Total costs on acquisition	109,469	–
Additions	1,038	715
Revaluation (decrements) / increments	(7,094)	28,342
<b>Carrying amount at the end of the period</b>	<b>238,557</b>	<b>135,144</b>

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 18. Non-Parent disclosure (continued)

The following table represents the total fair value of Investment Properties at 31 December 2017:

<b>Property</b>	<b>EIF Group 31 December 2017 \$'000</b>	<b>EIF Group 30 June 2017 \$'000</b>
Cradle Mountain Lodge	34,560	36,265
Albany Hotel	5,067	4,992
Featherdale Wildlife Park	33,916	34,309
Eaglehawk Hotel	17,629	16,709
Wollongong Hotel	8,845	8,477
Port Macquarie Hotel	8,474	8,129
Tall Trees Hotel	9,989	9,288
Pavilion Wagga Wagga Hotel	9,222	8,691
Parklands Resort	8,737	8,284
Narrabundah Hotel	21,326	–
Byron Bay Hotel	25,542	–
Bluewater Square	55,250	–
<b>Total</b>	<b>238,557</b>	<b>135,144</b>

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

#### (e) Equity accounted investments

The Trust's equity accounted investments are as follows:

<b>31 December 2017</b>	<b>Principal activity</b>	<b>Percentage Ownership</b>	<b>EIF Group 31 December 2017 \$'000</b>
193 Clarence Hotel Syndicate	Accommodation	10.00%	1,127
Bell City Fund	Accommodation	17.64%	11,985
Elanor Retail Property Fund (ASX: ERF)	Shopping Centres	17.75%	33,386
Limestone Street Centre Syndicate	Office Building	8.19%	1,431
Elanor Commercial Property Fund	Office Buildings	1.97%	521
Hunters Plaza Syndicate	Shopping Centre	4.73%	1,211
<b>Total equity accounted investments</b>			<b>49,661</b>

<b>30 June 2017</b>	<b>Principal activity</b>	<b>Percentage Ownership</b>	<b>EIF Group 30 June 2017 \$'000</b>
193 Clarence Hotel Syndicate	Accommodation	10.00%	1,143
Bell City Fund	Accommodation	17.64%	11,796
Elanor Retail Property Fund (ASX: ERF)	Shopping Centres	17.00%	31,012
Limestone Street Centre Syndicate	Office Building	8.19%	1,418
Elanor Commercial Property Fund	Office Buildings	1.97%	522
<b>Total equity accounted investments</b>			<b>45,891</b>

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 18. Non-Parent disclosure (continued)

#### (f) Interest bearing liabilities

	EIF Group 31 December 2017 \$'000	EIF Group 30 June 2017 \$'000
<b>Current</b>		
Bank loan - term debt	-	-
Borrowing Costs less amortisation	-	-
Loan from the Company	-	-
<b>Total current</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>		
Bank loan - term debt	98,700	51,963
Bank loan - Borrowing Costs less amortisation	(667)	(61)
<b>Total non-current</b>	<b>98,033</b>	<b>51,902</b>
<b>Total interest bearing liabilities</b>	<b>98,033</b>	<b>51,902</b>

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 EIF Group including Loan to Value ratio and Interest Cover covenants. The EIF Group is currently meeting all its covenants.

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 2017, the outstanding payable to the Company was \$31.4 million.

#### (g) Fair Value measurements of financial and non-financial instruments

The following table presents the Consolidated Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2017 on a recurring basis:

EIF Group December 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Derivatives at fair value through reserves	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Derivatives at fair value through reserves	-	472	-	472
<b>Total liabilities</b>	<b>-</b>	<b>472</b>	<b>-</b>	<b>472</b>

EIF Group June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Derivatives at fair value through reserves	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Derivatives at fair value through reserves	-	248	-	248
<b>Total liabilities</b>	<b>-</b>	<b>248</b>	<b>-</b>	<b>248</b>

# 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 16-43 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 31 December 2017 and of their performance, for the half 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  
15 February 2018

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

We have reviewed the accompanying half-year financial report of:

- The consolidated balance sheet as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement 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 Note 1 to the financial report, 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 as set out on pages 16 to 44; and
- The consolidated balance sheet as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement 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 44.

### **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 reports that give 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 2017 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 Liability limited by a scheme approved under Professional Standards Legislation.

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 Elanor Investment Fund, 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 2017 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



AG Collinson  
Partner  
Chartered Accountants  
Sydney, 15 February 2018