



# Annual Financial Report

For the year ended 30 June 2019

## **Elanor Investors Group**

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

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# ELANOR INVESTORS GROUP

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# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

The Directors of Elanor Investors Limited (Company), and the Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Investment Fund, present their report together with the consolidated financial report of Elanor Investors Group (Group, Consolidated Group or Elanor) and the consolidated financial report of the Elanor Investment Fund (EIF Group) for the full year ended 30 June 2019 (period).

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

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

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

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

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

### 1. Directors

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

Paul Bedbrook (Chairman)  
Glenn Willis (Managing Director and Chief Executive Officer)  
Nigel Ampherlaw  
William (Bill) Moss AO  
Lim Kin Song (Appointed 30 May 2019)

### 2. Principal activities

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

### 3. Distributions

Distributions relating to the year ended 30 June 2019 comprise:

| <b>Distribution</b>                         | <b>Year Ended 30 June 2019</b> |
|---|--------------------------------|
| Interim Distribution                        |                                |
| Amount payable (cents per stapled security) | 6.32                           |
| Payment date                                | 1 March 2019                   |
| Final Distribution                          |                                |
| Amount payable (cents per stapled security) | 9.74                           |
| Payment date                                | 30 August 2019                 |

A provision for the Final Distribution has not been recognised in the consolidated financial statements for the year as the distribution had not been declared at the reporting date. The Final Distribution will bring distributions in respect of the year ended 30 June 2019 to 16.06 cents per stapled security.

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 4. Operating and financial review

#### OVERVIEW AND STRATEGY

The key strategic objective of Elanor is to invest in real estate backed assets that deliver strong returns for both Elanor's funds management capital partners and Elanor's security holders. Elanor's investment focus is on acquiring and unlocking value in assets that provide high quality income and strong capital growth potential. Elanor's highly active approach to asset management is underpinned with urgency and an acute focus on delivering investment performance. The Group seeks to co-invest with its funds management capital partners for both strategic and alignment purposes. The Group also originates and holds investments on balance sheet to provide opportunities for future co-investment by Elanor's capital partners.

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

Elanor's total managed funds and investment portfolio was \$1,550.1 million as at 30 June 2019, up from \$1,227.8 million over the year.

During the year, Elanor established new funds totalling \$455.3 million and successfully divested the commercial and hotel assets in the Bell City Fund for \$159.5 million. Assets under management increased from \$1,082.6 million to \$1,387 million during the year. Co-investments of \$26.1 million were made in new managed funds.

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

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

- The establishment of the Waverley Gardens Fund (Waverley Gardens) with global real estate investment firm Heitman, in December 2018 which acquired the Waverley Gardens Shopping centre in Mulgrave, Victoria. The fund has a gross asset value of \$182.2 million as at 30 June 2019.
- The acquisition of the Elanor Hospitality and Accommodation Fund hotel portfolio by Elanor Metro and Prime Regional Hotel Fund (EMPR) in a strategic partnership with NRMA, in September 2018. EMPR has a gross asset value of \$163.7 million as at 30 June 2019.
- On 9 April 2019, EMPR acquired the Clare Country Club and Barossa Weintal Hotels in South Australia, for \$14.45 million. Settlement is expected in October 2019.
- The establishment of the Elanor Luxury Hotel Fund (ELHF) in April 2019, with the acquisition of the Mayfair Hotel Adelaide and the Adabco Boutique Hotel in Adelaide, South Australia for \$99 million. Furthermore, ELHF acquired the Peppers Cradle Mountain Lodge from EMPR, for \$55 million, generating a material \$9.8 million profit on sale for EMPR investors. Settlement of the Fund is expected in October 2019.
- The acquisition of the Limestone Street Centre Syndicate by Elanor Commercial Property Fund (ECPF) in December 2018. ECPF has a gross asset value of \$135.6 million as at 30 June 2019.
- The Group established the Stirling Street Syndicate which acquired a commercial property located in Stirling Street, Perth, for \$24.7 million on 28 February 2019.
- On 31 May 2019, the Group established the Fairfield Centre Syndicate and acquired the Neeta City Shopping Centre for \$85.3 million.



# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

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

#### OVERVIEW AND STRATEGY (CONTINUED)

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

In addition to the funds management initiatives above, in May 2019 the Group acquired a 25% interest in the hotel operating platform business, 1834 Hospitality. This investment provides the Group with a scalable hotel management capability to support the Group's growth objective in the accommodation hotels, tourism and leisure sector.

#### 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> |
|--|--|--|-------------------------------|
| Elanor Commercial Property Fund            | Cannon Hill, Mt Gravatt, Ipswich, QLD, Adelaide, SA, and Perth, WA                             | Commercial office buildings                        | 135.6                         |
| Elanor Metro and Prime Regional Hotel Fund | NSW (6), ACT (2), SA (2)   | Accommodation hotels                               | 163.7                         |
| Elanor Retail Property Fund (ASX:ERF)      | Auburn, Taree and Tweed Heads, NSW, Bundaberg, Moranbah and Gladstone, QLD, and Glenorchy, TAS | Sub-regional shopping centres                      | 341.0                         |
| Belconnen Markets Syndicate                | Canberra, ACT  | Shopping centre                                    | 50.8                          |
| Bell City Funds (4)                        | Preston, VIC   | Hotel budget accommodation and commercial complex  | 159.5                         |
| Bluewater Square Syndicate                 | Redcliffe, QLD   | Neighbourhood shopping centre                      | 54.7                          |
| Hunters Plaza Syndicate                    | Auckland, NZ   | Sub-regional shopping centre                       | 50.5                          |
| WorkZone West Syndicate                    | Perth, WA  | Commercial office building                         | 135.4                         |
| <b>Additions since 30 June 2018</b>        |  |  |                               |
| Waverley Gardens Fund                      | Mulgrave, VIC  | Sub-regional shopping centre                       | 182.2                         |
| Auburn Office Syndicate                    | Auburn, NSW  | Commercial office building                         | 4.7                           |
| Stirling Street Syndicate                  | Perth, WA  | Commercial office building                         | 24.8                          |
| Fairfield Centre Syndicate                 | Fairfield, NSW   | Sub-regional shopping centre                       | 89.6                          |
| Elanor Luxury Hotel Fund                   | Adelaide, SA   | Accommodation hotels                               | 154.0                         |
| <b>Disposals since 30 June 2018</b>        |  |  |                               |
| Bell City Syndicate (4)                    | Preston, VIC   | Hotel, budget accommodation and commercial complex | (159.5)                       |
| <b>Total Managed Funds</b>                 |  |  | <b>1,387.0</b>                |

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

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

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

##### Investment Portfolio

| Asset   | Location   | Type   | Note | Carrying Value<br>\$'m        |
|---|--|--|------|-------------------------------|
| Featherdale Wildlife Park                           | Sydney, NSW  | Wildlife park                                      | 1    | 39.0                          |
| Hotel Ibis Styles Albany                            | Albany, WA   | Accommodation hotel                                | 1    | 5.2                           |
| 1834 Hospitality                                    | Adelaide, SA   | Hotel management                                   |      | 2.6                           |
|   |  |  |      | <b>Equity accounted value</b> |
| <b>Managed Fund</b>                                 |  |  |      | <b>\$'m</b>                   |
| <b>Co-Investments</b>                               |  |  |      |                               |
| Elanor Metro and Prime Regional Hotel Fund          | NSW (6), ACT (2), SA (2)   | Accommodation hotels                               | 3    | 30.1                          |
| Elanor Commercial Property Fund                     | Cannon Hill, Mt Gravatt, Ipswich, QLD, Adelaide, SA and Perth WA                               | Commercial office building                         | 2    | 13.8                          |
| Elanor Retail Property Fund (ASX: ERF)              | Auburn, Taree and Tweed Heads, NSW, Bundaberg, Moranbah and Gladstone, QLD, and Glenorchy, TAS | Sub-regional shopping centres                      | 2    | 34.9                          |
| Belconnen Markets Syndicate                         | Canberra, ACT  | Shopping Centre                                    | 2    | 0.5                           |
| Bell City Syndicates (4)                            | Preston, VIC   | Hotel, budget accommodation and commercial complex | 2    | 11.7                          |
| Bluewater Square Syndicate                          | Redcliffe, QLD   | Neighbourhood shopping centre                      | 3    | 9.7                           |
| Hunters Plaza Syndicate                             | Auckland, NZ   | Sub-regional shopping centre                       | 2    | 1.2                           |
| <b>Additions since 30 June 2018</b>                 |  |  |      |                               |
| Workzone West Syndicate                             | Perth, WA  | Commercial office building                         | 2    | 0.1                           |
| Waverley Gardens Fund                               | Mulgrave, VIC  | Sub-regional shopping centre                       | 2    | 15.0                          |
| Auburn Office Syndicate                             | Auburn, NSW  | Commercial office building                         | 3    | 2.4                           |
| Fairfield Centre Syndicate                          | Fairfield, NSW   | Sub-regional shopping centre                       | 2    | 8.6                           |
| <b>Disposals since 30 June 2018</b>                 |  |  |      |                               |
| Bell City Syndicates (4)                            | Preston, VIC   | Hotel, budget accommodation and commercial complex | 2    | (11.7)                        |
| <b>Total Investment Portfolio</b>                   |  |  |      | <b>163.1</b>                  |
| <b>Total Managed Funds and Investment Portfolio</b> |  |  |      | <b>1,550.1</b>                |

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

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

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

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

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

#### REVIEW OF FINANCIAL RESULTS

The Group recorded a statutory profit after tax from continuing operations of \$16.0 million for the year ended 30 June 2019.

At the balance date, Elanor held a 31.11% interest in the Elanor Metro and Prime Regional Hotel Fund (EMPR) and, a 42.27% interest in the Bluewater Square Syndicate (Bluewater) and 100% interest in the Auburn Office Syndicate (Auburn Office). For accounting purposes, Elanor is deemed to have a controlling interest in EMPR, Bluewater and Auburn Office given its level of ownership and role as manager of the funds. This means that the financial results and financial position of EMPR, Bluewater and Auburn Office are consolidated into the financial statements of the Group for the year ended 30 June 2019.

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

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

Core or Distributable Earnings for the period were \$17.5 million or 17.58 cents per stapled security. A Final Distribution of \$9.72 million or 9.74 cents per stapled security has been declared for the six months ended 30 June 2019 (90% pay-out ratio on Core Earnings), resulting in a full year distribution of \$15.79 million or 16.06 cents per stapled security. 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:

|  | Group<br>30 June<br>2019 | Group<br>30 June<br>2018 | EIF Group<br>30 June<br>2019 | EIF Group<br>30 June<br>2018 |
|--|--------------------------|--------------------------|------------------------------|------------------------------|
|  | \$'000                   | \$'000                   | \$'000                       | \$'000                       |
| <b>Statutory financial results</b>   |                          |                          |                              |                              |
| Net profit / (loss) after tax from continuing operations (\$'000)  | 16,044                   | (2,036)                  | 26,209                       | 1,962                        |
| Net profit / (loss) after tax from continuing operations (\$'000) (EMPR, Bluewater and Auburn Office equity accounted) | 17,601                   | 3,944                    | 21,447                       | 4,281                        |
| Core Earnings (\$'000)   | 17,548                   | 16,270                   | 11,546                       | 12,777                       |
| Distributions payable to security holders (\$'000)   | 15,793                   | 14,642                   | 10,391                       | 11,499                       |
| Core Earnings per stapled security (cents)   | 17.58                    | 17.49                    | 11.57                        | 13.74                        |
| Core Earnings per weighted average stapled security (cents)  | 18.32                    | 17.84                    | 12.05                        | 14.01                        |
| Distributions (cents per stapled security / unit)  | 16.06                    | 15.77                    | 10.63                        | 12.36                        |
| Net tangible assets (\$ per stapled security)  | 2.46                     | 2.23                     | 2.09                         | 1.88                         |
| Net tangible assets (\$ per stapled security) (EMPR, Bluewater and Auburn Office equity accounted)                     | 1.59                     | 1.52                     | 1.07                         | 1.10                         |
| Gearing (net debt / total assets less cash) (%)  | 39.8                     | 39.6                     | 31.8                         | 31.3                         |
| Gearing (net debt / total assets less cash) (%) (EMPR, Bluewater and Auburn office equity accounted)                   | 28.4                     | 23.3                     | 10.5                         | 0.8                          |

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

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

#### REVIEW OF FINANCIAL RESULTS (CONTINUED)

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

|  | Group<br>30 June<br>2019<br>\$'000 | Group<br>30 June<br>2018<br>\$'000 | EIF Group<br>30 June<br>2019<br>\$'000 | EIF Group<br>30 June<br>2018<br>\$'000 |
|--|------------------------------------|------------------------------------|--|--|
| <b>Statutory Net Profit / (Loss) After Tax</b>   | <b>16,194</b>                      | <b>(20,363)</b>                    | <b>26,209</b>                          | <b>1,962</b>                           |
| Adjustment to remove the impact of consolidation of EMPR, Bluewater and Auburn Office                        | 606                                | 9,870                              | (3,076)                                | 5,277                                  |
| Adjustment to include the impact of accounting for EMPR, Bluewater and Auburn Office using the equity method | 951                                | (3,891)                            | (1,686)                                | (2,959)                                |
| <b>Adjusted Net Profit / (Loss) After Tax</b>  | <b>17,751</b>                      | <b>(14,384)</b>                    | <b>21,447</b>                          | <b>4,280</b>                           |
| Adjustment to exclude discontinued operations  | –                                  | 18,328                             | –                                      | –                                      |
| Profit/(Loss) from discontinued operations for the period after tax  | (150)                              | (2,238)                            | –                                      | –                                      |
| <b>Adjusted Net Profit / (Loss) After Tax</b>  | <b>17,601</b>                      | <b>1,706</b>                       | <b>21,447</b>                          | <b>4,280</b>                           |
| Adjustments for items included in statutory profit / (loss)  |                                    |                                    |  |  |
| Increase in equity accounted investments to reflect distributions received / receivable                      | 2                                  | 5,024                              | 5,937                                  | 4,305                                  |
| Net (gain) / loss on disposals of equity accounted investments   | 3                                  | (2,002)                            | (77)                                   | (1,286)                                |
| Gain on the sale of Ibis Styles Eaglehawk  | –                                  | –                                  | 2,258                                  | –                                      |
| Holdback of Merrylands net profit after tax  | 4                                  | (10,452)                           | –                                      | –                                      |
| Release of net profit after tax on sale of Merrylands  | 5                                  | 5,905                              | 4,547                                  | –                                      |
| Building depreciation expense  | 6                                  | 34                                 | 134                                    | 34                                     |
| Straight lining of rental expense  | –                                  | (8)                                | 5                                      | –                                      |
| Fair value adjustments on investment property  | –                                  | –                                  | –                                      | (13,679)                               |
| Amortisation amounts   | 7                                  | 1,597                              | 1,941                                  | 724                                    |
| Tax adjustments  | –                                  | (151)                              | –                                      | (181)                                  |
| <b>Core Earnings</b>   | <b>1</b>                           | <b>17,548</b>                      | <b>16,270</b>                          | <b>11,546</b>                          |
|  |                                    |                                    |  | <b>12,777</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.

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

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

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

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

#### REVIEW OF FINANCIAL RESULTS (CONTINUED)

Note 4: As a result of the Group's adoption of the new Revenue accounting standard, AASB 15 Revenue from Contracts with Customers on 1 July 2018, the net profit on sale of the Merrylands Property, that was appropriately recognised in the Group's profit and loss for the period ended 30 June 2018, has also been recognised in the period ended 30 June 2019. This profit on the sale of the Merrylands Property has been removed from Core Earnings. The net profit after tax on the sale of the Merrylands profit of \$10.45 million has been included in the statutory net profit after tax for the year as a result of the Group's adoption of AASB 15. Further information on this transaction is provided on page 42.

Note 5: In August 2018, ENN completed the sale of the Merrylands Property, generating a total net profit after tax of \$10.45 million. An amount of \$4.5 million of this total net profit after tax was included in Core Earnings for the six months ended 30 June 2018. The remaining net profit after tax of \$5.9 million has been included in Core Earnings for the six months ended 30 June 2019.

Note 6: During the period, the Group incurred total depreciation charges of \$0.92 million, however only the depreciation expense on buildings of \$0.03 million has been added back for the purposes of calculating Core Earnings.

Note 7: During the period, the Group incurred non-cash profit and loss charges in respect of the amortisation of certain amounts including the equity component of the Group's Short Term Incentive (STI), Long Term Incentive (LTI) amounts, intangibles and borrowing costs. These amounts have been added back for the purposes of calculating Core Earnings.

#### REVIEW OF OPERATIONAL RESULTS

The Group is organised into three divisions by business type.

Funds Management manages third party owned investment funds and syndicates.

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

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

Set out below is an adjusted presentation of the statutory financial results by segment, on the basis that the Group's interest in EMPR, Bluewater and Auburn Office 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 30 June 2019, as represented by the aggregate results of its operations for the period, was as follows:

|   | ENN Group<br>Segment<br>Revenue<br>30 June<br>2019<br>\$'000 | ENN Group<br>Segment<br>Revenue<br>30 June<br>2018<br>\$'000 | ENN Group<br>Segment<br>EBITDA<br>30 June<br>2019<br>\$'000 | ENN Group<br>Segment<br>EBITDA<br>30 June<br>2018<br>\$'000 |
|---|--|--|---|---|
| <b>ENN Group Revenue and EBITDA (adjusted to reflect EMPR, Bluewater and Auburn Office accounted for using the equity method)</b> |  |  |   |   |
| Funds Management  | 15,031   | 13,708   | 12,109  | 10,634  |
| Hotels, Tourism and Leisure   | 14,800   | 16,768   | 2,868   | 2,817   |
| Real Estate   | 2,964  | 1,975  | 606   | 885   |
| Sale of Merrylands property <sup>1</sup>  | 36,000   | 67,926   | 14,503  | 10,738  |
| <b>Total Segment Revenue and EBITDA</b>   | <b>68,795</b>  | <b>100,377</b>   | <b>30,085</b>   | <b>25,074</b>   |
| Unallocated corporate costs   |  |  | (7,057)   | (6,547)   |
| <b>Group EBITDA</b>   |  |  | <b>23,028</b>   | <b>18,527</b>   |
| Depreciation and amortisation   |  |  | (1,359)   | (1,723)   |
| Group EBIT  |  |  | 21,669  | 16,804  |
| Gain on investments   |  |  | 3,191   | 734   |
| Interest income   |  |  | 2,088   | 1,163   |
| Borrowing costs   |  |  | (4,536)   | (3,057)   |
| Group net profit / (loss) before income tax   |  |  | 22,412  | 15,644  |
| Income tax expense  |  |  | (4,811)   | (3,486)   |
| <b>Group net profit / (loss) after income tax</b>   |  |  | <b>17,601</b>   | <b>12,158</b>   |

Note 1: This result reflects the sale of the Merrylands property, previously recognised in the financial year ended 30 June 2018, as a result of the Group's adoption of AASB 15 as discussed on page 42. The comparative financial information reflects the operating results of John Cootes Furniture which was closed during the period ended 30 June 2018.

Group EBITDA shown above includes the equity accounted result of the Group's co-investments in funds managed by Elanor, including EMPR, Bluewater and Auburn Office. 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:

|  | ENN Group<br>EBITDA<br>\$'000 | Remove<br>Equity<br>Accounted<br>Result<br>\$'000 | Add<br>Distributions<br>received /<br>receivable<br>\$'000 | Reversal of<br>AASB 15<br>adoption<br>\$'000 | EBITDA<br>Contribution<br>to Core<br>Earnings<br>\$'000 |
|--|-------------------------------|---|--|--|---|
| <b>Operating Performance for period ended 30 June 2019</b> |                               |   |  |  |   |
| Funds Management   | 12,109                        | -   | -  | -  | 12,109  |
| Hotels, Tourism and Leisure                                | 2,868                         | 947   | 2,623  | -  | 6,438   |
| Real Estate  | 606                           | (2,964)   | 4,799  | -  | 2,441   |
| Merrylands property <sup>1</sup>                           | 14,503                        | -   | -  | (14,503)                                     | -   |
| Unallocated Corporate Costs                                | (7,057)                       | -   | -  | -  | (7,057)   |
| <b>EBITDA</b>  | <b>23,028</b>                 | <b>(2,017)</b>                                    | <b>7,423</b>   | <b>(14,503)</b>                              | <b>13,931</b>   |

Note 1: The impact of the sale of the Merrylands property, discussed above, has been removed from the presentation of the segment EBITDA contribution to Core Earnings.

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

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

#### REVIEW OF OPERATIONAL RESULTS (CONTINUED)

##### Funds Management

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

| Operating Performance                | 30 June | 30 June |
|--------------------------------------|---------|---------|
|                                      | 2019    | 2018    |
|                                      | \$'000  | \$'000  |
| Total adjusted revenue               | 15,031  | 13,708  |
| EBITDA Contribution to Core Earnings | 12,109  | 10,634  |
| Operating margin                     | 80.6%   | 77.6%   |

The Group's funds management revenue comprises:

| Funds Management Revenue | 30 June       | 30 June       |
|--------------------------|---------------|---------------|
|                          | 2019          | 2018          |
|                          | \$'000        | \$'000        |
| Management fees          | 10,040        | 9,374         |
| Acquisition fees         | 3,694         | 3,996         |
| Performance fees         | 1,297         | 338           |
| <b>Total</b>             | <b>15,031</b> | <b>13,708</b> |

Based on the 30 June 2019 funds under management of \$1,387 million, annualised management fees total \$11.3 million, an increase of 24.2% on the 30 June 2018 annualised management fees of \$9.1 million (excluding Bell City which was sold in August 2018).

| Funds under Management                                  | 30 June        | 30 June        |
|---|----------------|----------------|
|   | 2019           | 2018           |
|   | \$'m           | \$'m           |
| Opening funds under management (as at 30 June 2018)     | 1,082.6        | 681.6          |
| Increase in value of funds under management             | 8.6            | 20.9           |
| Disposals / decrease in value of funds under management | (159.5)        | (24.7)         |
| New funds   | 455.3          | 404.8          |
| <b>Total</b>  | <b>1,387.0</b> | <b>1,082.6</b> |

The Group has added significant new funds under management since July 2018, with the Group establishing five new managed funds, being Waverley Gardens Fund, Stirling Street Syndicate, Auburn Office Syndicate, Fairfield Centre Syndicate and Elanor Luxury Hotel Fund.

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

##### Hotels, Tourism and Leisure

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

| Operating Performance                | 30 June | 30 June |
|--------------------------------------|---------|---------|
|                                      | 2019    | 2018    |
|                                      | \$'000  | \$'000  |
| Total adjusted revenue <sup>1</sup>  | 18,370  | 21,618  |
| EBITDA Contribution to Core Earnings | 6,438   | 7,667   |
| Operating margin                     | 35.0%   | 35.5%   |

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

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

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

#### REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings includes the results of Featherdale Wildlife Park, and Ibis Styles Albany Hotel. The comparative result also included the results of Ibis Styles Canberra Eaglehawk Hotel for four months prior to its sale to EMPR on 31 October 2017.

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 \$2.6 million for the period ended 30 June 2019 (\$2.9 million for the comparative period).

The table below sets out the assessed value of each investment portfolio asset as at 30 June 2019.

| Carrying Value of Investment Assets | 30 June     | 30 June     |
|-------------------------------------|-------------|-------------|
|                                     | 2019        | 2018        |
|                                     | \$'m        | \$'m        |
| Featherdale Wildlife Park           | 39.0        | 39.0        |
| Ibis Styles Albany Hotel            | 5.2         | 5.3         |
| 1834 Hospitality                    | 2.6         | –           |
| <b>Total</b>                        | <b>46.8</b> | <b>44.3</b> |

The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 30 June 2019, using the equity method, is as follows:

| Carrying Value of Co-Investments           | 30 June     | 30 June     |
|--|-------------|-------------|
|  | 2019        | 2018        |
|  | \$'m        | \$'m        |
| Elanor Hospitality and Accommodation Fund  | –           | 23.9        |
| Elanor Metro and Prime Regional Hotel Fund | 30.1        | 18.3        |
| Bell City Fund                             | –           | 11.7        |
| <b>Total</b>                               | <b>30.1</b> | <b>53.9</b> |

#### Real Estate

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

| Operating Performance                | 30 June | 30 June |
|--------------------------------------|---------|---------|
|                                      | 2019    | 2018    |
|                                      | \$'000  | \$'000  |
| Total adjusted revenue <sup>1</sup>  | 4,799   | 3,061   |
| EBITDA Contribution to Core Earnings | 2,441   | 1,972   |
| Operating margin                     | 50.9%   | 64.4%   |

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

Real Estate EBITDA contribution to Core Earnings comprises distributions received / receivable from the Group's co-investment in funds managed by the Group of \$4.8 million for the period ended 30 June 2019 (\$3.1 million for the comparative period).



# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

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

#### REVIEW OF OPERATIONAL RESULTS (CONTINUED)

The carrying value of these investments as at 30 June 2019, using the equity method, is as follows:

| Carrying Value of Co-Investments       | 30 June     | 30 June     |
|--|-------------|-------------|
|  | 2019        | 2018        |
|  | \$'m        | \$'m        |
| Elanor Commercial Property Fund        | 13.8        | 0.7         |
| Elanor Retail Property Fund (ASX: ERF) | 34.9        | 34.2        |
| Auburn Office Syndicate                | 2.4         | –           |
| Belconnen Markets Syndicate            | 0.5         | 0.2         |
| Bluewater Square Syndicate             | 9.7         | 9.3         |
| Hunters Plaza Syndicate                | 1.2         | 1.2         |
| Limestone Street Centre Syndicate      | –           | 1.4         |
| Waverley Gardens Fund                  | 15.0        | –           |
| WorkZone West Syndicate                | 0.1         | –           |
| Fairfield Centre Syndicate             | 8.6         | –           |
| <b>Total</b>                           | <b>86.2</b> | <b>47.0</b> |

#### Summary and Outlook

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

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

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

# 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:

|   | Consolidated<br>Group<br>30 June<br>2019<br>'000 | Consolidated<br>Group<br>30 June<br>2018<br>'000 |
|---|--|--|
| Stapled securities on issue at the beginning of the year        | 93,016   | 89,224   |
| Stapled securities issued through Institutional Placement       | 3,500  | –  |
| Stapled securities issued under the short term incentive scheme | 346  | 263  |
| Stapled securities issued for 2014 LTI securities converted     | 2,960  | 3,529  |
| <b>Stapled securities on issue at the end of the period</b>     | <b>99,822</b>                                    | <b>93,016</b>                                    |

### 6. Directors

| Name          | Particulars   |
|---------------|---|
| Paul Bedbrook | <p>Independent Non-Executive Chairman<br/>Chairman, Remuneration and Nominations Committee</p> <p>Paul was appointed a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF) in June 2014. Paul has had a career of over 30 years in financial services, originally as an analyst, fund manager and then the GM &amp; Chief Investment Officer for Mercantile Mutual Investment Management Ltd (ING owned) from 1987 to 1995.</p> <p>Paul was an executive for 26 years with the Dutch global banking, insurance and investment group, ING, retiring in 2010. Paul's career included the roles of: President and CEO of ING Direct Bank, Canada (2000 – 2003), CEO of the ING Australia/ANZ Bank Wealth JV (2003-2008) and Regional CEO, ING Asia Pacific, Hong Kong (2008 – 2010). Paul is currently the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies, and a non-executive director of Credit Union Australia and the National Blood Authority.</p> <p>Former listed directorships in the last three years: None<br/>Interest in stapled securities: 282,327<br/>Qualifications: B.Sc, F FIN, FAICD</p> |

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 6. Directors (continued)

|                        |  |
|------------------------|--|
| <p>Glenn Willis</p>    | <p>Managing Director and Chief Executive Officer</p> <p>Glenn has extensive industry knowledge with over 30 years' experience in the Australian and international capital markets. Glenn was the co-founder and Chief Executive Officer of Moss Capital, prior to the establishment and ASX listing of Elanor Investors Group in July 2014. Prior to Moss Capital, Glenn co-founded Grange Securities and led the team in his role as Managing Director and CEO.</p> <p>After 12 years of growth, Grange Securities, was acquired by Lehman Brothers International in 2007, as the platform for Lehman's Australian investment banking and funds management operations. Glenn was appointed Managing Director and Country Head in March 2007. In 2008, Glenn was appointed executive Vice Chairman of Lehman Brothers Australia.</p> <p>Glenn is a Director of Big Brothers Big Sisters Australia and FSHD Global Research Foundation.</p> <p>Former listed directorships in the last three years: None<br/> Interest in stapled securities: 8,914,470<br/> Qualifications: B.Bus (Econ &amp; Fin)</p> |
| <p>Nigel Ampherlaw</p> | <p>Independent Non-Executive Director<br/> Chairman, Audit and Risk Committee</p> <p>Nigel was appointed a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF) in June 2014. Nigel was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses.</p> <p>He also held a number of senior client Lead Partner roles. Nigel has extensive experience in risk management, technology, consulting and auditing in Australia and the Asia-Pacific region.</p> <p>Nigel's current Directorships include as Chairman of Credit Union Australia and non-executive Director of the Australia Red Cross Blood Service, where he is a member of the Finance and Audit Committee and a member of the Risk Committee.</p> <p>Former listed directorships in the last three years: Quickstep Holdings Ltd<br/> Interest in stapled securities: 170,307<br/> Qualifications: B.Com, FCA, MAICD</p>                               |

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 6. Directors (continued)

|                                   |   |
|-----------------------------------|---|
| <p>William (Bill) Moss<br/>AO</p> | <p>Non-Executive Director<br/>Chairman, Remuneration and Nominations Committee</p> <p>Bill was appointed a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF) in June 2014. Bill is an Australian businessman and philanthropist with expertise in real estate, banking, funds and asset management.</p> <p>Bill spent 23 years as a senior executive and Executive Director with Macquarie Group, the pre-eminent Australian investment bank, where Bill managed the Global Banking and Real Estate businesses. Bill founded, grew and led Macquarie Real Estate Group to a point where it managed over \$23 billion worth of investments around the world.</p> <p>Bill is Chairman of Moss Capital and Chairman and Founder of The FSHD Global Research Foundation.</p> <p>Bill is a commentator on the Australian finance and banking sectors, the global economy and the ongoing need for Australia to do more to advance the interests of the country's disabled and disadvantaged.</p> <p>In 2015, Bill was awarded one of Australia's highest honours, Office of the Order of Australia (AO), for services to the banking, charity, and finance sectors.</p> <p>Former listed directorships in the last three years: None<br/>Interest in stapled securities: 2,378,159<br/>Qualifications: B.Ec</p> |
| <p>Lim Kin Song</p>               | <p>Non-Executive Director</p> <p>Kin Song was appointed as a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF) in May 2019. Kin Song is the CEO of Rockworth Capital Partners (which holds an 18% ownership interest in the Group) and is responsible for all aspects of Rockworth's business with a focus on strategy, transactions, business development and investor relations.</p> <p>With over 20 years of experience in the real estate sector, Kin Song specialises in acquisitions, asset management, business development and leasing. He has extensive experience across multi-core real estate sectors in Australia and South East Asia.</p> <p>Kin Song has been the key driver of Rockworth's rapid growth in its assets under management since its inception in 2011, and provided leadership and strategic direction in transactions, corporate development, capital allocation and asset management. Prior to founding Rockworth in 2011, Kin Song held various positions in leading property groups in Asia, including Frasers Centrepoint Ltd, Ascendas-MGM Funds Management and the CapitalLand Group.</p> <p>Former listed directorships in the last three years: None<br/>Interest in stapled securities: Nil<br/>Qualifications: MBA, B.Sci, SISV, CCPS, RICS</p>                    |

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 7. Directors' relevant interests

|                           | Stapled securities At |              | Stapled securities at the date of this report |
|---------------------------|-----------------------|--------------|---|
|                           | 1 July 2018           | Net Movement |   |
| Paul Bedbrook             | 257,327               | 25,000       | 282,327                                       |
| Glenn Willis <sup>1</sup> | 1,756,226             | 2,908,244    | 4,664,470                                     |
| Nigel Ampherlaw           | 164,654               | 5,653        | 170,307                                       |
| William (Bill) Moss       | 2,378,159             | –            | 2,378,159                                     |
| Lim Kin Song              | –                     | –            | –   |

Note 1: Glenn Willis has an entitlement to an additional 4,250,000 securities under equity based executive incentive plans.

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

### 8. Meetings of Directors

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

|                     | Elanor Board<br>(Responsible Entity &<br>the Company) |          | Audit & Risk<br>Committee |          | Remuneration and<br>Nominations<br>Committee |          |
|---------------------|---|----------|---------------------------|----------|--|----------|
|                     | Held  | Attended | Held                      | Attended | Held   | Attended |
| Paul Bedbrook       | 14  | 13       | 6                         | 5        | 3  | 3        |
| Glenn Willis        | 14  | 14       | 6                         | 6        | 1  | 1        |
| Nigel Ampherlaw     | 14  | 13       | 6                         | 6        | 3  | 3        |
| William (Bill) Moss | 14  | 13       | N/A                       | N/A      | 3  | 2        |
| Lim Kin Song        | 3   | 2        | N/A                       | N/A      | N/A  | N/A      |

### 9. Remuneration Report (Audited)

The remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements, philosophy and framework of the Elanor Investors Group (Group) in accordance with the requirements of the Corporations Act 2001 (Cth) and its regulations.

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

- Remuneration Policy and Approach
- Key Management Personnel
- Executive Remuneration Arrangements
- Executive Remuneration Outcomes
- Non-Executive Director Remuneration Arrangements and Outcomes
- Additional Disclosures Relating to Long Term Incentive Plans and Securities
- Loans to Key Management Personnel
- Other Transactions and Balances with Key Management Personnel and their Related Parties

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

#### a) Remuneration Policy and Approach

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

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 9. Remuneration Report (Audited) (continued)

#### a) Remuneration Policy and Approach (continued)

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

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

Mr William Moss AO resigned as Chair and Committee Member in May 2019. Mr Glenn Willis was appointed a temporary member of the Committee so as to meet the requirements of the Committee's Charter.

The Remuneration and Nomination Committee meets at least annually for the purposes of reviewing and making recommendations to the Elanor Investors Group Board on the level of remuneration of the senior executives and the Directors. During the period the Remuneration and Nomination Committee met 3 times.

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

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

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

Further information on the Remuneration and Nomination Committee's role and responsibilities can be viewed at [www.elanorinvestors.com](http://www.elanorinvestors.com).

#### b) Key Management Personnel

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP), who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including the directors (whether executive or otherwise). The KMP of the Elanor Investors Group for the year ended 30 June 2019 were:

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

  

| <b>Non-Executive</b>      | <b>Position</b>                                 |
|---------------------------|---|
| Mr Paul Bedbrook          | Independent Chairman and Non-Executive Director |
| Mr Nigel Ampherlaw        | Independent Non-Executive Director              |
| Mr William (Bill) Moss AO | Non-Executive Director                          |
| Mr Lim Kin Song           | Non-Executive Director                          |

# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 9. Remuneration Report (Audited) (continued)

#### c) Executive Remuneration Arrangements

The Group's executive remuneration framework has three components:

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

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

#### Remuneration Structure

##### - Base pay, including superannuation

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

##### - Short term incentive

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

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

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

##### - Long term incentive

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

Under the executive loan security plan, awards (comprising the loan of funds to eligible Elanor employees to acquire Securities which are subject to vesting conditions) have been issued to certain employees. Awards totalling 11.0 million Securities were on issue at 30 June 2019.

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

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



# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 9. Remuneration Report (Audited) (continued)

#### c) Executive Remuneration Arrangements (continued)

The purpose of the LTI Scheme is to assist in attracting, motivating and retaining key management and employees. The LTI Scheme operates by providing key management and employees with the opportunity to participate in the future performance of Group securities. The vesting conditions of LTI plans and related awards include both a service based hurdle and an absolute total security holder return (TSR) performance hurdle. The service based hurdle is 2, 3 and 4 years in the case of the loan security plan. The TSR is 10% per annum in the case of the loan security plan and 15% per annum in the case of the options plan. The 2017 loan security plan reflects loan amounts of \$2.13 per security. The 2017 option plan has an exercise price of \$3.05 per security (43% premium to the \$2.13 offer price).

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

#### d) Executive Remuneration Outcomes

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the year ended 30 June 2019:

|  | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
|--|--------------|--------------|--------------|--------------|
| Net profit before tax from continuing operations (\$'000)  | 19,867       | (2,270)      | 12,394       | 5,070        |
| Net profit before tax from continuing operations (\$'000) (EMPR, Bluewater and Auburn Office equity accounted)         | 22,412       | 8,780        | 12,825       | 7,422        |
| Net profit after tax from continuing operations (\$'000)   | 16,044       | (2,036)      | 11,626       | 4,143        |
| Net profit / (loss) after tax (\$'000) from continuing operations (EMPR, Bluewater and Auburn Office equity accounted) | 17,601       | 3,944        | 11,400       | 6,810        |
| Core earnings (\$'000)   | 17,548       | 16,270       | 12,670       | 11,560       |
| Security price at start of year  | \$2.06       | \$2.14       | \$1.88       | \$1.70       |
| Security price at end of year  | \$1.83       | \$2.06       | \$2.14       | \$1.88       |
| Interim distribution   | 6.32 cents   | 7.16 cents   | 7.77 cents   | 7.31 cents   |
| Final distribution   | 9.74 cents   | 8.61 cents   | 5.01 cents   | 7.34 cents   |
| Total distributions  | 16.06 cents  | 15.77 cents  | 12.78 cents  | 14.65 cents  |
| Basic earnings per security from continuing operations   | 16.04 cents  | 3.32 cents   | 13.29 cents  | 5.86 cents   |
| Basic earnings per security from continuing operations (EHAF, EMPR & Bluewater equity accounted)                       | 18.31 cents  | 4.24 cents   | 13.03 cents  | 9.64 cents   |

The financial performance measure driving STI payment outcomes is pre-tax return on equity (ROE). The required pre-tax return hurdle was achieved for the financial year. Reported earnings before tax from continuing operations for the year were \$19.9 million or \$16.0 million after tax. This reflects a 16.04 cents basic earnings per security based on the average number of securities outstanding for the year.

For the year ended 30 June 2019 the Group achieved Core Earnings of \$17.5 million, a 7.9% increase on the prior year. Total distributions per security in respect of the period were 16.06 cents.

For the year ended 30 June 2019, the bonus pool calculated in accordance with the STI plan rules was \$1.3 million, incorporating cash and the value of the deferred securities. The 2019 STI bonus pool was approved by the Board on 27 June 2019.



# ELANOR INVESTORS GROUP

## DIRECTORS REPORT

### 9. Remuneration Report (Audited) (continued)

#### d) Executive Remuneration Outcomes (continued)

Table 1: Remuneration of Key Management Personnel

|                           |      | Short-term employee benefits |                |              |                    | Post-employment benefits | Long-term employee benefits | Share-based payments                    |                       |                                  |           |
|---------------------------|------|------------------------------|----------------|--------------|--------------------|--------------------------|-----------------------------|---|-----------------------|----------------------------------|-----------|
|                           |      | Salary                       | STI Cash Bonus | Non-Monetary | Other <sup>1</sup> | Super                    | Long Service Leave          | LTI Loan Security Payments <sup>2</sup> | STI Deferred Security | LTI Option Payments <sup>2</sup> | Total     |
|                           |      | \$                           | \$             | \$           | \$                 | \$                       | \$                          | \$                                      | \$                    | \$                               | \$        |
| <b>Executive Officers</b> |      |                              |                |              |                    |                          |                             |   |                       |                                  |           |
| G. Willis                 | 2019 | 555,435                      | 106,000        | –            | 24,516             | 20,049                   | –                           | 258,831                                 | 72,833                | 22,000                           | 1,059,664 |
|                           | 2018 | 479,951                      | 112,500        | –            | –                  | 20,049                   | –                           | 248,110                                 | 177,900               | 22,000                           | 1,060,510 |
| P. Siviour                | 2019 | 481,823                      | 100,000        | –            | 5,677              | 25,000                   | –                           | 106,577                                 | 58,750                | –                                | 777,827   |
|                           | 2018 | 371,965                      | 76,250         | –            | 28,035             | 25,000                   | –                           | 102,163                                 | 165,817               | –                                | 769,230   |
| S. Simmons                | 2019 | 452,871                      | 100,000        | –            | 22,129             | 25,000                   | –                           | 76,127                                  | 58,750                | –                                | 734,877   |
|                           | 2018 | 379,752                      | 76,250         | –            | 20,248             | 25,000                   | –                           | 72,973                                  | 165,817               | –                                | 740,040   |

Note 1: Includes other short-term employee benefits including annual leave and other short-term compensated absences.

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

# ELANOR INVESTORS GROUP

## DIRECTORS' REPORT

### 9. Remuneration Report (Audited) (continued)

#### d) Executive Remuneration Outcomes (continued)

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

|                           |      | Fixed remuneration (%) | Remuneration linked to performance (%) | Total (%) |
|---------------------------|------|------------------------|--|-----------|
| <b>Executive Officers</b> |      |                        |  |           |
| G. Willis                 | 2019 | 56.62                  | 43.38                                  | 100       |
|                           | 2018 | 47.15                  | 52.85                                  | 100       |
| P. Siviour                | 2019 | 65.89                  | 34.11                                  | 100       |
|                           | 2018 | 55.25                  | 44.75                                  | 100       |
| S. Simmons                | 2019 | 68.04                  | 31.96                                  | 100       |
|                           | 2018 | 57.43                  | 42.57                                  | 100       |

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

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

The Remuneration and Nomination Committee undertook a review of executive remuneration in June 2019, and resolved to increase the remuneration to the amounts shown in the tables below, with effect from 1 July 2019.

Table 3: Employment contracts of key management personnel

| Executive                                | G. Willis  | P. Siviour   | S. Simmons   |
|--|--|--|--|
| <b>Position</b>                          | Managing Director and Chief Executive Officer  | Chief Operating Officer  | Chief Financial Officer and Company Secretary  |
| <b>Term</b>                              | No fixed term  | No fixed term  | No fixed term  |
| <b>Salary (including Superannuation)</b> | \$630,000  | \$538,125  | \$525,000  |
| <b>Incentive remuneration</b>            | Eligible for an award of short term and long term incentive remuneration (if any) as described above | Eligible for an award of short term and long term incentive remuneration (if any) as described above | Eligible for an award of short term and long term incentive remuneration (if any) as described above |

# ELANOR INVESTORS GROUP

## DIRECTORS' REPORT

### 9. Remuneration Report (Audited) (continued)

#### d) Executive Remuneration Outcomes (continued)

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

#### e) Non-Executive Director Remuneration Arrangements and Outcomes

The Elanor Board determines the remuneration structure for NED's based on recommendations from the Remuneration and Nomination Committee. The NED's individual fees are annually reviewed by the Remuneration and Nomination Committee taking into consideration the level of fees paid to NED's by companies of similar size and stature. The Remuneration and Nomination Committee undertook a review of the remuneration of NEDs in June 2019, and resolved not to change the amount of fees paid. The maximum aggregate amount of fees that can be paid to NEDs is subject to approval by security holders at the Annual General Meeting (currently \$500,000).

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

Table 4: Remuneration of Non-Executive Directors

|                                |      | Salary (including<br>Superannuation)<br>\$ | Committee Fees<br>\$ | Total (including<br>Superannuation)<br>\$ |
|--------------------------------|------|--|----------------------|---|
| <b>Non-Executive Directors</b> |      |  |                      |   |
| P. Bedbrook                    | 2019 | 160,000                                    | 10,000               | 170,000                                   |
|                                | 2018 | 150,000                                    | 10,000               | 160,000                                   |
| N. Ampherlaw                   | 2019 | 85,000                                     | 10,000               | 95,000                                    |
|                                | 2018 | 70,000                                     | 10,000               | 80,000                                    |
| W. Moss                        | 2019 | 85,000                                     | 10,000               | 95,000                                    |
|                                | 2018 | 70,000                                     | 10,000               | 80,000                                    |
| L. Kin Song                    | 2019 | 6,986                                      | –                    | 6,986                                     |
|                                | 2018 | –  | –                    | –   |

# ELANOR INVESTORS GROUP

## DIRECTORS' REPORT

### 9. Remuneration Report (Audited) (continued)

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

During the year no options were issued to the NEDs.

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

| During the financial year |            |      |                |               |                   |                  |                      | % of the actual compensation for the year consisting of awards |
|---------------------------|------------|------|----------------|---------------|-------------------|------------------|----------------------|--|
| Name                      | Award Type | Year | Number Granted | Number Vested | % of Grant Vested | Number Forfeited | % of Grant Forfeited |  |
| P. Bedbrook               | Options    | 2019 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Options    | 2018 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Options    | 2017 | 851,064        | –             | 0%                | –                | N/A                  | 25%  |
| N. Ampherlaw              | Options    | 2019 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Options    | 2018 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Options    | 2017 | 1,063,830      | –             | 0%                | –                | N/A                  | 63%  |
| W. Moss                   | Options    | 2019 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Options    | 2018 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Options    | 2017 | 957,447        | –             | 0%                | –                | N/A                  | 56%  |
| L. Kin Song               | Options    | 2019 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Options    | 2018 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Options    | 2017 | –              | –             | 0%                | –                | N/A                  | 0%   |

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

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

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

#### f) Additional Disclosures Relating to Long Term Incentive Plans and Securities

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

| During the financial year |            |      |                |               |                   |                  |                      | % of the actual compensation for the year consisting of awards |
|---------------------------|------------|------|----------------|---------------|-------------------|------------------|----------------------|--|
| Name                      | Award Type | Year | Number Granted | Number Vested | % of Grant Vested | Number Forfeited | % of Grant Forfeited |  |
| G. Willis                 | Loan       | 2019 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Securities | 2018 | 4,250,000      | –             | 0%                | –                | N/A                  | 23%  |
|                           |            | 2017 | –              | –             | 0%                | –                | N/A                  | 0%   |
| P. Siviour                | Loan       | 2019 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Securities | 2018 | 1,750,000      | –             | 0%                | –                | N/A                  | 13%  |
|                           |            | 2017 | –              | –             | 0%                | –                | N/A                  | 0%   |
| S. Simmons                | Loan       | 2019 | –              | –             | 0%                | –                | N/A                  | 0%   |
|                           | Securities | 2018 | 1,250,000      | –             | 0%                | –                | N/A                  | 10%  |
|                           |            | 2017 | –              | –             | 0%                | –                | N/A                  | 0%   |

The Loan Security plan has been accounted for as 'in-substance' options. The fair value at grant date of each Loan Security was \$0.10.

# ELANOR INVESTORS GROUP

## DIRECTORS' REPORT

### 9. Remuneration Report (Audited) (continued)

#### f) Additional Disclosures Relating to Long Term Incentive Plans and Securities (continued)

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

| Name      | Award Type | Year | During the financial year |               |                   |                  |                      | % of the actual compensation for the year consisting of awards |
|-----------|------------|------|---------------------------|---------------|-------------------|------------------|----------------------|--|
|           |            |      | Number Granted            | Number Vested | % of Grant Vested | Number Forfeited | % of Grant Forfeited |  |
| G. Willis | Options    | 2019 | –                         | –             | 0%                | –                | N/A                  | 0%   |
|           |            | 2018 | 2,000,000                 | –             | 0%                | –                | N/A                  | 2%   |
|           |            | 2017 | –                         | –             | 0%                | –                | N/A                  | 0%   |

The fair value at grant date of each Option was \$0.03.

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

| Name      | Year | Value of options granted at the grant date <sup>1</sup><br>\$ | Value of options exercised at the exercise date <sup>2</sup><br>\$ |
|-----------|------|---|--|
| G. Willis | 2019 | –   | –  |
|           | 2018 | 66,000  | –  |
|           | 2017 | –   | –  |

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

Note 2: The value of options exercised during the financial year is calculated as at the exercise date using a binomial pricing model. No options were exercised in the period to 30 June 2019.

# ELANOR INVESTORS GROUP

## DIRECTORS' REPORT

### 9. Remuneration Report (Audited) (continued)

#### f) Additional Disclosures Relating to Long Term Incentive Plans and Securities (continued)

##### Key Management Personnel equity holdings

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

##### Elanor Investors Group – Stapled Securities

| Name                           | Opening Balance<br>1 July 2018 | Acquired <sup>1</sup> | Disposed | Closing Balance<br>30 June 2019 |
|--------------------------------|--------------------------------|-----------------------|----------|---------------------------------|
| <b>Non-Executive Directors</b> |                                |                       |          |                                 |
| P. Bedbrook                    | 257,327                        | 25,000                | –        | 282,327                         |
| N. Ampherlaw                   | 164,654                        | 5,653                 | –        | 170,307                         |
| W. Moss AO                     | 2,378,159                      | –                     | –        | 2,378,159                       |
| L. Kin Song                    | –                              | –                     | –        | –                               |
| <b>Executive Officers</b>      |                                |                       |          |                                 |
| G. Willis                      | 1,756,226                      | 2,908,244             | –        | 4,664,470                       |
| P. Siviour                     | 1,622,365                      | 69,947                | –        | 1,692,312                       |
| S. Simmons                     | 532,018                        | 54,947                | –        | 586,965                         |

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

##### Options over Elanor Investors Group – Stapled Securities

| Name      | Opening<br>Balance<br>1 July 2018 | Acquired<br>under the<br>Group's<br>incentive<br>plans or<br>Disposed | Exercised | Closing<br>Balance 30<br>June 2019 | Balance<br>vested at<br>Closing | Vested but<br>not<br>exercisable | Vested and<br>exercisable | Options<br>vested<br>during the<br>year |
|-----------|-----------------------------------|---|-----------|------------------------------------|---------------------------------|----------------------------------|---------------------------|---|
| G. Willis | 2,000,000                         | –   | –         | 2,000,000                          | –                               | –                                | –                         | –                                       |

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

| Name         | Opening<br>Balance<br>1 July 2018 | Acquired<br>under the<br>Group's<br>incentive<br>plans or<br>Disposed | Exercised | Closing<br>Balance 30<br>June 2019 | Balance<br>vested at<br>Closing | Vested but<br>not<br>exercisable | Vested and<br>exercisable | Options<br>vested<br>during the<br>year |
|--------------|-----------------------------------|---|-----------|------------------------------------|---------------------------------|----------------------------------|---------------------------|---|
| P. Bedbrook  | 851,064                           | –   | –         | 851,064                            | 851,064                         | –                                | 851,064                   | –                                       |
| N. Ampherlaw | 1,063,830                         | –   | –         | 1,063,830                          | 1,063,830                       | –                                | 1,063,830                 | –                                       |
| W. Moss AO   | 957,447                           | –   | –         | 957,447                            | 957,447                         | –                                | 957,447                   | –                                       |
| L. Kin Song  | –                                 | –   | –         | –                                  | –                               | –                                | –                         | –                                       |

All options issued to NEDs were made under the FY17 Fee Sacrifice offer, approved by security holders on 10 November 2016.

# ELANOR INVESTORS GROUP

## DIRECTORS' REPORT

### 9. Remuneration Report (Audited) (continued)

#### g) Loans to Key Management Personnel

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

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

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

### 10. Company Secretary

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

### 11. Indemnification and insurance of officers and auditors

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

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

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

### 12. Environmental regulation

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

### 13. Significant changes in state of affairs

There was no significant change in the state of affairs of the Group during the year.

### 14. Auditor's independence declaration

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

# ELANOR INVESTORS GROUP

## DIRECTORS' REPORT

### 15. Non audit services

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

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

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

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

### 16. Likely developments and expected results of operations

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

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

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

The interest in the Trust held by the Manager or its related entities as at 30 June 2019 and fees paid to and expenses reimbursed by its related entities during the financial year are disclosed in Note 25 to the consolidated financial statements.

### 18. Events occurring after reporting date

Subsequent to the period end, a distribution of 9.74 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$9.7 million will be paid on or before 30 August 2019 in respect of the six months ended 30 June 2019.

The Board approved the appointment of Mr Anthony Fehon as a director of the Group and the Responsible Entity, with an effective date of 20 August 2019.

Other than the events disclosed above, the directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial period subsequent to the year ended 30 June 2019.



# ELANOR INVESTORS GROUP

## DIRECTORS' REPORT

### 19. 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, 16 August 2019

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

16 August 2019

Dear Directors

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

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

As lead audit partner for the audit of the consolidated financial statements of Elanor Investors Limited and Elanor Investment Fund for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

*DELOITTE TOUCHE TOHMATSU*

DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants

# ELANOR INVESTORS GROUP

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2019

|  |      | Consolidated   | Restated        | EIF           | EIF           |
|--|------|----------------|-----------------|---------------|---------------|
|  |      | Group          | Group           | Group         | Group         |
|  |      | 30 June        | 30 June         | 30 June       | 30 June       |
|  |      | 2019           | 2018            | 2019          | 2018          |
|  | Note | \$'000         | \$'000          | \$'000        | \$'000        |
| <b>Income</b>  |      |                |                 |               |               |
| Revenue from operating activities  | 2    | 73,600         | 65,846          | -             | -             |
| Revenue from property inventory  |      | 36,000         | -               | -             | -             |
| Interest income  |      | 2,123          | 1,156           | 22            | 27            |
| Rental income  |      | 4,908          | 4,623           | 18,245        | 17,128        |
| Share of (loss) / profit from equity accounted investments                                 |      | 2,243          | 4,266           | 2,210         | 4,266         |
| Realised gain on disposal of investment  |      | 2,940          | 531             | 4,650         | 531           |
| Fair value gain / (loss) on revaluation of assets / investment properties                  |      | 285            | -               | 15,093        | -             |
| Other income   |      | 432            | 252             | 386           | 109           |
| <b>Total income</b>  |      | <b>122,531</b> | <b>76,675</b>   | <b>40,606</b> | <b>22,061</b> |
| <b>Expenses</b>  |      |                |                 |               |               |
| Changes in inventories of finished goods   |      | 26,604         | 8,190           | -             | -             |
| Salary and employee benefits   |      | 33,503         | 30,914          | 879           | 1,140         |
| Property expenses  |      | 7,692          | 6,560           | 638           | 461           |
| Operator management costs  |      | 4,650          | 3,344           | 2,621         | 2,013         |
| Borrowing costs  |      | 9,257          | 6,733           | 5,789         | 4,493         |
| Depreciation   |      | 9,207          | 7,568           | 1,748         | -             |
| Amortisation   |      | 781            | 640             | 242           | 201           |
| Marketing and promotion  |      | 3,194          | 2,972           | 97            | 97            |
| Repairs, maintenance and technology  |      | 1,312          | 1,484           | 165           | 126           |
| Transaction, establishment costs and fair value decrement                                  |      | -              | 9,311           | -             | 11,271        |
| Other expenses   |      | 6,464          | 1,228           | 2,218         | 297           |
| <b>Total expenses</b>  |      | <b>102,664</b> | <b>78,946</b>   | <b>14,397</b> | <b>20,099</b> |
| <b>Net profit / (loss) before income tax expense</b>                                       |      | <b>19,867</b>  | <b>(2,271)</b>  | <b>26,209</b> | <b>1,962</b>  |
| Income tax expense / (benefit)   | 6    | 3,823          | (234)           | -             | -             |
| <b>Net profit / (loss) for the period from continuing operations</b>                       |      | <b>16,044</b>  | <b>(2,037)</b>  | <b>26,209</b> | <b>1,962</b>  |
| Discontinued operations:   |      |                |                 |               |               |
| Net profit / (loss) for the period from discontinued operations after tax                  | 4    | 150            | (18,328)        | -             | -             |
| <b>Net profit / (loss) for the period</b>  |      | <b>16,194</b>  | <b>(20,365)</b> | <b>26,209</b> | <b>1,962</b>  |
| <b>Attributable to security holders of:</b>  |      |                |                 |               |               |
| - Parent Entity  |      | 4,900          | (25,694)        | 25,803        | 5,020         |
| - Non-controlling interest EIF   |      | 10,622         | 10,392          | -             | -             |
| <b>Net profit / (loss) attributable to ENN security holders</b>                            |      | <b>15,522</b>  | <b>(15,302)</b> | <b>25,803</b> | <b>5,020</b>  |
| <b>Attributable to security holders of:</b>  |      |                |                 |               |               |
| - External Non-controlling interest  |      | 672            | (5,063)         | 407           | (3,058)       |
| <b>Net profit / (loss) for the period</b>  |      | <b>16,194</b>  | <b>(20,365)</b> | <b>26,210</b> | <b>1,962</b>  |
| <b>Net profit / (loss) attributable to equity holders of the parent entity relates to:</b> |      |                |                 |               |               |
| Profit from continuing operations  |      | 4,750          | (7,366)         | 25,803        | 5,020         |
| Profit / (Loss) from discontinued operations   |      | 150            | (18,328)        | -             | -             |
| <b>Net profit / (loss) for the period</b>  |      | <b>4,900</b>   | <b>(25,694)</b> | <b>25,803</b> | <b>5,020</b>  |
| Basic earnings / (loss) per stapled security from continuing operations (cents)            | 5    | 16.04          | 3.32            |               |               |
| Diluted earnings / (loss) per stapled security from continuing operations (cents)          | 5    | 16.04          | 3.28            |               |               |
| <b>Basic earnings / (loss) of the parent entity from continuing operations (cents)</b>     |      |                |                 |               |               |
|  | 5    | 4.96           | (8.08)          |               |               |
| <b>Diluted earnings / (loss) of the parent entity from continuing operations (cents)</b>   |      |                |                 |               |               |
|  | 5    | 4.96           | (7.98)          |               |               |

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 YEAR ENDED 30 JUNE 2019

|  | Consolidated Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated Group<br>30 June<br>2018<br>\$'000 | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|--|---|---|---|---|
| <b>Net profit / (loss) for the period</b>  | <b>16,194</b>                                   | <b>(20,364)</b>   | <b>26,209</b>                             | <b>1,962</b>                              |
| Other comprehensive income   |   |   |   |   |
| <i>Items that may be reclassified subsequently to profit and loss</i>                          |   |   |   |   |
| (Loss) on revaluation of cash flow hedge   | (1,790)   | (117)   | (1,697)                                   | (172)                                     |
| <i>Items that may not be reclassified to profit and loss</i>                                   |   |   |   |   |
| Share of asset revaluation reserve from equity accounted investments                           | 3,519   | 259   | 3,555                                     | 260                                       |
| Gain on revaluation of property, plant and equipment   | 15,487  | 14,824  | 15,487                                    | 15,197                                    |
| Income tax relating to these items   | (12)  | (13)  | -   | -   |
| Other comprehensive income for the period, net of tax  | 17,204  | 14,953  | 17,345                                    | 15,285                                    |
| Total comprehensive income / (loss) net of tax from continuing operations                      | 33,248  | 12,917  | 43,554                                    | 17,247                                    |
| Total comprehensive income / (loss) net of tax from discontinued operations                    | 150   | (18,328)  | -   | -   |
| <b>Total comprehensive income / (loss) for the period, net of tax</b>                          | <b>33,398</b>                                   | <b>(5,411)</b>  | <b>43,554</b>                             | <b>17,247</b>                             |
| <b>Attributable to security holders of:</b>  |   |   |   |   |
| - Parent entity  | 4,682   | (25,609)  | 32,674                                    | 11,323                                    |
| - Non-controlling interest - EIF   | 17,642  | 16,383  | (1)                                       | 114                                       |
| <b>Total comprehensive income / (loss) for the period, net of tax, of ENN security holders</b> | <b>22,324</b>                                   | <b>(9,226)</b>  | <b>32,673</b>                             | <b>11,437</b>                             |
| <b>Attributable to security holders of:</b>  |   |   |   |   |
| - External non-controlling interest  | 11,074  | 3,815   | 10,881                                    | 5,810                                     |
| <b>Total comprehensive income / (loss) for the period, net of tax</b>                          | <b>33,398</b>                                   | <b>(5,411)</b>  | <b>43,554</b>                             | <b>17,247</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 30 JUNE 2019

|  |       | Restated<br>Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Consolidated<br>Group<br>30 June<br>2018<br>\$'000 | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|--|-------|--|--|---|---|
|  | Note  |  |  |   |   |
| <b>Current assets</b>  |       |  |  |   |   |
| Cash and cash equivalents                                    |       | 19,281   | 14,034   | 1,094                                     | 2,883                                     |
| Receivables  | 19,29 | 14,735   | 17,146   | 15,681                                    | 6,849                                     |
| Financial assets   | 13    | 45,034   | 15,707   | –   | –   |
| Inventories  |       | 994  | 869  | –   | –   |
| Other current assets   |       | 1,735  | 1,509  | 698                                       | 332                                       |
| Current tax asset  |       | 4,674  | 2,763  | –   | –   |
| Assets held for sale   | 4     | 714  | 12,722   | –   | –   |
| <b>Total current assets</b>                                  |       | <b>87,167</b>  | <b>64,750</b>                                      | <b>17,473</b>                             | <b>10,064</b>                             |
| <b>Non-current assets</b>                                    |       |  |  |   |   |
| Property, plant and equipment                                | 8     | 237,286  | 224,803  | –   | –   |
| Investment properties  | 9,29  | 58,859   | 52,202   | 270,747                                   | 248,291                                   |
| Non-current inventories                                      |       | –  | 16,490   | –   | –   |
| Equity accounted investments                                 | 10,29 | 76,701   | 49,375   | 73,598                                    | 49,375                                    |
| Goodwill and intangible assets                               | 21    | 750  | 900  | –   | –   |
| Deferred tax assets  | 6     | 8,061  | 8,204  | –   | –   |
| <b>Total non-current assets</b>                              |       | <b>381,657</b>   | <b>351,974</b>                                     | <b>344,345</b>                            | <b>297,666</b>                            |
| <b>Total assets</b>  |       | <b>468,824</b>   | <b>416,724</b>                                     | <b>361,818</b>                            | <b>307,730</b>                            |
| <b>Current liabilities</b>                                   |       |  |  |   |   |
| Payables   | 20,29 | 7,392  | 7,623  | 5,342                                     | 2,999                                     |
| Derivative financial instruments                             | 12,29 | 1,261  | 90   | 1,180                                     | 66  |
| Interest bearing liabilities                                 | 11,29 | –  | 46,691   | 1,600                                     | 34,630                                    |
| Current provisions   | 20    | 2,076  | 1,952  | –   | –   |
| Other current liabilities                                    | 20    | 310  | 749  | 10  | –   |
| Income tax payable   |       | –  | –  | –   | –   |
| Contract liabilities   |       | 692  | 1,800  | 19  | 170                                       |
| Liabilities directly associated with discontinued operations | 4     | 4,677  | 20,728   | –   | –   |
| <b>Total current liabilities</b>                             |       | <b>16,408</b>  | <b>79,633</b>                                      | <b>8,151</b>                              | <b>37,865</b>                             |
| <b>Non-current liabilities</b>                               |       |  |  |   |   |
| Derivative financial instruments                             | 12    | 1,030  | 354  | 937                                       | 354                                       |
| Interest bearing liabilities                                 | 11,29 | 198,241  | 126,967  | 114,166                                   | 63,496                                    |
| Non-current provisions                                       | 20    | 747  | 398  | –   | –   |
| Other non-current liabilities                                | 20    | 366  | 439  | 300                                       | –   |
| Deferred tax liabilities                                     | 6     | 6,157  | 421  | –   | –   |
| Loan from the Company  |       | –  | –  | 29,538                                    | 30,891                                    |
| <b>Total non-current liabilities</b>                         |       | <b>206,541</b>   | <b>128,579</b>                                     | <b>144,941</b>                            | <b>94,741</b>                             |
| <b>Total liabilities</b>                                     |       | <b>222,949</b>   | <b>208,212</b>                                     | <b>153,092</b>                            | <b>132,606</b>                            |
| <b>Net assets</b>  |       | <b>245,875</b>   | <b>208,512</b>                                     | <b>208,726</b>                            | <b>175,124</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 30 JUNE 2019

|   |    | Restated       |                |                |
|---|----|----------------|----------------|----------------|
|   |    | Consolidated   | Consolidated   | EIF            |
|   |    | Group          | Group          | Group          |
|   |    | 30 June        | 30 June        | 30 June        |
|   |    | 2019           | 2018           | 2019           |
|   |    | \$'000         | \$'000         | \$'000         |
|   |    | 2019           | 2018           | 2019           |
| <b>Equity</b>   |    |                |                |                |
| <i>Equity Holders of Parent Entity</i>                        |    |                |                |                |
| Contributed equity  | 14 | 61,672         | 57,994         | 74,466         |
| Treasury shares   | 14 | (349)          | (179)          | (808)          |
| Reserves  | 15 | 13,929         | 13,648         | 13,972         |
| Retained accumulated profits / (losses)                       |    | (32,699)       | (33,729)       | 45,503         |
| <b>Parent entity interest</b>                                 |    | <b>42,553</b>  | <b>37,734</b>  | <b>133,133</b> |
| <i>Equity Holders of Non Controlling Interest</i>             |    |                |                |                |
| Contributed equity - Elanor Investment Fund                   | 14 | 74,466         | 67,338         | -              |
| Treasury shares   | 14 | (808)          | (347)          | -              |
| Reserves  | 15 | 40,550         | 34,932         | -              |
| Retained accumulated profits / (losses)                       |    | 3,925          | (902)          | -              |
| <b>Non-controlling interest</b>                               |    | <b>118,133</b> | <b>101,021</b> | <b>-</b>       |
| <i>Equity Holders of Non Controlling Interest - External</i>  |    |                |                |                |
| Contributed equity - External                                 |    | 54,023         | 70,749         | 52,138         |
| Reserves  | 15 | 19,682         | 9,395          | 5,789          |
| Retained accumulated profits / (losses)                       |    | 11,484         | (10,387)       | 17,666         |
| <b>External Non-controlling interest</b>                      |    | <b>85,189</b>  | <b>69,757</b>  | <b>75,593</b>  |
| <b>Total equity attributable to stapled security holders:</b> |    |                |                |                |
| - Parent Entity   |    | 42,553         | 37,734         | 133,133        |
| - Non-controlling Interest - EIF                              |    | 118,133        | 101,021        | -              |
| <b>Total equity attributable to ENN security holders</b>      |    | <b>160,686</b> | <b>138,755</b> | <b>133,133</b> |
| <b>Total equity attributable to stapled security holders:</b> |    |                |                |                |
| - Non-controlling interest - External                         |    | 85,189         | 69,757         | 75,593         |
| <b>Total equity</b>   |    | <b>245,875</b> | <b>208,512</b> | <b>208,726</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 YEAR ENDED 30 JUNE 2019

| Note   | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment Reserve | Retained profits/ losses (accumulated) | 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 2018                                  | 57,994             | (179)           | 13,130                    | 18                      | 500                            | (33,730)                               | 37,733                     | 101,020                      | 138,753          | 69,757                            | 208,512        |
| Profit / (loss) for the period                               | -                  | -               | -                         | -                       | -                              | 4,750                                  | 4,750                      | 10,772                       | 15,522           | 672                               | 16,194         |
| Other comprehensive income / (expense) for the period        | -                  | -               | (36)                      | (33)                    | -                              | -                                      | (68)                       | 6,871                        | 6,802            | 10,393                            | 17,195         |
| <b>Total comprehensive income / (expense) for the period</b> | -                  | -               | (36)                      | (33)                    | -                              | 4,750                                  | 4,682                      | 17,643                       | 22,324           | 11,065                            | 33,389         |
| <b>Transactions with owners in their capacity as owners:</b> |                    |                 |                           |                         |                                |  |                            |                              |                  |                                   |                |
| Contributions of equity, net of issue costs                  | 14                 | 3,678           | (170)                     | -                       | -                              | -                                      | 3,508                      | 7,119                        | 10,627           | 11,207                            | 21,834         |
| Reserve transfer relating to disposed assets                 |                    | -               | -                         | -                       | -                              | -                                      | -                          | -                            | -                | -                                 | -              |
| Security-based payments                                      | 14                 | -               | -                         | -                       | -                              | 349                                    | 349                        | 721                          | 1,071            | -                                 | 1,071          |
| Distributions paid and payable                               |                    | -               | -                         | -                       | -                              | (3,719)                                | (3,719)                    | (8,370)                      | (12,090)         | (6,841)                           | (18,931)       |
| <b>Total equity at 30 June 2019</b>                          |                    | <b>61,672</b>   | <b>(349)</b>              | <b>13,094</b>           | <b>(15)</b>                    | <b>849</b>                             | <b>42,553</b>              | <b>118,133</b>               | <b>160,685</b>   | <b>85,189</b>                     | <b>245,875</b> |

| Note   | Contributed equity | Treasury shares | Asset Revaluation Reserve | Cash flow Hedge Reserve | Security Based Payment Reserve | Retained profits/ losses (accumulated) | 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>Restated</b>  |                    |                 |                           |                         |                                |  |                            |                              |                  |                                   |                |
| <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                               | -                  | -               | -                         | -                       | -                              | (15,240)                               | (15,240)                   | 10,391                       | (4,849)          | (5,063)                           | (9,911)        |
| Other comprehensive income / (expense) for the period        | -                  | -               | 65                        | 18                      | -                              | 113                                    | 196                        | 5,879                        | 6,075            | 8,878                             | 14,953         |
| Restatement due to AASB 15                                   | -                  | -               | -                         | -                       | -                              | (10,452)                               | (10,452)                   | -                            | (10,452)         | -                                 | (10,452)       |
| <b>Total comprehensive income / (expense) for the period</b> | -                  | -               | <b>65</b>                 | <b>18</b>               | -                              | <b>(25,579)</b>                        | <b>(25,496)</b>            | <b>16,270</b>                | <b>(9,226)</b>   | <b>3,815</b>                      | <b>(5,410)</b> |
| <b>Transactions with owners in their capacity as owners:</b> |                    |                 |                           |                         |                                |  |                            |                              |                  |                                   |                |
| Contributions of equity, net of issue costs                  | 14                 | 2,226           | 512                       | -                       | -                              | -                                      | 2,738                      | 3,236                        | 5,974            | 40,420                            | 46,395         |
| Security-based payments                                      | 14                 | -               | -                         | -                       | -                              | (284)                                  | (284)                      | (224)                        | (508)            | -                                 | (508)          |
| Distributions paid and payable                               |                    | -               | -                         | -                       | -                              | (923)                                  | (923)                      | (11,527)                     | (12,450)         | (1,807)                           | (14,257)       |
| <b>Total equity at 30 June 2018</b>                          |                    | <b>57,994</b>   | <b>(179)</b>              | <b>13,130</b>           | <b>18</b>                      | <b>500</b>                             | <b>37,733</b>              | <b>101,020</b>               | <b>138,753</b>   | <b>69,757</b>                     | <b>208,512</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 YEAR ENDED 30 JUNE 2019

| Note   | Contributed<br>equity | Treasury<br>shares | Asset<br>Revaluation<br>Reserve | Cash flow<br>Hedge<br>Reserve | Security<br>Based<br>Payment<br>Reserve | Retained<br>profits/<br>(accumulated<br>losses) | Parent<br>Entity<br>Total<br>Equity | External<br>Non-<br>controlling<br>interest | Total<br>Equity |
|--|-----------------------|--------------------|---------------------------------|-------------------------------|---|---|-------------------------------------|---|-----------------|
|  | \$'000                | \$'000             | \$'000                          | \$'000                        | \$'000                                  | \$'000  | \$'000                              | \$'000                                      | \$'000          |
| <b>EIF Group</b>   |                       |                    |                                 |                               |   |   |                                     |   |                 |
| Total equity at 1 July 2018                                  | 67,338                | (347)              | 7,903                           | (194)                         | 644                                     | 30,114  | 105,457                             | 69,667                                      | 175,124         |
| Profit / (loss) for the period                               | -                     | -                  | -                               | -                             | -                                       | 25,803  | 25,803                              | 407   | 26,210          |
| Other comprehensive income / (expense) for the period        | -                     | -                  | -                               | (570)                         | -                                       | -   | (570)                               | (1,126)                                     | (1,696)         |
| Share of reserves of equity accounted investments            | -                     | -                  | 7,442                           | -                             | -                                       | -   | 7,442                               | 11,601                                      | 19,043          |
| <b>Total comprehensive income / (expense) for the period</b> | <b>-</b>              | <b>-</b>           | <b>7,442</b>                    | <b>(570)</b>                  | <b>-</b>                                | <b>25,803</b>                                   | <b>32,674</b>                       | <b>10,881</b>                               | <b>43,557</b>   |
| <b>Transactions with owners in their capacity as owners:</b> |                       |                    |                                 |                               |   |   |                                     |   |                 |
| Contributions of equity, net of issue costs                  | 14                    | 7,128              | (461)                           | -                             | -                                       | -   | 6,667                               | (2,132)                                     | 4,535           |
| Reserve transfer relating to disposed assets                 |                       | -                  | -                               | (1,974)                       | -                                       | 1,974   | -                                   | -   | -               |
| Security-based payments                                      |                       | -                  | -                               | -                             | 721                                     | -   | 721                                 | -   | 721             |
| Distributions paid and payable                               |                       | -                  | -                               | -                             | -                                       | (12,388)  | (12,388)                            | (2,822)                                     | (15,211)        |
| <b>Total equity at 30 June 2019</b>                          |                       | <b>74,466</b>      | <b>(808)</b>                    | <b>13,371</b>                 | <b>(764)</b>                            | <b>1,365</b>                                    | <b>45,503</b>                       | <b>133,131</b>                              | <b>208,726</b>  |

| Note   | Contributed<br>equity | Treasury<br>shares | Asset<br>Revaluation<br>Reserve | Cash flow<br>Hedge<br>Reserve | Security<br>Based<br>Payment<br>Reserve | Retained<br>profits/<br>(accumulated<br>losses) | Parent<br>Entity<br>Total<br>Equity | External<br>Non-<br>controlling<br>interest | Total<br>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                               | -                     | -                  | -                               | -                             | -                                       | 5,020   | 5,020                               | (3,057)                                     | 1,962           |
| Other comprehensive income / (expense) for the period        | -                     | -                  | -                               | -                             | -                                       | -   | -                                   | (83)  | (83)            |
| Share of reserves of equity accounted investments            | -                     | -                  | 6,394                           | (90)                          | -                                       | 114   | 6,417                               | 8,949                                       | 15,367          |
| <b>Total comprehensive income / (expense) for the period</b> | <b>-</b>              | <b>-</b>           | <b>6,394</b>                    | <b>(90)</b>                   | <b>-</b>                                | <b>5,134</b>                                    | <b>11,437</b>                       | <b>5,809</b>                                | <b>17,246</b>   |
| <b>Transactions with owners in their capacity as owners:</b> |                       |                    |                                 |                               |   |   |                                     |   |                 |
| Contributions of equity, net of issues costs                 | 14                    | 2,835              | 402                             | -                             | -                                       | -   | 3,236                               | 38,625                                      | 41,862          |
| Security-based payments                                      |                       | -                  | -                               | -                             | (225)                                   | -   | (225)                               | -   | (225)           |
| Distributions paid and payable                               |                       | -                  | -                               | -                             | -                                       | (11,527)  | (11,527)                            | (1,807)                                     | (13,334)        |
| <b>Total equity at 30 June 2018</b>                          |                       | <b>67,338</b>      | <b>(347)</b>                    | <b>7,903</b>                  | <b>(194)</b>                            | <b>644</b>                                      | <b>30,114</b>                       | <b>105,457</b>                              | <b>175,124</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 YEAR ENDED 30 JUNE 2019

|  | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Consolidated<br>Group<br>30 June<br>2018<br>\$'000 | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|--|--|--|---|---|
| Note   |  |  |   |   |
| <b>Cash flows from operating activities</b>  |  |  |   |   |
| Receipts from customers  | 86,747   | 117,734  | –   | –   |
| Payments to suppliers and employees  | (76,995)   | (105,661)  | (4,743)                                   | (3,565)                                   |
| Interest received  | 2,122  | 879  | 22  | 27  |
| Finance costs paid   | (9,131)  | (5,959)  | (5,697)                                   | (4,493)                                   |
| Rent receipts from the Company   | –  | –  | 11,663                                    | 16,471                                    |
| Income tax paid  | (16)   | (2,249)  | –   | –   |
| <b>Net cash flows from operating activities</b>  | <b>7</b>   | <b>2,727</b>                                       | <b>1,245</b>                              | <b>8,440</b>                              |
| <b>Cash flows from investing activities</b>  |  |  |   |   |
| Receipts for business and asset disposals <sup>1</sup>                                       | 5,400  | –  | –   | –   |
| Receipts from the sale of subsidiaries and investment  | –  | 1,591  | –   | 1,591                                     |
| Receipts for financial asset disposals   | –  | –  | –   | –   |
| Financial assets acquired  | 825  | (15,707)   | –   | –   |
| Payments for asset acquisition   | –  | (108,450)  | –   | (101,850)                                 |
| Payments for property, plant and equipment / investment properties                           | (15,088)   | (4,730)  | (6,046)                                   | (826)                                     |
| Transaction costs for asset acquisitions   | –  | (7,619)  | –   | (7,619)                                   |
| Loans to associates  | 1,332  | (5,747)  | 16  | 2,144                                     |
| Payments for equity accounted investments  | (48,432)   | (3,161)  | (44,758)                                  | (3,161)                                   |
| Receipts for equity accounted investments  | 28,368   | –  | 27,930                                    | –   |
| Distributions received from equity accounted investments                                     | 3,589  | 3,144  | 3,589                                     | 3,144                                     |
| Loans from Company   | –  | –  | (1,353)                                   | 18,022                                    |
| <b>Net cash flows used in investing activities</b>   | <b>(24,006)</b>                                    | <b>(140,679)</b>                                   | <b>(20,622)</b>                           | <b>(88,555)</b>                           |
| <b>Cash flows from financing activities</b>  |  |  |   |   |
| Net proceeds from borrowings   | 24,134   | 106,018  | 17,639                                    | 46,140                                    |
| Proceeds from equity raisings  | 18,464   | 46,075   | 15,466                                    | 41,993                                    |
| Costs associated with equity raisings  | (462)  | (271)  | (306)                                     | (236)                                     |
| Distributions paid to unit holders   | (18,931)   | (14,257)   | (15,211)                                  | (13,334)                                  |
| <b>Net cash flows from financing activities</b>  | <b>23,205</b>                                      | <b>137,565</b>                                     | <b>17,588</b>                             | <b>74,563</b>                             |
| Net increase / (decrease) in cash and cash equivalents                                       | 1,926  | 1,630  | (1,789)                                   | (5,552)                                   |
| Cash and cash equivalents at the beginning of the period                                     | 17,355   | 15,725   | 2,883                                     | 8,435                                     |
| <b>Cash at the end of the period</b>   | <b>19,281</b>                                      | <b>17,355</b>                                      | <b>1,094</b>                              | <b>2,883</b>                              |
| Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position) | 19,281   | 14,034   | 1,094                                     | 2,883                                     |
| Cash and cash equivalents (included within assets held for sale)                             | –  | 3,321  | –   | –   |
| <b>Cash at the end of the period</b>   | <b>19,281</b>                                      | <b>17,355</b>                                      | <b>1,094</b>                              | <b>2,883</b>                              |

Note 1: The receipt for business and asset disposals amount includes the net cash proceeds received from the sale of the Merrylands property during the period. The gross amount of \$34.2 million relating to the sale of the Merrylands property is offset against the vendor finance amount of \$28.8 million, that was provided to the purchaser as part of the settlement and is classified as a financial asset in the financial statements.

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 YEAR ENDED 30 JUNE 2019

### About this Report

Elanor Investors Group (Group, Consolidated Group or Elanor) is a 'stapled' entity comprising Elanor Investors Limited (EIL or Company) and its controlled entities (EIL Group) and Elanor Investment Fund (Trust) and its controlled entities (EIF Group). The units in the Trust are stapled to shares in the Company. The stapled securities cannot be traded or dealt with separately. The stapled securities of the Group are listed on the Australian Securities Exchange (ASX: ENN). As permitted by 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 financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (the Board or AASB) and the Corporations Act 2001.

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

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

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 Consolidation

The consolidated Financial Statements of the Group incorporate the assets and liabilities of Elanor Investors Limited (the Parent) and all of its subsidiaries, including Elanor Investment Fund and its subsidiaries as at 30 June 2019. Elanor Investors Limited is the parent entity in relation to the stapling. The results and equity of Elanor Investment Fund (which is not directly owned by Elanor Investors Limited) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of Elanor Investment Fund are disclosed as a non-controlling interest, the stapled security holders of Elanor Investment Fund are the same as the stapled security holders of Elanor Investors Limited.

These consolidated Financial Statements also include a separate column representing the consolidated Financial Statements of EIF Group, incorporating the assets and liabilities of Elanor Investment Fund and all of its subsidiaries, as at 30 June 2019.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### **Control of Elanor Metro and Prime Regional Hotel Fund (EMPR) Bluewater Square Syndicate (Bluewater) and Auburn Office Syndicate (Auburn Office)**

#### **EMPR**

EMPR comprises stapled securities in Elanor Metro and Prime Regional Hotel Fund, EMPR Management Pty Limited, Elanor Metro and Prime Regional Hotel Fund II (formerly known as Elanor Hospitality and Accommodation Fund) and EMPR II Management Pty Limited (formerly known as EHAF Management Pty Limited). The Group holds 31.11% of the equity in EMPR. The Group's 31.11% 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 42.27% of the equity in Bluewater Square Syndicate (Bluewater). The Group's 42.27% 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.

#### **Auburn Office**

The Group holds 100% of the equity in Auburn Office Syndicate. The Group's 100% ownership interest in the Auburn Office Syndicate gives the Group the same percentage of the voting rights in the Auburn Office Syndicate. The Auburn Office Syndicate is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### New accounting standards and interpretations

Certain new Accounting Standards and Interpretations have been published that are mandatory for the financial year ended 30 June 2019. The Group's assessment of the impact of these new standards and interpretation are set out below.

| Reference  | Description   | Impact on the Group's financial statements   |
|--|---|--|
| AASB 9 <i>Financial Instruments</i> (Applicable 1 January 2018)                  | AASB 9 addresses the classification, measurement and de-recognition of financial assets and liabilities and introduces new rules for hedge accounting and impairment of financial assets.   | Adoption of the new standard did not have an impact on the measurement and recognition of amounts of the Group's financial statements.<br><br>The Group adopted the standard in the financial year beginning 1 July 2018.  |
| AASB 15 <i>Revenue from Contracts with Customers</i> (Applicable 1 January 2018) | AASB 15 introduces a five-step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. | The Group's main sources of income are funds management fees, rental income and revenue from hotels and wildlife parks. These sources of income are within the scope of the new revenue standard.<br><br>An assessment has been performed on the Group's existing revenue streams.<br><br>The estimated non-lease component in the year ending 30 June 2019 was \$0.5 million.<br><br>Based upon the assessment, AASB 15 impacts the timing of the revenue recognition and the disclosure of the sale of the Merrylands Property. The sale price of \$36 million, generating a net profit after tax of approximately \$10.5 million, has been recognised in the consolidated financial statements for the year ended 30 June 2019. This transaction was recognised in the consolidated financial statements for the year ended 30 June 2018 under the previous accounting standard, AASB 118.<br><br>The Group retrospectively adopted the standard in the financial year beginning 1 July 2018. |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### New accounting standards and interpretations (continued)

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the financial year ended 30 June 2019 but are available for early adoption. They have not been applied in preparing this financial report. The Group's assessment of the impact of these new standards and interpretation are set out below.

| Reference   | Description  | Impact on the Group's financial statements  |
|---|--|---|
| Proposed standard<br>Conceptual Framework for<br>Financial Reporting and<br>relevant amending<br>standards  | <p>The IASB makes amendments to various IFRS Standards to reflect the issue of the IASB's revised Conceptual Framework.</p> <p>The IASB's revised Conceptual Framework provides updated definition and recognition criteria for asset and liabilities and introduces new guidance on a number of topics including the reporting entity and presentation and disclosure and clarifies a number of other matters.</p> <p>AASB has not yet issued the equivalent pronouncement.</p> | The Group does not anticipate that the application of the amendments will have a material impact on the Group's financial statement.  |
| AASB 16 <i>Leases</i> (Applicable 1 January 2019 – early adoption allowed if AASB 15 is adopted at the same time)                                       | AASB 16 introduces new requirements in relation to lease classification and recognition, measurement and presentation and disclosure of leases for lessees and lessors. For lessees a (right-of-use) asset and a lease liability will be recognised on the balance sheet in respect of all leases subject to limited exceptions. The accounting for lessors will not significantly change.   | <p>The Group is party to long-term non-cancellable property leases which are not expected to have a material impact when recognised in the statement of financial position.</p> <p>The expected impact on the Group as at the date of adoption of 1 July 2019 is to record lease liabilities and right of use assets of \$0.99 million.</p> <p>The Group will adopt the standard in the financial year beginning 1 July 2019.</p> |
| AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle (Effective for reporting periods after 1 January 2019). | Amendments made to the following accounting standards:<br><i>AASB 3 Business Combination;</i><br><i>AASB 11 Joint Arrangements;</i><br><i>AASB 112 Income Tax;</i> and<br><i>AASB 13 Borrowing costs.</i>  | The Group does not anticipate that the application of the amendments will have a material impact on the Group's financial statement.  |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Impact of the application of AASB 15 on Comparatives of Consolidated Statements of Financial Position for Consolidated Group

The Group has adopted AASB 15 from 1 July 2018, which has resulted in changes in accounting policy and adjustments to the amounts recognised in the consolidated financial statements. In accordance with transitional provisions in AASB 15, the Group has adopted the new rules using fully retrospective transitional approach and has restated comparatives for the sale of the Merrylands Property, recognised under AASB 118, in the year ended 30 June 2018.

A reconciliation of the adjustment to the consolidated statements of Financial Position due to the application of AASB 15 is presented below:

|   | As reported on 30<br>June 2018<br>\$'000 | AASB 15<br>restatement<br>\$'000 | Restated 30<br>June 2018<br>\$'000 |
|---|--|----------------------------------|------------------------------------|
| Receivables   | 51,346                                   | (34,200)                         | 17,146                             |
| Non-current inventory                                     | –  | 16,490                           | 16,490                             |
| Property, plant and equipment                             | 222,877                                  | 1,926                            | 224,803                            |
| Deferred tax assets                                       | 4,265                                    | 3,939                            | 8,204                              |
| Other assets not impacted by AASB15 adoption <sup>1</sup> | 150,081                                  | –                                | 150,081                            |
| <b>Total assets</b>                                       | <b>428,569</b>                           | <b>(11,845)</b>                  | <b>416,724</b>                     |
|   |  |                                  | –                                  |
| Payables  | 10,816                                   | (3,193)                          | 7,623                              |
| Contract liabilities                                      | –  | 1,800                            | 1,800                              |
| Other liabilities not impacted by AASB15 adoption         | 198,789                                  | –                                | 198,789                            |
| <b>Total liabilities</b>                                  | <b>209,605</b>                           | <b>(1,393)</b>                   | <b>208,212</b>                     |
| <b>Net asset</b>  | <b>218,964</b>                           | <b>(10,452)</b>                  | <b>208,512</b>                     |
|   |  |                                  |                                    |
| Retained earnings <sup>2</sup>                            | (34,566)                                 | (10,452)                         | (45,018)                           |
| Other equity not impacted by AASB15 adoption              | 253,530                                  | –                                | 253,530                            |
| <b>Total equity</b>                                       | <b>218,964</b>                           | <b>(10,452)</b>                  | <b>208,512</b>                     |

|  | As reported on 30<br>June 2018<br>\$'000 | AASB 15<br>restatement<br>\$'000 | Restated 30<br>June 2018<br>\$'000 |
|--|--|----------------------------------|------------------------------------|
| Sale of Merrylands   | 36,000                                   | (36,000)                         | –                                  |
| Cost of goods sold   | (26,606)                                 | 18,416                           | (8,190)                            |
| Other expenses related to sale                             | (3,881)                                  | 2,653                            | (1,228)                            |
| Tax expense  | (4,244)                                  | 4,478                            | 234                                |
| <b>Impact on Consolidated Statements of Profit or Loss</b> | <b>1,269</b>                             | <b>(10,453)</b>                  | <b>(9,184)</b>                     |

|   | As reported on 30<br>June 2018<br>\$'000 | AASB 15<br>restatement<br>\$'000 | Restated 30<br>June 2018<br>\$'000 |
|---|--|----------------------------------|------------------------------------|
| Net cash outflow from operating activities            | –  | –                                | –                                  |
| Net cash inflow / (outflow) from investing activities | –  | –                                | –                                  |
| Net cash outflow / (inflow) from financing activities | –  | –                                | –                                  |
| <b>Impact on Consolidated Statements of Cash Flow</b> | <b>–</b>                                 | <b>–</b>                         | <b>–</b>                           |

Note 1: Financial line items not impacted by the adoption of AASB15 are aggregated.

Note 2: There is no impact on July 2017 opening retained earnings due to application of AASB 15.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 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.

As a result of the sale of the Merrylands property and the John Cootes Furniture business being treated as a discontinued operation, the Group has determined that the Special Situations Investment segment is no longer required for internal reporting purposes and is therefore not reported as a segment in these financial statements.

The main income statement items used by management to assess each of the divisions are divisional revenue and divisional EBITDA. In addition, depreciation and amortisation are analysed by division. Each of these income statement items is reviewed after adjusting for transaction and establishment costs, amortisation of intangible assets and impairment of goodwill.

#### BUSINESS SEGMENTS

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

##### Funds Management

The Funds Management division manages third party owned investment funds and syndicates. As at 30 June 2019, the Funds Management division has approximately \$1,387 million of external investments under management, being the managed investments.

##### Hotels, Tourism and Leisure

Hotels, Tourism and Leisure originates and manages investment and fund management assets. The current investment portfolio includes Featherdale Wildlife Park, Ibis Styles Albany Hotel and 1834 Hospitality, along with a co-investment in Elanor Metro and Prime Regional Fund (Peppers Cradle Mountain Lodge, Mantra Wollongong Hotel, Mantra Pavilion Wagga Wagga, Ibis Styles Port Macquarie, Ibis Styles Tall Trees, Parklands Resort Mudgee, Eaglehawk Hotel, Byron Bay Hotel and Narrabundah Hotel). EMPR is consolidated in the Financial Statements.

##### Real Estate

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



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Segment information (continued)

The table below shows segment results from continuing operations:

#### Consolidated Group – 30 June 2019

|   | Funds<br>Management | Hotels,<br>Tourism<br>& Leisure | Real Estate  | Unallocated<br>Corporate <sup>1</sup> | Total         |
|---|---------------------|---------------------------------|--------------|---------------------------------------|---------------|
|   | \$'000              | \$'000                          | \$'000       | \$'000                                | \$'000        |
| Revenue from trading activities                             | 11,219              | 48,468                          | 4,891        | 17                                    | 64,595        |
| Revenue from wildlife parks                                 | –                   | 13,913                          | –            | –                                     | 13,913        |
| Revenue from sale of property inventory                     | –                   | –                               | –            | 36,000                                | 36,000        |
| Share of profit of equity accounted investments             | –                   | (29)                            | 2,272        | –                                     | 2,243         |
| Operating expense   | (2,651)             | (46,458)                        | (4,727)      | (27,930)                              | (81,766)      |
| Divisional EBITDA   | 8,569               | 15,893                          | 2,436        | 8,087                                 | 34,985        |
| Depreciation and amortisation                               | (150)               | (8,734)                         | –            | (473)                                 | (9,357)       |
| Divisional EBIT from continuing operations                  | 8,419               | 7,160                           | 2,436        | 7,614                                 | 25,628        |
| Fair value adjustment on revaluation of investment property | –                   | –                               | 3,436        | –                                     | 3,436         |
| Realised gain on disposal of investment                     | –                   | 1,520                           | 1,420        | –                                     | 2,940         |
| Unrealised loss   | –                   | (1,070)                         | –            | –                                     | (1,070)       |
| Acquisition costs   | –                   | (3,151)                         | –            | –                                     | (3,151)       |
| Interest income   | 219                 | 33                              | 2            | 1,869                                 | 2,123         |
| Amortisation of Borrowing costs                             | –                   | –                               | –            | (631)                                 | (631)         |
| Borrowing costs   | –                   | –                               | –            | (9,257)                               | (9,257)       |
| Net tax benefit / (expense)                                 | –                   | –                               | –            | (3,823)                               | (3,823)       |
| <b>Profit / (loss) for the year</b>                         | <b>8,638</b>        | <b>4,491</b>                    | <b>7,294</b> | <b>(4,229)</b>                        | <b>16,194</b> |
| Total assets  | 10,782              | 247,890                         | 59,697       | 150,455                               | 468,824       |
| Total liabilities   | 3,935               | 113,802                         | 34,889       | 70,324                                | 222,949       |

Note 1: Performance included as a result of adopting the AASB 15 Revenue from Contracts with Customers is included in the Unallocated Corporate segment.

#### Restated Consolidated Group – 30 June 2018

|   | Funds<br>Management | Hotels,<br>Tourism<br>& Leisure | Real Estate  | Unallocated<br>Corporate | Total          |
|---|---------------------|---------------------------------|--------------|--------------------------|----------------|
|   | \$'000              | \$'000                          | \$'000       | \$'000                   | \$'000         |
| Revenue from trading activities                         | 9,719               | 41,591                          | 4,525        | 98                       | 55,933         |
| Revenue from wildlife parks                             | –                   | 14,536                          | –            | –                        | 14,536         |
| Share of profit of equity accounted investments         | –                   | (110)                           | 4,376        | –                        | 4,266          |
| Operating expense                                       | (2,572)             | (40,660)                        | (3,430)      | (7,779)                  | (54,441)       |
| Divisional EBITDA                                       | 7,147               | 15,357                          | 5,471        | (7,681)                  | 20,294         |
| Depreciation and amortisation                           | (150)               | (7,210)                         | –            | (358)                    | (7,718)        |
| Divisional EBIT from continuing operations              | 6,997               | 8,147                           | 5,471        | (8,039)                  | 12,576         |
| Fair value gain on revaluation of investment properties | –                   | (3,398)                         | (5,912)      | –                        | (9,310)        |
| Realised gain on disposal of investment                 | –                   | 531                             | –            | –                        | 531            |
| Interest income   | 50                  | 25                              | 7            | 1,074                    | 1,156          |
| Amortisation of borrowing costs                         | –                   | –                               | –            | (490)                    | (490)          |
| Borrowing costs   | –                   | –                               | –            | (6,733)                  | (6,733)        |
| Net tax benefit / (expense)                             | –                   | –                               | –            | 234                      | 234            |
| <b>Profit / (loss) for the year</b>                     | <b>7,047</b>        | <b>5,305</b>                    | <b>(434)</b> | <b>(13,954)</b>          | <b>(2,036)</b> |
| Total assets  | 11,504              | 231,518                         | 53,822       | 119,880                  | 416,724        |
| Total liabilities                                       | 207                 | 91,204                          | 32,026       | 84,775                   | 208,212        |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 2. Revenue

#### OVERVIEW

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

#### Revenue from operating activities

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| Revenue from hotels                             | 48,468   | 41,591   |
| Revenue from wildlife park                      | 13,913   | 14,536   |
| Revenue from funds management                   | 11,219   | 9,719  |
| <b>Total revenue from continuing operations</b> | <b>73,600</b>                                      | <b>65,846</b>  |

#### ACCOUNTING POLICY

##### Revenue recognition

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

##### Funds management fee revenue

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

##### Hotel and wildlife park revenue

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

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

##### Rental income

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. Distributions

#### OVERVIEW

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

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

The following distribution was declared by the ENN Group either during the period or post balance date:

#### ENN Group

|                                   | Distribution<br>cents per<br>stapled security<br>30 June<br>2019 | Distribution<br>cents per<br>stapled security<br>30 June<br>2018 | Total<br>Amount<br>30 June<br>2019<br>\$'000 | Total<br>Amount<br>30 June<br>2018<br>\$'000 |
|-----------------------------------|--|--|--|--|
| Interim distribution <sup>1</sup> | 6.32   | 7.16   | 6,070  | 6,637  |
| Final distribution <sup>2</sup>   | 9.74   | 8.61   | 9,723  | 8,005  |

1. The interim distribution of 6.32 cents per stapled security was declared on 18 February 2019 and paid on 1 March 2019.

2. The final distribution of 9.74 cents per stapled security for the period ended 30 June 2019 was not declared prior to 30 June 2019. The Distribution will be paid on 30 August 2019. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

### 4. Discontinued operations

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

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

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

#### Analysis of Profit or Loss for the year from Discontinued Operations

The combined results of the discontinued operations included in the profit and loss for the period ended 30 June 2019 are set out below. The comparative profit and cash flows from discontinued operations have been presented to include those operations classified as discontinued in the current year.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 4. Discontinued operations (continued)

#### Profit or Loss for the period from Discontinued Operations

|  | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|--|--|--|
| <b>John Cootes Furniture Business</b>                            |  |  |
| Revenue from sale of goods                                       | 18,198   | 31,865   |
| Cost of goods sold   | (12,101)   | (35,454)   |
| Expenses relating to discontinuing operations <sup>1</sup>       | (5,947)  | (22,985)   |
| Profit / (loss) before income tax                                | 150  | (26,574)   |
| Net tax benefit / (expense)                                      | –  | 8,246  |
| <b>Profit / (loss) for the year from discontinued operations</b> | <b>150</b>   | <b>(18,328)</b>  |

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

#### Cash flows from / (used in) discontinued operations

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| <b>John Cootes Furniture Business</b>                   |  |  |
| Net cash outflow from operating activities              | (7,433)  | (4,174)  |
| Net cash inflow / (outflow) from investing activities   | –  | (1,864)  |
| Net cash outflow / (inflow) from financing activities   | (84)   | (550)  |
| <b>Total cash flows used in discontinued operations</b> | <b>(7,517)</b>                                     | <b>(6,588)</b>   |

#### Assets held for sale

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

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| <b>John Cootes Furniture Business</b>           |  |  |
| Cash & cash equivalent                          | –  | 3,321  |
| Property, plant and equipment                   | –  | 517  |
| Inventory                                       | –  | 8,176  |
| Other assets                                    | 714  | 708  |
| <b>Total assets classified as held for sale</b> | <b>714</b>   | <b>12,722</b>  |

#### Total liabilities directly associated with discontinued operations

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| <b>John Cootes Furniture Business</b>                                     |  |  |
| Liabilities directly associated with assets held for sale                 | –  | 20,728   |
| Provisions for onerous leases relating to the JCF business                | 4,677  | –  |
| <b>Total liabilities directly associated with discontinued operations</b> | <b>4,677</b>                                       | <b>20,728</b>  |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 4. Discontinued operations (continued)

#### ACCOUNTING POLICY

##### Discontinued Operations

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

##### Critical Accounting Estimates

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

### 5. Earnings / (losses) per stapled security

#### OVERVIEW

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. Earnings / (losses) per stapled security (continued)

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

|  | Consolidated<br>Group<br>30 June<br>2019 | Restated<br>Consolidated<br>Group<br>30 June<br>2018 |
|--|--|--|
| <b>Basic (cents)</b>   |  |  |
| Continuing operations  | 16.04                                    | 3.32   |
| Discontinued operations  | 0.16                                     | (20.10)  |
| <b>Diluted (cents)</b>   |  |  |
| Continuing operations  | 16.04                                    | 3.28   |
| Discontinued operations  | 0.16                                     | (20.10)  |
| <b>Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000)</b> |  |  |
| Continuing operations  | 15,372                                   | 3,027  |
| Discontinued operations  | 150                                      | (18,328)   |
| <b>Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security</b>          |  |  |
| Continuing operations  | 95,810                                   | 91,179   |
| Discontinued operations  | 95,810                                   | 91,179   |
| <b>Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security</b>        |  |  |
| Continuing operations  | 95,810                                   | 92,351   |
| Discontinued operations  | 95,810                                   | 92,351   |

The weighted average number of stapled securities and options granted used as the denominator in calculating basic and diluted earnings / (losses) per stapled securities shown above is based on the number of stapled security on issue and options granted during the period.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. Earnings / (losses) per stapled security (continued)

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

|  | ENN Parent<br>30 June<br>2019 | Restated<br>ENN Parent<br>30 June<br>2018 |
|--|-------------------------------|---|
| <b>Basic (cents)</b>   |                               |   |
| Continuing operations  | 4.96                          | (8.08)                                    |
| Discontinued operations  | 0.16                          | (20.10)                                   |
| <b>Diluted (cents)</b>   |                               |   |
| Continuing operations  | 4.96                          | (7.98)                                    |
| Discontinued operations  | 0.16                          | (20.10)                                   |
| <b>Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000)</b> |                               |   |
| Continuing operations  | 4,750                         | (7,365)                                   |
| Discontinued operations  | 150                           | (18,328)                                  |
| <b>Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security</b>          |                               |   |
| Continuing operations  | 95,810                        | 91,179                                    |
| Discontinued operations  | 95,810                        | 91,179                                    |
| <b>Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security</b>        |                               |   |
| Continuing operations  | 95,810                        | 92,351                                    |
| Discontinued operations  | 95,810                        | 92,351                                    |

The weighted average number of stapled securities and options granted used as the denominator in calculating basic and diluted earnings / (losses) per stapled securities shown above is based on the number of stapled securities on issue and options granted during the period.

### ACCOUNTING POLICY

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

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



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 6. 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<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated Group<br>30 June<br>2018<br>\$'000 |
|---|---|---|
| Current tax expense   | (986)   | (2,157)   |
| Deferred tax expense  | 4,809   | (6,323)   |
| <b>Income tax expense / (benefit)</b>   | <b>3,823</b>                                    | <b>(8,480)</b>  |
| <b>Income tax expense is attributable to:</b>   |   |   |
| Profit from continuing operations (as reported in the Consolidated Statement of Profit or Loss) | 3,823   | (234)   |
| Profit/(Loss) from discontinued operations (refer to Note 5)                                    | -   | (8,246)   |
| <b>Income tax expense / (benefit)</b>   | <b>3,823</b>                                    | <b>(8,480)</b>  |

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

|   |              |                |
|---|--------------|----------------|
| Profit / (loss) before income tax expense - continuing operations                         | 19,867       | (2,270)        |
| Profit / (loss) before income tax expense - discontinued operations                       | 150          | (26,574)       |
| Profit / (loss) before income tax expense   | 20,017       | (28,844)       |
| Less: Profit from the Trust (which is not taxable)  | (26,209)     | (1,962)        |
| Prima facie profit / (loss)   | (6,192)      | (30,806)       |
| Tax at the Australian tax rate of 30%   | (1,858)      | (9,242)        |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: |              |                |
| Entertainment   | 23           | 22             |
| Non-deductible depreciation and amortisation  | 951          | 845            |
| Fair value adjustments to investment property in the Trust                                | 4,442        | (588)          |
| Non-deductible expenses   | 71           | 69             |
| Impact of consolidations  | 27           | 352            |
| Insurance proceeds on plant and equipment   | -            | 63             |
| Other   | 167          | (1)            |
| <b>Income tax expense / (benefit)</b>   | <b>3,823</b> | <b>(8,480)</b> |

#### ACCOUNTING POLICY

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



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 6. Income tax (continued)

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

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

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

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

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

#### (c) Deferred taxes

#### OVERVIEW

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 6. Income tax (continued)

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| <b>(a) Deferred tax assets</b>                                  |  |  |
| The balance comprises temporary differences attributable to:    |  |  |
| Employee entitlements   | 636  | 446  |
| Audit accrual   | 39   | 39   |
| Asset acquisitions and blackhole expenses                       | 2,253  | 1,346  |
| Lease incentive   | 70   | 135  |
| Writeoff of tangible and intangible assets                      | –  | 6,895  |
| Other   | 5,063  | (656)  |
| <b>Total deferred tax assets</b>                                | <b>8,061</b>                                       | <b>8,204</b>   |
| <i>Movements:</i>   |  |  |
| Opening balance at beginning of year                            | 8,204  | 2,600  |
| Tax group consolidation adjustments                             | (473)  | 240  |
| Debited to the Consolidated Statements of Profit or Loss        | 426  | (949)  |
| Transfer DTA to assets held for sale                            | –  | (488)  |
| Impairment of tangible and intangible assets                    | –  | 6,895  |
| Credited to Equity  | (96)   | (94)   |
| <b>Closing balance at the end of the year</b>                   | <b>8,061</b>                                       | <b>8,204</b>   |
| Deferred tax expected to be recovered within 12 months          | 636  | 447  |
| Deferred tax expected to be recovered after more than 12 months | 7,425  | 7,757  |
| <b>(b) Deferred tax liabilities</b>                             |  |  |
| The balance comprises temporary differences attributable to:    |  |  |
| Employee incentive plans  | 78   | 64   |
| Other   | 6,079  | 357  |
| <b>Total deferred tax liabilities</b>                           | <b>6,157</b>                                       | <b>421</b>   |
| <i>Movements:</i>   |  |  |
| Opening balance at beginning of year                            | 421  | 1,635  |
| Other non profit or loss movement                               | –  | 98   |
| Tax group consolidation adjustments                             | –  | 426  |
| Transfer DTL to liabilities held for sale                       | (51)   | (277)  |
| Credited to the Consolidated Statements of Profit or Loss       | 5,787  | (1,461)  |
| <b>Closing balance at the end of the year</b>                   | <b>6,157</b>                                       | <b>421</b>   |
| Deferred tax expected to be settled within 12 months            | 78   | 64   |
| Deferred tax expected to be settled after more than 12 months   | 6,079  | 357  |
| <b>Net deferred tax position</b>                                | <b>1,904</b>                                       | <b>7,783</b>   |
| <b>(c) Deferred tax asset / liability per tax group</b>         |  |  |
| Deferred tax asset / (liability) of the ENN tax group           | 1,107  | 7,668  |
| Deferred tax asset / (liability) of the EMPR II tax group       | 1,011  | 539  |
| Deferred tax asset / (liability) of the EMPR tax group          | (214)  | (424)  |
| <b>Net deferred tax position</b>                                | <b>1,904</b>                                       | <b>7,783</b>   |

### ACCOUNTING POLICY

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 7. Cash flow information

#### OVERVIEW

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

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

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| <b>Profit / (Loss) for the period</b>   | <b>16,194</b>                                      | <b>(20,364)</b>  |
| Depreciation of non-current assets  | 9,207  | 7,936  |
| Amortisation  | 781  | 640  |
| Fair value adjustment on revaluation of investment property                               | (285)  | –  |
| Net unrealised revenue from equity accounted investments                                  | (2,243)  | (4,266)  |
| Net realised gain/(loss) on sale of investment  | (2,940)  | (531)  |
| Other non cash items  | 1,145  | (99)   |
| Non cash impact from adoption of AASB15   | (20,237)   | (1,926)  |
| Transaction and fair value decrement  | –  | 9,311  |
| Impairment and expenses relating to discontinuing operations                              | –  | 22,984   |
| Straight line lease expense and lease incentive income                                    | (224)  | 533  |
| Employee costs funded directly through equity   | 1,093  | 1,537  |
| <b>Net cash provided by operating activities before changes in assets and liabilities</b> | <b>2,491</b>                                       | <b>15,755</b>  |
| <b>Movement in working capital:</b>   |  |  |
| Decrease / (increase) in trade and other receivables                                      | 1,079  | (664)  |
| Decrease / (increase) in stock  | (124)  | (18,970)   |
| Increase / (decrease) in other current assets   | (473)  | (695)  |
| Decrease / (increase) in deferred tax   | 5,879  | (6,093)  |
| Increase / (decrease) in current tax liability  | (5,850)  | (4,096)  |
| Increase / (decrease) in trade and other payables   | 871  | 2,002  |
| Increase / (decrease) in other liabilities  | (1,620)  | 16,633   |
| Increase / (decrease) in other provision  | 474  | 871  |
| <b>Net cash from operating activities</b>   | <b>2,727</b>                                       | <b>4,744</b>   |

#### (b) Reconciliation of liabilities arising from financial activities

|  | 30 June<br>2018<br>\$'000 | Cash flows<br>\$'000 | Acquisitions<br>\$'000 | Amortisation<br>of borrowing<br>costs<br>\$'000 | 30 June<br>2019<br>\$'000 |
|--|---------------------------|----------------------|------------------------|---|---------------------------|
| Bank loan - term debt                              | 115,134                   | 21,826               | 2,308                  | 105   | 139,373                   |
| Unsecured notes                                    | 58,525                    | –                    | –                      | 343   | 58,868                    |
| <b>Total liabilities from financing activities</b> | <b>173,658</b>            | <b>21,826</b>        | <b>2,308</b>           | <b>448</b>                                      | <b>198,241</b>            |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Operating Assets

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

## 8. 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.

### (a) Movement in 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:

|   | Freehold<br>land<br>\$'000 | Buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 | Livestock<br>\$'000 | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 |
|---|----------------------------|---------------------|----------------------------------|---------------------|--|
| Carrying amount at the beginning of the period for continuing operations          | 73,745                     | 129,977             | 39,695                           | 728                 | 244,145  |
| Additions   | –                          | 65                  | 6,070                            | –                   | 6,135  |
| Revaluation increments / (decrements)   | –                          | 17,482              | –                                | –                   | 17,482   |
| Disposals   | (1,888)                    | (38)                | –                                | –                   | (1,926)  |
| <b>Carrying amount at the end of the period</b>                                   | <b>71,857</b>              | <b>147,486</b>      | <b>45,765</b>                    | <b>728</b>          | <b>265,836</b>                                     |
| Accumulated depreciation at the beginning of the period for continuing operations | –                          | (7,311)             | (11,809)                         | (222)               | (19,342)   |
| Depreciation  | –                          | (3,116)             | (6,035)                          | (56)                | (9,207)  |
| <b>Accumulated depreciation at the end of the period</b>                          | <b>–</b>                   | <b>(10,427)</b>     | <b>(17,844)</b>                  | <b>(278)</b>        | <b>(28,550)</b>                                    |
| <b>Total carrying value at the end of the period</b>                              | <b>71,857</b>              | <b>137,059</b>      | <b>27,921</b>                    | <b>450</b>          | <b>237,286</b>                                     |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 8. Property, plant and equipment (continued)

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the 30 June 2018 year is set out below:

|  | Freehold<br>land<br>\$'000 | Buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 | Livestock<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|--|----------------------------|---------------------|----------------------------------|---------------------|--|
| Carrying amount at the beginning of the period           | 69,501                     | 74,052              | 30,554                           | 728                 | 174,835  |
| Transferred to assets held for sale                      | –                          | –                   | (2,115)                          | –                   | (2,115)  |
| Acquisitions   | 4,244                      | 45,244              | 6,504                            | –                   | 55,992   |
| Additions  | –                          | –                   | 4,730                            | –                   | 4,730  |
| Revaluation increments                                   | –                          | 10,692              | 22                               | –                   | 10,714   |
| Disposals  | –                          | (11)                | –                                | –                   | (11)   |
| <b>Carrying amount at the end of the period</b>          | <b>73,745</b>              | <b>129,977</b>      | <b>39,695</b>                    | <b>728</b>          | <b>244,145</b>   |
| Accumulated depreciation at the beginning of the period  | –                          | (4,638)             | (7,482)                          | (166)               | (12,286)   |
| Transferred to assets held for sale                      | –                          | –                   | 676                              | –                   | 676  |
| Depreciation   | –                          | (2,673)             | (5,003)                          | (56)                | (7,732)  |
| <b>Accumulated depreciation at the end of the period</b> | <b>–</b>                   | <b>(7,311)</b>      | <b>(11,809)</b>                  | <b>(222)</b>        | <b>(19,342)</b>  |
| <b>Total carrying value at the end of the period</b>     | <b>73,745</b>              | <b>122,666</b>      | <b>27,886</b>                    | <b>506</b>          | <b>224,803</b>   |

#### (b) Carrying value of property, plant and equipment

The following table represents the total fair value of property, plant and equipment at 30 June 2019:

| Property                    | Valuation   | Date   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|-----------------------------|-------------|--------|--|--|
| Cradle Mountain Lodge       | Independent | Jun-19 | 55,000   | 45,200   |
| Eaglehawk Hotel             | Independent | Jun-19 | 21,500   | 20,000   |
| Wollongong Hotel            | Independent | Jun-19 | 13,800   | 13,800   |
| Albany Hotel                | Internal    | Jun-19 | 5,250  | 5,226  |
| Featherdale Wildlife Park   | Internal    | Jun-19 | 39,000   | 39,000   |
| Port Macquarie Hotel        | Independent | Jun-19 | 12,000   | 12,000   |
| Tall Trees Hotel            | Independent | Jun-19 | 14,250   | 14,250   |
| Pavillion Wagga Wagga Hotel | Independent | Jun-19 | 7,250  | 7,250  |
| Parklands Resort Mudgee     | Independent | Jun-19 | 11,600   | 11,400   |
| Narrabundah Hotel           | Independent | Jun-19 | 31,000   | 27,500   |
| Byron Bay Hotel             | Independent | Jun-19 | 25,880   | 25,680   |
| Other                       |             |        | 756  | 3,497  |
| <b>Total</b>                |             |        | <b>237,286</b>                                     | <b>224,803</b>   |

As at 30 June 2019, the Directors assessed the fair value of the properties above, supported by independent or internal valuation reports.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 8. Property, plant and equipment (continued)

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

|                     | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---------------------|--|--|
| Freehold land       | 31,703   | 33,591   |
| Buildings           | 105,852  | 108,941  |
| Plant and equipment | 30,242   | 30,207   |
| Livestock           | 450  | 506  |
| <b>Total</b>        | <b>168,247</b>                                     | <b>173,245</b>   |

### ACCOUNTING POLICY

#### Fair value of Property, Plant and Equipment

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

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

#### Land and Buildings

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

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

#### Furniture, fittings and equipment

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

#### Livestock

Livestock are stated at cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the animals. Depreciation on livestock is calculated using the straight-line method, over the useful lives of the assets which range from 5 - 50 years.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 8. Property, plant and equipment (continued)

#### Depreciation

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

|                                   |              |
|-----------------------------------|--------------|
| Buildings                         | 40 years     |
| Computer Equipment                | 3 - 5 years  |
| Vehicles                          | 8 years      |
| Furniture, fittings and equipment | 3 - 10 years |

#### (c) Valuation technique and inputs

The key inputs used to measure fair values of investment properties are disclosed below along with their sensitivity to an increase or decrease.

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

#### Property Assets

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

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

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

The Group's valuation policy requires that each property in the portfolio is valued by an independent valuer at least every three years. In practice, properties may be valued more frequently than every three years primarily where there may have been a material movement in the market and where there is a significant variation between the carrying value and the internal valuation.

Independent valuations are performed by independent and external valuers who hold a recognised relevant professional qualification and have specialised expertise in the types of investment properties valued.

#### Capitalisation method

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



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 8. Property, plant and equipment (continued)

#### (c) Valuation technique and inputs (continued)

##### Discounted cash flows (DCF)

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

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

##### Assets measured at fair value

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

|                                      | Book Value                |                             |                       |
|--------------------------------------|---------------------------|-----------------------------|-----------------------|
|                                      | 30 June<br>2019<br>\$'000 | Capitalisation<br>Rate<br>% | Discount<br>Rate<br>% |
| <b>Consolidated Group</b>            |                           |                             |                       |
| <b>Assets measured at fair value</b> |                           |                             |                       |
| Property, plant and equipment        | 237,286                   | 7.25 - 13.50                | 8.50 - 16.00          |
| <b>Total assets</b>                  | <b>237,286</b>            |                             |                       |

|                                      | Book Value                |                             |                       |
|--------------------------------------|---------------------------|-----------------------------|-----------------------|
|                                      | 30 June<br>2018<br>\$'000 | Capitalisation<br>Rate<br>% | Discount<br>Rate<br>% |
| <b>Consolidated Group</b>            |                           |                             |                       |
| <b>Assets measured at fair value</b> |                           |                             |                       |
| Property, plant and equipment        | 224,803                   | 7.80 - 13.50                | 9.00 - 16.00          |
| <b>Total assets</b>                  | <b>224,803</b>            |                             |                       |

##### Sensitivity Information

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

|   | Capitalisation<br>Rate<br>% | Discount<br>Rate<br>% |
|---|-----------------------------|-----------------------|
| Fair value measurement sensitivity to significant increase in input | Decrease                    | Decrease              |
| Fair value measurement sensitivity to significant decrease in input | Increase                    | Increase              |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 8. Property, plant and equipment (continued)

#### (c) Valuation technique and inputs (continued)

##### Sensitivity Analysis

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

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

### 9. Investment properties

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

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| Carrying amount at the beginning of the period  | 52,202   | –  |
| Total costs on acquisition                      | 4,650  | 59,364   |
| Additions                                       | 241  | 184  |
| Revaluation increments / (decrements)           | 1,766  | (7,346)  |
| <b>Carrying amount at the end of the period</b> | <b>58,859</b>                                      | <b>52,202</b>  |

The following table represents the total fair value of investment properties at 30 June 2019.

| Property                   | Valuation | Date   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|----------------------------|-----------|--------|--|--|
|                            |           |        |  |  |
| Bluewater Square Syndicate | Internal  | Jun-19 | 54,209   | 52,202   |
| Auburn Office Syndicate    | Internal  | Jun-19 | 4,650  | –  |
| <b>Total</b>               |           |        | <b>58,859</b>                                      | <b>52,202</b>  |

As at 30 June 2019, the Directors assessed the fair value of the property above, supported by an independent or internal valuation report.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 9. Investment properties (continued)

#### ACCOUNTING POLICY

##### Fair value of Investment Properties

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

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

Investment properties are properties held to earn rentals and / or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

At each reporting date, the carrying values of the investment properties are assessed by the Director's and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

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

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 9. Investment properties (continued)

#### ACCOUNTING POLICY (CONTINUED)

##### Fair value measurement

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

|                                      | Book Value                |                             |                       |
|--------------------------------------|---------------------------|-----------------------------|-----------------------|
|                                      | 30 June<br>2019<br>\$'000 | Capitalisation<br>Rate<br>% | Discount<br>Rate<br>% |
| <b>Consolidated Group</b>            |                           |                             |                       |
| <b>Assets measured at fair value</b> |                           |                             |                       |
| Investment properties                | 58,859                    | 7.00 - 7.89                 | 7.75                  |
| <b>Total assets</b>                  | <b>58,859</b>             |                             |                       |

|                                      | Book Value                |                             |                       |
|--------------------------------------|---------------------------|-----------------------------|-----------------------|
|                                      | 30 June<br>2018<br>\$'000 | Capitalisation<br>Rate<br>% | Discount<br>Rate<br>% |
| <b>Consolidated Group</b>            |                           |                             |                       |
| <b>Assets measured at fair value</b> |                           |                             |                       |
| Investment properties                | 52,202                    | 6.30 - 6.80                 | 7.00 -7.50            |
| <b>Total assets</b>                  | <b>52,202</b>             |                             |                       |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 10. Equity accounted investments

#### OVERVIEW

This note provides an overview and detailed financial information of the Group's investments that are accounted for using the equity method of accounting. These include joint ventures where the Group has joint control over an investee together with one or more joint venture partners and investments in associates, which are entities over which the Group is presumed to have significant influence but not control or joint control.

The Group's equity accounted investments are as follows:

#### 30 June 2019

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

#### 30 June 2018

|   | Principal activity | Percentage Ownership | Restated Consolidated Group<br>30 June<br>2018<br>\$'000 |
|---|--------------------|----------------------|--|
| Bell City Fund                            | Accommodation      | 17.64%               | 11,668   |
| Elanor Retail Property Fund (ASX: ERF)    | Shopping Centres   | 17.89%               | 34,178   |
| Limestone Street Centre Syndicate         | Office Building    | 8.19%                | 1,446  |
| Elanor Commercial Property Fund           | Office Buildings   | 1.62%                | 725  |
| Belconnen Markets Syndicate               | Shopping Centre    | 0.83%                | 201  |
| Hunters Plaza Syndicate                   | Shopping Centre    | 4.73%                | 1,157  |
| <b>Total equity accounted investments</b> |                    |                      | <b>49,375</b>  |

#### Details of Material Associates

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 10. Equity accounted investments (continued)

#### Details of Material Associates (continued)

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

|   | Elanor Retail<br>Property<br>Fund | Elanor<br>Commercial<br>Property<br>Fund | Waverley<br>Gardens<br>Fund     |
|---|-----------------------------------|--|---------------------------------|
|   | 30 June<br>2019                   | 30 June<br>2019                          | 30 June<br>2019                 |
|   | \$'000                            | \$'000                                   | \$'000                          |
| <b>Financial position</b>                                   |                                   |  |                                 |
| Current assets  | 5,585                             | 10,934                                   | 3,648                           |
| Non - current assets  | 334,518                           | 164,716                                  | 178,528                         |
| <b>Total Assets</b>   | <b>340,103</b>                    | <b>175,650</b>                           | <b>182,176</b>                  |
| Current liabilities   | 47,445                            | 10,124                                   | 1,818                           |
| Non - current liabilities                                   | 95,208                            | 64,756                                   | 102,754                         |
| <b>Total Liabilities</b>                                    | <b>142,653</b>                    | <b>74,880</b>                            | <b>104,572</b>                  |
| Contributed equity  | 156,537                           | 97,965                                   | 88,001                          |
| Reserves  | (3,804)                           | (1,147)                                  | –                               |
| Retained profits / (accumulated losses)                     | 44,717                            | 3,952                                    | (10,397)                        |
| <b>Total Equity</b>   | <b>197,450</b>                    | <b>100,770</b>                           | <b>77,604</b>                   |
|   |                                   |  |                                 |
|   | Elanor Retail<br>Property<br>Fund | Elanor<br>Commercial<br>Property<br>Fund | Waverley<br>Gardens<br>Fund     |
|   | Period ended<br>30 June<br>2019   | Period ended<br>30 June<br>2019          | Period ended<br>30 June<br>2019 |
|   | \$'000                            | \$'000                                   | \$'000                          |
| <b>Financial performance</b>                                |                                   |  |                                 |
| Profit / (loss) for the period                              | 20,015                            | 11,279                                   | (8,834)                         |
| Other comprehensive income for the period                   | (3,112)                           | (188)                                    | –                               |
| <b>Total comprehensive income for the period</b>            | <b>16,903</b>                     | <b>11,091</b>                            | <b>(8,834)</b>                  |
| Distributions received from the associate during the period | 2,260                             | 809                                      | 301                             |

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

|  | Elanor Retail<br>Property<br>Fund | Elanor<br>Commercial<br>Property<br>Fund | Waverley<br>Gardens<br>Fund     |
|--|-----------------------------------|--|---------------------------------|
|  | Period ended<br>30 June<br>2019   | Period ended<br>30 June<br>2019          | Period ended<br>30 June<br>2019 |
|  | \$'000                            | \$'000                                   | \$'000                          |
| Net assets of the associate                    | 197,450                           | 100,770                                  | 77,604                          |
| Proportion of the Group's ownership interest   | 17.89%                            | 13.27%                                   | 20.27%                          |
| <b>Carrying amount of the Group's interest</b> | <b>34,945</b>                     | <b>13,784</b>                            | <b>14,960</b>                   |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 10. Equity accounted investments (continued)

#### Details of Material Associates (continued)

#### 30 June 2018

|   | ERF<br>30 June<br>2018<br>\$'000                 | Bell City<br>30 June<br>2018<br>\$'000                 |
|---|--|--|
| <b>Financial position</b>                                   |  |  |
| Current assets  | 8,361  | 6,313  |
| Non - current assets  | 317,833  | 153,197  |
| <b>Total Assets</b>   | <b>326,194</b>                                   | <b>159,510</b>   |
| Current liabilities   | 57,113   | 19,521   |
| Non - current liabilities                                   | 75,926   | 71,463   |
| <b>Total Liabilities</b>                                    | <b>133,039</b>                                   | <b>90,984</b>  |
| Contributed equity  | 156,537  | 68,700   |
| Reserves  | (720)  | 15,565   |
| Retained profits / (accumulated losses)                     | 37,338   | (15,739)   |
| <b>Total Equity</b>   | <b>193,155</b>                                   | <b>68,526</b>  |
|   | ERF<br>Period ended<br>30 June<br>2018<br>\$'000 | Bell City<br>Period ended<br>30 June<br>2018<br>\$'000 |
| <b>Financial performance</b>                                |  |  |
| Profit / (loss) for the period                              | 22,956   | 407  |
| Other comprehensive income for the period                   | 385  | 2,733  |
| <b>Total comprehensive income for the period</b>            | <b>23,341</b>                                    | <b>3,140</b>   |
| Distributions received from the associate during the period | 2,236  | 818  |

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

|  | ERF<br>30 June<br>2018<br>\$'000 | Bell City<br>30 June<br>2018<br>\$'000 |
|--|----------------------------------|--|
| Net assets of the associate                  | 193,155                          | 68,526                                 |
| Proportion of the Group's ownership interest | 17.89%                           | 17.64%                                 |
| Carrying amount of the Group's interest      | <b>34,178</b>                    | <b>11,668</b>                          |



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 10. Equity accounted investments (continued)

#### Aggregate information of associates that are not individually material

|  | Period ended<br>30 June<br>2019<br>\$'000 | Period ended<br>30 June<br>2018<br>\$'000 |
|--|---|---|
| Profit / (loss) for the period   | 11,104                                    | 8,049                                     |
| Other comprehensive income for the period                              | (1,959)                                   | (1,253)                                   |
| <b>Total comprehensive income for the period</b>                       | <b>9,145</b>                              | <b>6,796</b>                              |
| Aggregate carrying amount of the Group's interests in these associates | 13,012                                    | 3,529                                     |

#### ACCOUNTING POLICY

##### Investment in associates and joint ventures

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

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

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

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

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

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Finance and Capital Structure

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

### 11. Interest bearing liabilities

#### OVERVIEW

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

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| <b>Current</b>                                      |  |  |
| Bank loan - term debt                               | –  | 46,801   |
| Bank loan - borrowing costs less amortisation       | –  | (110)  |
| <b>Total current</b>                                | <b>–</b>   | <b>46,691</b>                                      |
| <b>Non-current</b>                                  |  |  |
| Unsecured notes                                     | 60,000   | 60,000   |
| Unsecured notes - borrowing costs less amortisation | (1,132)  | (1,476)  |
| Bank loan - term debt                               | 140,901  | 68,939   |
| Bank loan - borrowing costs less amortisation       | (1,528)  | (496)  |
| <b>Total non-current</b>                            | <b>198,241</b>                                     | <b>126,967</b>                                     |
| <b>Total interest bearing liabilities</b>           | <b>198,241</b>                                     | <b>173,658</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.

#### Unsecured Fixed Rate Notes

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 11. Interest bearing liabilities (continued)

#### CREDIT FACILITIES

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

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| <b>ENN Group</b>                                |  |  |
| Facility - ENN                                  | 30,000   | 18,538   |
| Total amount used                               | (25,500)   | (1,038)  |
| <b>Total amount unused - ENN</b>                | <b>4,500</b>                                       | <b>17,500</b>                                      |
| <b>EMPR Group</b>                               |  |  |
| Facility - EMPR                                 | 87,425   | 83,325   |
| Total amount used                               | (83,325)   | (83,325)   |
| <b>Total amount unused - EMPR</b>               | <b>4,100</b>                                       | <b>-</b>   |
| <b>Bluewater Square Syndicate</b>               |  |  |
| Facility - Bluewater                            | 30,150   | 31,750   |
| Total amount used                               | (29,700)   | (31,300)   |
| <b>Total amount unused - Bluewater</b>          | <b>450</b>   | <b>450</b>   |
| <b>Auburn Office Syndicate</b>                  |  |  |
| Facility - Auburn Office                        | 2,325  | -  |
| Total amount used                               | (2,325)  | -  |
| <b>Total amount unused - Auburn Office</b>      | <b>-</b>   | <b>-</b>   |
| <b>Total amount unused - Consolidated Group</b> | <b>9,050</b>                                       | <b>17,950</b>                                      |

During the year, the ENN Group refinanced its debt facilities with a new \$30.0 million revolver facility, with a maturity date of 29 April 2022. The drawn amount at 30 June 2019 is \$25.5 million. At 30 June 2019 the amount of drawn facilities was not hedged.

The EMPR Group also refinanced its \$46.7 million debt facility during the year, and obtained an additional \$4.1 million capital expenditure debt capacity in the new facility. As a result, the EMPR Group has access to a \$87.43 million facility, upon which both the company and trust can draw. The drawn amount at 30 June 2019 is \$83.3 million. Of the EMPR Group facility, \$36.6 million will mature on 31 October 2020, with the remaining \$46.7 million maturing on 31 October 2020. At 30 June 2019, the amount of drawn facilities is hedged to 100%.

The Bluewater Square Syndicate has access to a \$30.2 million facility. The drawn amount at 30 June 2019 is \$29.7 million which will mature on 30 October 2020. At 30 June 2019, the amount of drawn facilities is hedged to 100%.

All of the facilities have a variable interest rate. The interest rates on the loans are partially fixed using interest rate swaps. The weighted average annual interest rates payable of the loans at 30 June 2019, including the impact of the interest rate swaps, is 4.96% per annum.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 11. Interest bearing liabilities (continued)

#### ACCOUNTING POLICY

##### Interest bearing liabilities

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

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

##### Borrowing costs

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

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

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

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

### 12. Derivative financial instruments

#### OVERVIEW

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

|   | Consolidated Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated Group<br>30 June<br>2018<br>\$'000 |
|---|---|---|
| <b>Current liabilities</b>                    |   |   |
| Interest rate swaps                           | 1,261   | 90  |
|   | <b>1,261</b>                                    | <b>90</b>   |
| <b>Non-current liabilities</b>                |   |   |
| Interest rate swaps                           | 1,030   | 354   |
|   | <b>1,030</b>                                    | <b>354</b>  |
| <b>Total derivative financial instruments</b> | <b>2,291</b>                                    | <b>444</b>  |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 12. Derivative financial instruments (continued)

#### ACCOUNTING POLICY

During the year, the Group entered into a put and call option with a third party to acquire their 11.5% investment in EMPR at fair value. The call option is held by Elanor and the put option is held by the third party. As at balance date, the value of the put and call option was nil.

#### Interest rate swaps

EMPR and Bluewater have entered into interest rate swap agreements with a notional principal amount totaling \$114.6 million that entitles it to receive interest, at quarterly intervals, at a floating rate on the notional principal and oblige it to pay interest at a fixed rate.

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

#### Derivatives

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

#### Hedge accounting

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

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

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

#### Cash flow hedges

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

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 12. Derivative financial instruments (continued)

#### ACCOUNTING POLICY (continued)

##### Valuation, techniques and inputs

##### Financial Instruments

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

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

Specific valuation techniques used to value financial instruments include:

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

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

### 13. Financial assets

#### OVERVIEW

The Group's financial assets consist of short term financing provided by the Group. The Group's financial assets as at 30 June 2019 are detailed below:

|  | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|--|--|--|
| Merrylands property vendor finance     | 30,152   | –  |
| Other financial assets and receivables | 14,882   | 15,707   |
| <b>Total financial assets</b>          | <b>45,034</b>                                      | <b>15,707</b>  |

#### ACCOUNTING POLICY

The Group measures its financial assets at amortised cost.

At initial recognition, the Group measures its financial assets at fair value and subsequently at amortised cost. The Group assessed that the credit risk of its financial asset has not significantly increased since initial recognition. Hence, the Group applies the simplified approach permitted by AASB 9 which requires expected lifetime losses to be recognised from initial recognition of receivables.

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 14. Contributed equity

#### OVERVIEW

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

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

#### Contributed equity for the period ended 30 June 2019

| No. of securities/shares | Details                     | Date of income entitlement | Total Equity 30 June 2019 \$'000 | Parent Entity 30 June 2019 \$'000 | EIF 30 June 2019 \$'000 |
|--------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------------------|-------------------------|
| 93,015,503               | Opening balance             | 1 Jul 2018                 | 125,332                          | 57,994                            | 67,338                  |
| 160,000                  | Securities issued           | 28 Sep 2018                | 200                              | 96                                | 104                     |
| 2,800,000                | Securities issued           | 26 Oct 2018                | 3,500                            | 1,673                             | 1,827                   |
| 3,500,000                | Securities issued           | 10 Apr 2019                | 6,475                            | 1,739                             | 4,736                   |
| 346,717                  | 2019 STI Securities granted | 27 Jun 2019                | 631                              | 170                               | 461                     |
| <b>99,822,220</b>        | <b>Securities on issue</b>  | <b>30 Jun 2019</b>         | <b>136,138</b>                   | <b>61,672</b>                     | <b>74,466</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 30 June 2019 \$'000 | Parent Entity 30 June 2019 \$'000 | EIF 30 June 2019 \$'000 |
|--------------------------|-------------------------------------|----------------------------|----------------------------------|-----------------------------------|-------------------------|
| 263,274                  | Opening balance                     | 1 Jul 2018                 | 526                              | 179                               | 347                     |
| 346,717                  | 2019 STI Securities issued          | 27 Jun 2019                | 631                              | 170                               | 461                     |
| <b>609,991</b>           | <b>Treasury securities on issue</b> | <b>30 Jun 2019</b>         | <b>1,157</b>                     | <b>349</b>                        | <b>808</b>              |

#### Contributed equity for the period ended 30 June 2018

| No. of securities/shares | Details                       | Date of income entitlement | Total Equity 30 June 2018 \$'000 | Parent Entity 30 June 2018 \$'000 | EIF 30 June 2018 \$'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                | 3,797                            | 1,761                             | 2,036                   |
| 80,000                   | 2014 LTI Securities converted | 29 May 2018                | 100                              | 48                                | 52                      |
| 263,274                  | 2018 STI Securities granted   | 27 Jun 2018                | 526                              | 179                               | 347                     |
| <b>93,015,503</b>        | <b>Securities on issue</b>    | <b>30 Jun 2018</b>         | <b>125,332</b>                   | <b>57,994</b>                     | <b>67,338</b>           |



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 14. 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/<br>shares | Details                             | Date of income entitlement | Total Equity 30 June 2018<br>\$'000 | Parent Entity 30 June 2018<br>\$'000 | EIF 30 June 2018<br>\$'000 |
|------------------------------|-------------------------------------|----------------------------|-------------------------------------|--------------------------------------|----------------------------|
| 741,453                      | Opening balance                     | 1 Jul 2017                 | 1,440                               | 691                                  | 749                        |
| (741,453)                    | 2016 STI Securities vested          | 26 Jun 2018                | (1,440)                             | (691)                                | (749)                      |
| 263,274                      | 2018 STI Securities issued          | 27 Jun 2018                | 526                                 | 179                                  | 347                        |
| <b>263,274</b>               | <b>Treasury securities on issue</b> | <b>30 Jun 2018</b>         | <b>526</b>                          | <b>179</b>                           | <b>347</b>                 |

### ACCOUNTING POLICY

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

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

### 15. Reserves

#### OVERVIEW

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

|   | Consolidated Group 30 June 2019<br>\$'000 | Restated Consolidated Group 30 June 2018<br>\$'000 |
|---|---|--|
| <b>Asset revaluation reserve</b>                |   |  |
| Opening balance                                 | 57,207                                    | 42,125   |
| Revaluation                                     | 15,487                                    | 14,822   |
| Equity accounted investment revaluation reserve | 1,545                                     | 260  |
| Closing balance                                 | 74,239                                    | 57,207   |
| <b>Cash flow hedge reserve</b>                  |   |  |
| Opening balance                                 | (379)                                     | (250)  |
| Revaluation                                     | (1,801)                                   | (129)  |
| Closing balance                                 | (2,180)                                   | (379)  |
| <b>Stapled security-based payment reserve</b>   |   |  |
| Opening balance                                 | 1,148                                     | 1,656  |
| Loan securities and option expense              | 553                                       | 67   |
| Short term incentive scheme expense             | 401                                       | (575)  |
| Closing balance                                 | 2,102                                     | 1,148  |
| <b>Total reserves</b>                           | <b>74,161</b>                             | <b>57,976</b>                                      |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 15. Reserves (continued)

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

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

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

### 16. Financial risk management

#### OVERVIEW

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

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

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

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

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

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

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, ageing analysis for credit risk and cash flow forecasting for liquidity risk.

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 16. Financial risk management (continued)

#### a) Market risk

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

##### (i) Interest rate risk

Interest rate risk refers to the potential fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates

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

|                                    | Floating<br>interest rate | Fixed interest<br>Maturity<br>< 1 yr | Fixed interest<br>Maturity<br>1 - 5 yrs | Fixed interest<br>Maturity<br>> 5 yrs | Total          |
|------------------------------------|---------------------------|--------------------------------------|---|---------------------------------------|----------------|
| Consolidated Group<br>30 June 2019 | \$'000                    | \$'000                               | \$'000                                  | \$'000                                | \$'000         |
| <b>Assets</b>                      |                           |                                      |   |                                       |                |
| Cash and cash equivalents          | 19,281                    | –                                    | –                                       | –                                     | 19,281         |
| Financial assets                   | –                         | 45,034                               | –                                       | –                                     | 45,034         |
| <b>Total assets</b>                | <b>19,281</b>             | <b>45,034</b>                        | <b>–</b>                                | <b>–</b>                              | <b>64,315</b>  |
| Weighted average interest rate     |                           |                                      |   |                                       | 4.26%          |
| <b>Liabilities</b>                 |                           |                                      |   |                                       |                |
| Interest bearing loans             | 25,500                    | –                                    | 175,401                                 | –                                     | 200,901        |
| Derivative financial instruments   | –                         | 1,261                                | 1,030                                   | –                                     | 2,291          |
| <b>Total liabilities</b>           | <b>25,500</b>             | <b>1,261</b>                         | <b>176,430</b>                          | <b>–</b>                              | <b>203,192</b> |
| Weighted average interest rate     |                           |                                      |   |                                       | 4.96%          |
| <b>Restated</b>                    |                           |                                      |   |                                       |                |
| Consolidated Group<br>30 June 2018 | Floating<br>interest rate | Fixed interest<br>Maturity<br>< 1 yr | Fixed interest<br>Maturity<br>1 - 5 yrs | Fixed interest<br>Maturity<br>> 5 yrs | Total          |
|                                    | \$'000                    | \$'000                               | \$'000                                  | \$'000                                | \$'000         |
| <b>Assets</b>                      |                           |                                      |   |                                       |                |
| Cash and cash equivalents          | 14,034                    | –                                    | –                                       | –                                     | 14,034         |
| Financial assets                   | –                         | 15,707                               | –                                       | –                                     | 15,707         |
| <b>Total assets</b>                | <b>14,034</b>             | <b>15,707</b>                        | <b>–</b>                                | <b>–</b>                              | <b>14,034</b>  |
| Weighted average interest rate     |                           |                                      |   |                                       | 3.00%          |
| <b>Liabilities</b>                 |                           |                                      |   |                                       |                |
| Interest bearing loans             | 1,303                     | 46,802                               | 127,900                                 | –                                     | 176,005        |
| Derivative financial instruments   | –                         | 90                                   | 354                                     | –                                     | 444            |
| <b>Total liabilities</b>           | <b>1,303</b>              | <b>46,892</b>                        | <b>128,254</b>                          | <b>–</b>                              | <b>176,449</b> |
| Weighted average interest rate     |                           |                                      |   |                                       | 4.63%          |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 16. Financial risk management (continued)

#### (ii) Interest Rate Sensitivity

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

| Consolidated Group<br>30 June 2019 | Amount<br>\$'000 | Increase by 1%   |                  | Decrease by 1%   |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                    |                  | Profit<br>\$'000 | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| Cash and cash equivalents          | 19,281           | 193              | –                | (193)            | –                |
| Derivative financial instruments   | 2,291            | –                | (23)             | –                | 23               |
| Interest bearing loans             | 140,901          | (899)            | –                | 899              | –                |
| <b>Total increase / (decrease)</b> | <b>162,473</b>   | <b>(706)</b>     | <b>(23)</b>      | <b>706</b>       | <b>23</b>        |

| Consolidated Group<br>30 June 2018 | Amount<br>\$'000 | Increase by 1%   |                  | Decrease by 1%   |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                    |                  | Profit<br>\$'000 | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| Cash and cash equivalents          | 14,034           | 140              | –                | (140)            | –                |
| Derivative financial instruments   | 444              | –                | (4)              | –                | 4                |
| Interest bearing loans             | 115,740          | (1,134)          | –                | 1,134            | –                |
| <b>Total increase / (decrease)</b> | <b>130,218</b>   | <b>(994)</b>     | <b>(4)</b>       | <b>994</b>       | <b>4</b>         |

#### b) Credit risk

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

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

#### Exposure to credit risk

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

|                             | Consolidated Group<br>30 June<br>2019<br>\$'000 | Restated Consolidated Group<br>30 June<br>2018<br>\$'000 |
|-----------------------------|---|--|
| Cash and cash equivalents   | 19,281  | 14,034   |
| Financial assets            | 45,034  | 15,707   |
| Trade and other receivables | 14,735  | 17,146   |
| <b>Total</b>                | <b>79,050</b>                                   | <b>46,887</b>  |

Where entities have a right of set-off and intend to settle on a net basis under netting arrangements, this set-off has been recognised in the consolidated financial statements on a net basis. Details of the Group's contingent liabilities are disclosed in Note 23.

Trade and other receivables consist of GST, trade debtors and other receivables. At balance date 4% of the Group's receivables were due from Australian tax authorities in respect of GST.

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 16. Financial risk management (continued)

#### b) Credit risk (continued)

Impairment losses

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

|                     | Consolidated Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated Group<br>30 June<br>2018<br>\$'000 |
|---------------------|---|---|
| Current             | 10,693  | 11,970  |
| Past due 31-61 days | 1,617   | 993   |
| Past due 61+ days   | 2,425   | 4,183   |
| <b>Total</b>        | <b>14,735</b>                                   | <b>17,146</b>   |

#### c) Liquidity risk

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

The following are the undiscounted contractual cash flows of derivatives and non-derivative financial liabilities shown at their nominal amount.

#### Consolidated Group 30 June 2019

|   | Less than<br>1 year<br>\$'000 | 1 to 2<br>years<br>\$'000 | 2 to 5<br>years<br>\$'000 | More than<br>5 years<br>\$'000 | Contractual<br>cash flows<br>\$'000 | Carrying<br>amount<br>\$'000 |
|---|-------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------------|
| <b>Derivative financial liabilities</b>     |                               |                           |                           |                                |                                     |                              |
| Derivatives                                 | 1,261                         | 1,030                     | –                         | –                              | –                                   | 2,291                        |
| <b>Non derivative financial liabilities</b> |                               |                           |                           |                                |                                     |                              |
| Payables                                    | 8,832                         | 1,115                     | –                         | –                              | –                                   | 9,947                        |
| Interest bearing loans                      | –                             | 109,055                   | 119,359                   | –                              | –                                   | 228,414                      |
| Current tax liabilities                     | 946                           | 6,157                     | –                         | –                              | –                                   | 7,103                        |
| <b>Total</b>                                | <b>11,039</b>                 | <b>117,357</b>            | <b>119,359</b>            | <b>–</b>                       | <b>–</b>                            | <b>247,755</b>               |

#### Restated Consolidated Group 30 June 2018

|   | Less than<br>1 year<br>\$'000 | 1 to 2<br>years<br>\$'000 | 2 to 5<br>years<br>\$'000 | More than<br>5 years<br>\$'000 | Contractual<br>cash flows<br>\$'000 | Carrying<br>amount<br>\$'000 |
|---|-------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------------|
| <b>Derivative financial liabilities</b>     |                               |                           |                           |                                |                                     |                              |
| Derivatives                                 | 90                            | 354                       | –                         | –                              | –                                   | 444                          |
| <b>Non derivative financial liabilities</b> |                               |                           |                           |                                |                                     |                              |
| Payables                                    | 33,390                        | 1,192                     | –                         | –                              | –                                   | 34,582                       |
| Interest bearing loans                      | 48,776                        | –                         | 154,468                   | –                              | –                                   | 203,244                      |
| Current tax liabilities                     | 1,373                         | 5,773                     | –                         | –                              | –                                   | 7,146                        |
| <b>Total</b>                                | <b>83,629</b>                 | <b>7,319</b>              | <b>154,468</b>            | <b>–</b>                       | <b>–</b>                            | <b>245,416</b>               |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 16. Financial risk management (continued)

#### d) Capital risk management

The Group maintains its capital structure with the objective to safeguard its ability to continue as a going concern, to increase the returns for security holders and to maintain an optimal capital structure. The capital structure of the Group consists of equity as listed in Note 14.

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

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

#### Australian Financial Services License

The Responsible Entity is licensed as an Australian Financial Services Licensee.

Under licence condition 9, the Responsible Entity must:

- (a) be able to pay its debts as and when they become due and payable; and
- (b) show in its most recent statement of financial position lodged with ASIC that its total (adjusted) assets exceed total (adjusted) liabilities; and
- (c) have no reason to suspect that its total (adjusted) assets would not exceed total (adjusted) liabilities on a current statement of financial position; and
- (d) meet the cash needs requirements by complying with Option 1.

Under licence condition 10, the Responsible Entity must maintain net tangible assets (NTA) of not less than the greater of:

- (a) \$150,000; or
- (b) 0.5% of the value of Scheme Assets; or
- (c) 10% of Average Responsible Entity revenue.

The Responsible Entity must also maintain Cash or Cash Equivalents of the greater of \$150,000 or 50% of the required NTA as well as Liquid Assets of greater than the required NTA.

The Responsible Entity had at all times a cash flow projection of at least 15 months, with assumptions, showing its ability to meet debts as and when they fall due.

The Responsible Entity has not reported to ASIC any breaches of its financial requirements under its Australian Financial Services License.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Group Structure

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

### 17. Parent entity

#### OVERVIEW

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

#### (a) Summarised financial information

|  | Elanor<br>Investors<br>Limited <sup>1</sup><br>30 June<br>2019<br>\$'000 | Elanor<br>Investors<br>Limited <sup>1</sup><br>30 June<br>2018<br>\$'000 | Elanor<br>Investment<br>Fund <sup>2</sup><br>30 June<br>2019<br>\$'000 | Elanor<br>Investment<br>Fund <sup>2</sup><br>30 June<br>2018<br>\$'000 |
|--|--|--|--|--|
| <b>Financial position</b>                        |  |  |  |  |
| Current assets                                   | 41,799   | 42,735   | 41,219   | 18,197   |
| Non - current assets                             | 77,546   | 75,022   | 91,336   | 101,754  |
| <b>Total assets</b>                              | <b>119,345</b>   | <b>117,757</b>   | <b>132,555</b>   | <b>119,951</b>   |
| Current liabilities                              | 10,958   | 9,671  | 10,413   | 10,472   |
| Non - current liabilities                        | 67,352   | 58,594   | 47,297   | 33,201   |
| <b>Total liabilities</b>                         | <b>78,310</b>  | <b>68,265</b>  | <b>57,710</b>  | <b>43,673</b>  |
| Contributed equity                               | 61,194   | 57,797   | 73,343   | 67,006   |
| Reserves   | 501  | 152  | 6,096  | 7,455  |
| Retained profits / (accumulated losses)          | (20,660)   | (8,457)  | (4,594)  | 1,817  |
| <b>Total equity</b>                              | <b>41,035</b>  | <b>49,492</b>  | <b>74,845</b>  | <b>76,278</b>  |
| <b>Financial performance</b>                     |  |  |  |  |
| Profit / (loss) for the period                   | (8,484)  | (4,578)  | (2,604)  | 5,982  |
| Other comprehensive income for the period        | (347)  | (347)  | 4,730  | 6,810  |
| <b>Total comprehensive income for the period</b> | <b>(8,831)</b>   | <b>(4,925)</b>   | <b>2,126</b>   | <b>12,792</b>  |

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

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

#### (b) Commitments

At balance date Elanor Investors Limited and Elanor Investment Fund had no commitments (2018: none) in relation to capital expenditure contracted for but not recognised as liabilities.

#### (c) Guarantees provided

At balance date Elanor Investors Limited and Elanor Investment Fund had no outstanding guarantees (2018: none).

#### (d) Contingent liabilities

At balance date Elanor Investors Limited and Elanor Investment Fund had no contingent liabilities (2018: none).



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 17. Parent entity (continued)

#### ACCOUNTING POLICY

The financial information of the parent entities of the Group and the EIF Group have been prepared on the same basis as the consolidated financial statements.

### 18. Subsidiaries and Controlled entities

#### OVERVIEW

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

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

| Elanor Investors Limited                                       |                        |                                      | Proportion of ownership interest and voting power by the Group |              |
|--|------------------------|--------------------------------------|--|--------------|
| Name of Subsidiary   | Principal activity     | Place of incorporation and operation | 30 June 2019   | 30 June 2018 |
|  |                        |                                      |  |              |
| Elanor Asset Services Pty Limited <sup>1</sup>                 | Asset services         | Australia                            | 100%   | 100%         |
| Elanor Funds Management Limited <sup>1</sup>                   | Responsible entity     | Australia                            | 100%   | 100%         |
| Elanor Operations Pty Limited <sup>1</sup>                     | Operational services   | Australia                            | 100%   | 100%         |
| Elanor Investment Nominees Pty Limited <sup>1</sup>            | Trustee services       | Australia                            | 100%   | 100%         |
| Elanor Waverley Property Nominees Pty Limited <sup>1</sup>     | Trustee services       | Australia                            | 100%   | 100%         |
| Elanor Investment Holdings Pty Limited <sup>1</sup>            | Holding company        | Australia                            | 100%   | 100%         |
| Elanor Management Pty Limited <sup>1</sup>                     | Holding company        | Australia                            | 100%   | 100%         |
| Featherdale Management Pty Limited <sup>1</sup>                | Wildlife park operator | Australia                            | 100%   | 100%         |
| JCF Management Pty Limited <sup>1</sup>                        | Furniture retailer     | Australia                            | 100%   | 100%         |
| Wiltex Wholesale Pty Limited <sup>1</sup>                      | Landholder             | Australia                            | 100%   | 100%         |
| Albany Hotel Management Pty Limited <sup>1</sup>               | Hotel operator         | Australia                            | 100%   | 100%         |
| Cradle Mountain Lodge Pty Limited <sup>2</sup>                 | Hotel operator         | Australia                            | 31%  | 42%          |
| Wollongong Hotel Management Pty Limited <sup>2</sup>           | Hotel operator         | Australia                            | 31%  | 42%          |
| Port Macquarie Hotel Management Pty Limited <sup>2</sup>       | Hotel operator         | Australia                            | 31%  | 42%          |
| Tall Trees Hotel Management Pty Limited <sup>2</sup>           | Hotel operator         | Australia                            | 31%  | 42%          |
| Pavilion Wagga Wagga Hotel Management Pty Limited <sup>2</sup> | Hotel operator         | Australia                            | 31%  | 42%          |
| Parklands Resort Hotel Management Pty Limited <sup>2</sup>     | Hotel operator         | Australia                            | 31%  | 42%          |
| EMPR II Management Pty Limited <sup>2</sup>                    | Holding company        | Australia                            | 31%  | 42%          |
| Eaglehawk Hotel Management Pty Limited <sup>3</sup>            | Hotel operator         | Australia                            | 31%  | 44%          |
| Narrabundah Hotel Management Pty Limited <sup>3</sup>          | Hotel operator         | Australia                            | 31%  | 44%          |
| Byron Bay Hotel Management Pty Limited <sup>3</sup>            | Hotel operator         | Australia                            | 31%  | 44%          |
| EMPR Management Pty Limited <sup>3</sup>                       | Holding company        | Australia                            | 31%  | 44%          |

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

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 18. Subsidiaries and Controlled entities (continued)

| Elanor Investment Fund                        |                                   | Place of<br>incorporation<br>and operation | Proportion of<br>ownership interest<br>and voting power<br>by the Group |         |
|---|-----------------------------------|--|---|---------|
| Name of<br>Subsidiary                         | Principal activity                |  | 30 June   | 30 June |
|   |                                   |  | 2019  | 2018    |
| Elanor Investment Trust                       | Co-investment in<br>Managed Funds | Australia                                  | 100%  | 100%    |
| Featherdale Wildlife Park Syndicate           | Wildlife Park landholder          | Australia                                  | 100%  | 100%    |
| Albany Hotel Syndicate                        | Hotel landholder                  | Australia                                  | 100%  | 100%    |
| Wollongong Hotel Syndicate                    | Hotel landholder                  | Australia                                  | 31%   | 42%     |
| Elanor Metro and Prime Regional Hotel Fund II | Hotel landholder                  | Australia                                  | 31%   | 42%     |
| Wollongong Hotel Property Trust               | Hotel landholder                  | Australia                                  | 31%   | 42%     |
| Port Macquarie Property Trust                 | Hotel landholder                  | Australia                                  | 31%   | 42%     |
| Tall Trees Property Trust                     | Hotel landholder                  | Australia                                  | 31%   | 42%     |
| Pavilion Wagga Wagga Property Trust           | Hotel landholder                  | Australia                                  | 31%   | 42%     |
| Parklands Resort Property Trust               | Hotel landholder                  | Australia                                  | 31%   | 42%     |
| Narrabundah Property Trust                    | Hotel landholder                  | Australia                                  | 31%   | 44%     |
| Byron Bay Hotel Property Trust                | Hotel landholder                  | Australia                                  | 31%   | 44%     |
| Elanor Metro and Prime Regional Hotel Fund    | Hotel landholder                  | Australia                                  | 31%   | 44%     |
| Bluewater Square Syndicate                    | Shopping centre                   | Australia                                  | 42%   | 42%     |
| Auburn Office Syndicate                       | Commercial office                 | Australia                                  | 100%  | –       |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Other Items

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

## 19. Receivables

### OVERVIEW

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

### Receivables

|                          | Consolidated Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated Group<br>30 June<br>2018<br>\$'000 |
|--------------------------|---|---|
| <b>Current</b>           |   |   |
| Trade receivables        | 6,173   | 7,128   |
| Other receivables        | 8,562   | 10,018  |
| <b>Total receivables</b> | <b>14,735</b>                                   | <b>17,146</b>   |

## 20. 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<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated Group<br>30 June<br>2018<br>\$'000 |
|-----------------------|---|---|
| Trade creditors       | 1,290   | 1,344   |
| Accrued expenses      | 5,156   | 5,065   |
| GST payable           | 946   | 1,214   |
| <b>Total payables</b> | <b>7,392</b>                                    | <b>7,623</b>  |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 20. Payables (continued)

#### Provisions

|                                     | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|-------------------------------------|--|--|
| <b>Current</b>                      |  |  |
| Provision for annual leave          | 1,290  | 1,040  |
| Provision for long service leave    | 145  | 86   |
| Provision for short term incentives | 641  | 826  |
| <b>Total current</b>                | <b>2,076</b>                                       | <b>1,952</b>   |
| <b>Non-current</b>                  |  |  |
| Provision for annual leave          | 192  | 155  |
| Provision for long service leave    | 556  | 243  |
| <b>Total non-current</b>            | <b>748</b>   | <b>398</b>   |
| <b>Total provisions</b>             | <b>2,824</b>                                       | <b>2,350</b>   |

#### ACCOUNTING POLICY

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

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

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

#### Employee benefits

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

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

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 20. Payables (continued)

#### Other liabilities

|  | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|--|--|--|
| <b>Current</b>                             |  |  |
| Advance deposits                           | –  | 673  |
| Lease incentive liability                  | 301  | 66   |
| Other                                      | 9  | 10   |
| <b>Total other current liabilities</b>     | <b>310</b>   | <b>749</b>   |
| <b>Non-current</b>                         |  |  |
| Lease incentive liability                  | 366  | 439  |
| <b>Total other non-current liabilities</b> | <b>366</b>   | <b>439</b>   |

### 21. Intangible assets

#### OVERVIEW

##### Management Rights

Management Rights represent the acquisition of funds management rights and associated licences from Moss Capital Pty Limited at IPO for \$1.5 million. At IPO, the estimated useful life of the acquired funds management rights was 10 years.

|                                | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|--------------------------------|--|--|
| Management rights              | 1,500  | 1,500  |
| Accumulated amortisation       | (750)  | (600)  |
| <b>Total management rights</b> | <b>750</b>   | <b>900</b>   |
| <b>Total intangible assets</b> | <b>750</b>   | <b>900</b>   |

#### ACCOUNTING POLICY

##### Funds management rights

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 22. Net tangible assets

#### OVERVIEW

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

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|---|--|--|
| Net tangible assets are calculated as follows:  |  |  |
| Total assets                                    | 468,824  | 416,724  |
| Less: Intangible assets                         | (750)  | (900)  |
| Less: Total liabilities                         | (222,949)  | (208,212)  |
| <b>Net tangible assets</b>                      | <b>245,125</b>                                     | <b>207,612</b>   |
| Total number of stapled securities on issue     | 99,822   | 93,016   |
| Net tangible asset backing per stapled security | 2.46   | 2.23   |

### 23. Commitments

#### OVERVIEW

This note sets out the material commitments of the Group.

#### Contingent liabilities and commitments

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

#### Lease commitments: the Group as lessee

The Group has non-cancellable leases in respect of premises. The leases are for a duration of between 1 to 5 years and are classified as operating leases. The minimum lease payments are as follows:

|  | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|--|--|--|
| Within one year                                | 946  | 896  |
| Later than one year but not later than 5 years | 80   | 1,009  |
| Later than 5 years                             | –  | –  |
| <b>Total lease commitments</b>                 | <b>1,026</b>                                       | <b>1,905</b>   |

#### Lease commitments: the Group as lessor

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

|  | Consolidated<br>Group<br>30 June<br>2019<br>\$'000 | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$'000 |
|--|--|--|
| Within one year                                | 3,827  | 4,297  |
| Later than one year but not later than 5 years | 10,934   | 11,700   |
| Later than 5 years                             | 6,486  | 6,675  |
| <b>Total lease commitments</b>                 | <b>21,247</b>                                      | <b>22,672</b>  |

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 24. Share-based payments

#### OVERVIEW

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

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

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

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

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

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

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

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

The purpose of the LTI Scheme is to assist in attracting, motivating and retaining key management and employees. The LTI Scheme operates by providing key management and employees with the opportunity to participate in the future performance of Group securities. The vesting conditions LTI plans and related awards include both a service based hurdle and an absolute total security holder return (TSR) performance hurdle. The service based hurdle is 2, 3 and 4 years in the case of the loan security plan. The TSR is 10% per annum in the case of the loan security plan and 15% per annum in the case of the options plan. The 2017 option plan has an exercise price of \$3.05 per security (40% premium to the \$2.18 offer price)

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



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 24. Share-based payments (continued)

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

#### Employee Loan Securities

| Award Type      | Number<br>Granted | Grant Date | Vesting<br>Date | Vesting<br>Conditions <sup>1</sup> | Security<br>Price at<br>Grant<br>Date | Fair<br>Value<br>at<br>Grant<br>Date |
|-----------------|-------------------|------------|-----------------|------------------------------------|---------------------------------------|--------------------------------------|
| Loan Securities | 5,750,000         | 28/08/2017 | 30/06/2021      | Service & non-market               | \$2.13                                | \$0.17                               |
| Loan Securities | 4,250,000         | 17/10/2017 | 30/06/2021      | Service & non-market               | \$2.18                                | \$0.17                               |
| Loan Securities | 1,000,000         | 8/12/2017  | 30/06/2021      | Service & non-market               | \$2.15                                | \$0.15                               |

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

#### Options

| Award Type        | Number<br>Granted | Grant Date | Vesting<br>Date | Vesting<br>Conditions <sup>1</sup> | Exercise<br>Price | Fair<br>Value<br>at<br>Grant<br>Date |
|-------------------|-------------------|------------|-----------------|------------------------------------|-------------------|--------------------------------------|
| Options Tranche 2 | 2,000,000         | 28/08/2017 | 28/08/2020      | Service & non-market               | \$3.05            | \$0.03                               |

| Award Type  | Number<br>Granted | Grant Date | Vesting<br>Date | Vesting<br>Conditions <sup>1</sup> | Exercise<br>Price | Fair<br>Value<br>at<br>Grant<br>Date |
|-------------|-------------------|------------|-----------------|------------------------------------|-------------------|--------------------------------------|
| NED Options | 2,872,341         | 10/11/2016 | 30/06/2017      | Service & non-market               | \$3.08            | \$0.04                               |

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

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

#### Securities issued under STI plan

| Award Type | Number<br>Granted | Grant Date | Vesting<br>Date | Vesting<br>Conditions <sup>1</sup> | Security<br>Price at<br>Grant<br>Date | Fair<br>Value<br>at<br>Grant<br>Date |
|------------|-------------------|------------|-----------------|------------------------------------|---------------------------------------|--------------------------------------|
| FY18 STI   | 263,274           | 27/06/2018 | 27/06/2020      | Service                            | \$1.99                                | \$1.99                               |
| FY19 STI   | 346,717           | 27/06/2019 | 27/06/2021      | Service                            | \$1.82                                | \$1.82                               |

1. Service conditions include a deferred vesting period.

The total expense recognised during the year in relation to the Group's equity settled share-based payments was \$1,093,078.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 24. Share-based payments (continued)

#### ACCOUNTING POLICY

##### Security-Based Payments

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

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

### 25. 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 year ended 30 June 2019, this amount is \$65,000.

EFML makes payments for EIF from time to time. These payments are incurred by EFML in properly performing or exercising its powers or duties in relation to EIF. EFML has a right of indemnity from EIF for any liability incurred by EFML in properly performing or exercising any of its powers or duties in relation to EIF. The amount reimbursed for the year ended 30 June 2019 was nil.

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 25. Related parties (continued)

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

|   | Consolidated Group<br>30 June<br>2019<br>\$'000 | Restated Consolidated Group<br>30 June<br>2018<br>\$'000 |
|---|---|--|
| Elanor Retail Property Fund                     | 3,806   | 2,625  |
| Elanor Commercial Property Fund                 | 1,837   | 1,301  |
| 193 Clarence Hotel Syndicate                    | –   | 716  |
| Bell City Syndicates                            | –   | 1,796  |
| Elanor Commercial Property Fund II <sup>1</sup> | 369   | 458  |
| Hunters Plaza Syndicate                         | 543   | 514  |
| Belconnen Markets Syndicate                     | 498   | 807  |
| Workzone West Syndicate                         | 1,084   | 1,502  |
| Waverley Gardens Fund                           | 1,242   | –  |
| Stirling Street Syndicate                       | 712   | –  |
| Fairfield Centre Syndicate                      | 1,105   | –  |
| <b>Total</b>                                    | <b>11,196</b>                                   | <b>9,719</b>   |

Note 1: During the period, the Limestone Street Centre was acquired by the Elanor Commercial Property Fund

#### Key Management Personnel (KMP)

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

| <b>Non-Executive</b>       | <b>Position</b>                                 |
|----------------------------|---|
| Mr. Paul Bedbrook          | Independent Chairman and Non-Executive Director |
| Mr. Nigel Ampherlaw        | Independent Non-Executive Director              |
| Mr. William (Bill) Moss AO | Non-Executive Director                          |
| Mr. Lim Kin Song           | Non-Executive Director                          |

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

|                          | Consolidated Group<br>30 June<br>2019<br>\$'000 | Restated Consolidated Group<br>30 June<br>2018<br>\$'000 |
|--------------------------|---|--|
| Short term benefits      | 2,185   | 2,249  |
| Post-employment benefits | 93  | 111  |
| Share-based payment      | 464   | 445  |
| <b>Total</b>             | <b>2,742</b>                                    | <b>2,805</b>   |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 26. Significant events

#### **Establishment of WorkZone West Syndicate**

On 15 August 2018, the Group established WorkZone West Syndicate (WorkZone) which acquired the Workzone West office building in Perth, for \$125 million.

#### **Acquisition of Hotel portfolio by Elanor Metro and Prime Regional Hotel Fund**

On 28 September 2018, the EMPR Fund acquired a portfolio of 6 Australian Hotels independently valued at \$103.9 million. The new portfolio was acquired from the Elanor Hospitality and Accommodation Fund (EHAF) which was established in March 2016 and was managed by Elanor.

#### **Acquisition of Limestone Street Centre by Elanor Commercial Property Fund**

On 19 December 2018, the Elanor Commercial Property Fund acquired Limestone Street Centre for \$36.0 million. The Group holds a 13.27% interest in the Elanor Commercial Property Fund alongside Elanor management fund investors.

#### **Establishment of the Waverley Gardens Fund**

On 21 December 2018, the Group established the Waverley Gardens Fund (Waverley Gardens), which was established to acquire the Waverley Gardens shopping centre, for \$178 million. The Group holds a 20.27% interest in the Waverley Gardens Fund alongside institutional capital partner, Heitman, and Elanor managed fund investors.

#### **Establishment of the Fairfield Centre Syndicate**

On 31 May 2019, the Group established the Fairfield Centre Syndicate, which acquired the Neeta City Shopping Centre, for \$85.3 million. The Group holds a 22.30% interest in the Fairfield Centre Syndicate alongside Elanor management fund investors.

### 27. Events occurring after reporting date

Subsequent to the period end, a distribution of 9.74 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$9.7 million will be paid on or before 30 August 2019 in respect of the six months ended 30 June 2019.

The Board approved the appointment of Mr Anthony Fehon as a director of the Group and the Responsible Entity, with an effective date of 20 August 2019.

Other than the events disclosed above, the directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial period subsequent to the year ended 30 June 2019.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 28. Auditor's remuneration

#### OVERVIEW

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

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

|   | Consolidated<br>Group<br>30 June<br>2019<br>\$ | Restated<br>Consolidated<br>Group<br>30 June<br>2018<br>\$ |
|---|--|--|
| <b>Audit services:</b>                            |  |  |
| Auditors of the Elanor Investors Group            |  |  |
| Deloitte Touche Tohmatsu Australia:               |  |  |
| Audit and review of financial reports             | 275,750  | 246,085  |
|   | 275,750  | 246,085  |
| <b>Other services:</b>                            |  |  |
| Auditors of the Elanor Investors Group            |  |  |
| Deloitte Touche Tohmatsu Australia:               |  |  |
| Taxation advisory services                        | 20,000   | 178,249  |
| Taxation compliance services                      | 122,400  | 126,000  |
| Cyber maturity assessment                         | –  | 55,000   |
| Transaction services                              | –  | 40,000   |
|   | 142,400  | 399,249  |
| <b>Total - Deloitte Touche Tohmatsu Australia</b> | <b>418,150</b>                                 | <b>645,334</b>   |
| Auditors of the Elanor Investors Group            |  |  |
| Pitcher Partners:                                 |  |  |
| Compliance Plan Audit                             | 16,000   | 15,150   |
| <b>Total - Pitcher Partners</b>                   | <b>16,000</b>                                  | <b>15,150</b>  |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 29. Non-Parent disclosure

#### OVERVIEW

This note provides information relating to the non-parent EIF Group only. The accounting policies are consistent with the Group, except as otherwise disclosed.

#### Segment information

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

#### Distributions

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

|                                   | Distribution<br>cents per<br>stapled security<br>30 June<br>2019 | Distribution<br>cents per<br>stapled security<br>30 June<br>2018 | Total<br>Amount<br>30 June<br>2019<br>\$'000 | Total<br>Amount<br>30 June<br>2018<br>\$'000 |
|-----------------------------------|--|--|--|--|
| Interim distribution <sup>1</sup> | 5.81   | 7.16   | 5,579  | 6,637  |
| Final distribution <sup>2</sup>   | 4.82   | 5.15   | 4,812  | 4,778  |

1. The interim distribution of 5.81 cents per stapled security was declared on 18 February 2019 and paid on 1 March 2019.

2. The final distribution of 4.82 cents per stapled security for the period ended 30 June 2019 was not declared prior to 30 June 2019. The Distribution will be paid on 30 August 2019. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

#### Taxation of the Trust

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

#### Earnings / (losses) per stapled security

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

|   | EIF<br>Group<br>30 June<br>2019 | EIF<br>Group<br>30 June<br>2018 |
|---|---------------------------------|---------------------------------|
| Basic (cents)   | 27.36                           | 2.15                            |
| Diluted (cents)   | 27.36                           | 2.12                            |
| Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000) | 26,209                          | 1,962                           |
| Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security          | 95,810                          | 91,179                          |
| Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security        | 95,810                          | 92,351                          |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Investment Properties

#### Movement in investment properties

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

|   | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|---|---|---|
| Carrying amount at the beginning of the period  | 248,291                                   | 135,144                                   |
| Total costs on acquisition                      | 4,650                                     | 109,469                                   |
| Additions                                       | 324                                       | 839                                       |
| Revaluation (decrements) / increments           | 17,482                                    | 2,840                                     |
| <b>Carrying amount at the end of the period</b> | <b>270,747</b>                            | <b>248,291</b>                            |

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

The following table represents the total fair value of Investment Properties at 30 June 2019:

|                            |             |        | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|----------------------------|-------------|--------|---|---|
|                            | Valuation   | Date   |   |   |
| Cradle Mountain Lodge      | Independent | Jun-19 | 50,534                                    | 41,940                                    |
| Albany Hotel               | Internal    | Jun-19 | 4,882                                     | 5,067                                     |
| Featherdale Wildlife Park  | Internal    | Jun-19 | 32,280                                    | 33,590                                    |
| Eaglehawk Hotel            | Independent | Jun-19 | 23,805                                    | 17,854                                    |
| Wollongong Hotel           | Independent | Jun-19 | 13,343                                    | 13,821                                    |
| Port Macquarie Hotel       | Independent | Jun-19 | 10,959                                    | 11,235                                    |
| Tall Trees Hotel           | Independent | Jun-19 | 10,369                                    | 10,514                                    |
| Pavilion Wagga Wagga Hotel | Independent | Jun-19 | 5,024                                     | 5,296                                     |
| Parklands Resort           | Independent | Jun-19 | 8,190                                     | 8,895                                     |
| Narrabundah Hotel          | Independent | Jun-19 | 26,829                                    | 22,047                                    |
| Byron Bay Hotel            | Independent | Jun-19 | 25,673                                    | 25,832                                    |
| Bluewater Square           | Internal    | Jun-19 | 54,209                                    | 52,202                                    |
| Auburn Office Syndicate    | Internal    | Jun-19 | 4,650                                     | -   |
| <b>Total</b>               |             |        | <b>270,747</b>                            | <b>248,291</b>                            |



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### ACCOUNTING POLICY

##### Fair value of Investment Properties

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

Valuation, technique and inputs

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

##### Fair value measurement

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

|                                      | Book Value                |                             |                       |
|--------------------------------------|---------------------------|-----------------------------|-----------------------|
|                                      | 30 June<br>2019<br>\$'000 | Capitalisation<br>Rate<br>% | Discount<br>Rate<br>% |
| <b>EIF Group</b>                     |                           |                             |                       |
| <b>Assets measured at fair value</b> |                           |                             |                       |
| Investment properties                | 270,747                   | 7.25 - 13.50                | 8.50 - 16.00          |
| <b>Total assets</b>                  | <b>270,747</b>            |                             |                       |

|                                      | Book Value                |                             |                       |
|--------------------------------------|---------------------------|-----------------------------|-----------------------|
|                                      | 30 June<br>2018<br>\$'000 | Capitalisation<br>Rate<br>% | Discount<br>Rate<br>% |
| <b>EIF Group</b>                     |                           |                             |                       |
| <b>Assets measured at fair value</b> |                           |                             |                       |
| Investment properties                | 248,291                   | 8.75 - 15.00                | 9.00 - 17.50          |
| <b>Total assets</b>                  | <b>248,291</b>            |                             |                       |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Equity accounted investments

The Trust's equity accounted investments are as follows:

#### 30 June 2019

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

#### 30 June 2018

|   | Principal activity | Percentage Ownership | EIF Group<br>30 June<br>2018<br>\$'000 |
|---|--------------------|----------------------|--|
| Bell City Fund                            | Accommodation      | 17.64%               | 11,668                                 |
| Elanor Retail Property Fund (ASX: ERF)    | Shopping Centres   | 17.89%               | 34,177                                 |
| Limestone Street Centre Syndicate         | Office Building    | 8.19%                | 1,446                                  |
| Elanor Commercial Property Fund           | Office Buildings   | 1.62%                | 725                                    |
| Belconnen Markets Syndicate               | Shopping Centre    | 0.83%                | 201                                    |
| Hunters Plaza Syndicate                   | Shopping Centre    | 4.73%                | 1,157                                  |
| <b>Total equity accounted investments</b> |                    |                      | <b>49,375</b>                          |

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

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Equity accounted investments (continued)

30 June 2019

|   | Elanor Retail<br>Property<br>Fund | Elanor<br>Commercial<br>Property<br>Fund | Waverley<br>Gardens<br>Fund     |
|---|-----------------------------------|--|---------------------------------|
|   | 30 June<br>2019                   | 30 June<br>2019                          | 30 June<br>2019                 |
|   | \$'000                            | \$'000                                   | \$'000                          |
| <b>Financial position</b>                                   |                                   |  |                                 |
| Current assets  | 5,585                             | 10,934                                   | 3,648                           |
| Non - current assets  | 334,518                           | 164,716                                  | 178,528                         |
| <b>Total Assets</b>   | <b>340,103</b>                    | <b>175,650</b>                           | <b>182,176</b>                  |
| Current liabilities   | 47,445                            | 10,124                                   | 1,818                           |
| Non - current liabilities                                   | 95,208                            | 64,756                                   | 102,754                         |
| <b>Total Liabilities</b>                                    | <b>142,653</b>                    | <b>74,880</b>                            | <b>104,572</b>                  |
| Contributed equity  | 156,537                           | 97,965                                   | 88,001                          |
| Reserves  | (3,804)                           | (1,147)                                  | –                               |
| Retained profits / (accumulated losses)                     | 44,717                            | 3,952                                    | (10,397)                        |
| <b>Total Equity</b>   | <b>197,450</b>                    | <b>100,770</b>                           | <b>77,604</b>                   |
|   |                                   |  |                                 |
|   | Elanor Retail<br>Property<br>Fund | Elanor<br>Commercial<br>Property<br>Fund | Waverley<br>Gardens<br>Fund     |
|   | Period ended<br>30 June<br>2019   | Period ended<br>30 June<br>2019          | Period ended<br>30 June<br>2019 |
|   | \$'000                            | \$'000                                   | \$'000                          |
| <b>Financial performance</b>                                |                                   |  |                                 |
| Profit / (loss) for the period                              | 20,015                            | 11,279                                   | (8,834)                         |
| Other comprehensive income for the period                   | (3,112)                           | (188)                                    | –                               |
| <b>Total comprehensive income for the period</b>            | <b>16,903</b>                     | <b>11,091</b>                            | <b>(8,834)</b>                  |
| Distributions received from the associate during the period | 2,260                             | 809                                      | 301                             |

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

|  | Elanor Retail<br>Property<br>Fund | Elanor<br>Commercial<br>Property<br>Fund | Waverley<br>Gardens<br>Fund     |
|--|-----------------------------------|--|---------------------------------|
|  | Period ended<br>30 June<br>2019   | Period ended<br>30 June<br>2019          | Period ended<br>30 June<br>2019 |
|  | \$'000                            | \$'000                                   | \$'000                          |
| Net assets of the associate                    | 197,450                           | 100,770                                  | 77,604                          |
| Proportion of the Group's ownership interest   | 17.89%                            | 13.27%                                   | 20.27%                          |
| <b>Carrying amount of the Group's interest</b> | <b>34,945</b>                     | <b>13,784</b>                            | <b>14,960</b>                   |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Equity accounted investments (continued)

30 June 2018

|   | ERF<br>30 June<br>2018<br>\$'000                 | Bell City<br>30 June<br>2018<br>\$'000                 |
|---|--|--|
| <b>Financial position</b>                                   |  |  |
| Current assets  | 8,361  | 6,313  |
| Non - current assets  | 317,833  | 153,197  |
| <b>Total Assets</b>   | <b>326,194</b>                                   | <b>159,510</b>   |
| Current liabilities   | 57,113   | 19,521   |
| Non - current liabilities                                   | 75,926   | 71,463   |
| <b>Total Liabilities</b>                                    | <b>133,039</b>                                   | <b>90,984</b>  |
| Contributed equity  | 156,537  | 68,700   |
| Reserves  | (720)  | 15,565   |
| Retained profits / (accumulated losses)                     | 37,338   | (15,739)   |
| <b>Total Equity</b>   | <b>193,155</b>                                   | <b>68,526</b>  |
|   | ERF<br>Period ended<br>30 June<br>2018<br>\$'000 | Bell City<br>Period ended<br>30 June<br>2018<br>\$'000 |
| <b>Financial performance</b>                                |  |  |
| Profit / (loss) for the period                              | 22,956   | 407  |
| Other comprehensive income for the period                   | 385  | 2,733  |
| <b>Total comprehensive income for the period</b>            | <b>23,341</b>                                    | <b>3,140</b>   |
| Distributions received from the associate during the period | 2,236  | 818  |

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

|  | ERF<br>30 June<br>2018<br>\$'000 | Bell City<br>30 June<br>2018<br>\$'000 |
|--|----------------------------------|--|
| Net assets of the associate                    | 193,155                          | 68,526                                 |
| Proportion of the Group's ownership interest   | 17.89%                           | 17.64%                                 |
| <b>Carrying amount of the Group's interest</b> | <b>34,178</b>                    | <b>11,668</b>                          |

#### Aggregate information of associates that are not individually material

|  | Period ended<br>30 June<br>2019<br>\$'000 | Period ended<br>30 June<br>2018<br>\$'000 |
|--|---|---|
| Profit / (loss) for the period   | 9,100                                     | 8,049                                     |
| Other comprehensive income for the period                              | (1,959)                                   | (1,253)                                   |
| <b>Total comprehensive income for the period</b>                       | <b>7,141</b>                              | <b>6,796</b>                              |
| Aggregate carrying amount of the Group's interests in these associates | 9,909                                     | 3,529                                     |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Interest bearing liabilities

|   | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|---|---|---|
| <b>Current</b>                                |   |   |
| Bank loan - term debt                         | 1,600                                     | 34,712                                    |
| Borrowing costs less amortisation             | –   | (82)                                      |
| <b>Total current</b>                          | <b>1,600</b>                              | <b>34,630</b>                             |
| <b>Non-current</b>                            |   |   |
| Bank loan - term debt                         | 115,388                                   | 63,988                                    |
| Bank loan - borrowing costs less amortisation | (1,223)                                   | (492)                                     |
| Loan from the company                         | 29,538                                    | 30,891                                    |
| <b>Total non-current</b>                      | <b>143,703</b>                            | <b>94,387</b>                             |
| <b>Total interest bearing liabilities</b>     | <b>145,303</b>                            | <b>129,017</b>                            |

As part of the internal funding of the Fund, EIF entered into a long term interest-bearing loan with EIL at arm's length terms, maturing in July 2024. As at 30 June 2019, the outstanding payable to the Company was \$29.5 million.

#### Credit facilities

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

|  | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|--|---|---|
| <b>EIF</b>                                 |   |   |
| Facility - EIF                             | 30,000                                    | 17,538                                    |
| Total amount used                          | (17,000)                                  | (1,038)                                   |
| <b>Total amount unused - EIF</b>           | <b>13,000</b>                             | <b>16,500</b>                             |
| <b>EMPR Group</b>                          |   |   |
| Facility - EMPR                            | 87,425                                    | 83,325                                    |
| Total amount used                          | (83,325)                                  | (83,325)                                  |
| <b>Total amount unused - EMPR</b>          | <b>4,100</b>                              | <b>–</b>                                  |
| <b>Bluewater Square Syndicate</b>          |   |   |
| Facility - Bluewater                       | 30,150                                    | 31,750                                    |
| Total amount used                          | (29,700)                                  | (31,300)                                  |
| <b>Total amount unused - Bluewater</b>     | <b>450</b>                                | <b>450</b>                                |
| <b>Auburn Office Syndicate</b>             |   |   |
| Facility - Auburn Office                   | 2,325                                     | –   |
| Total amount used                          | (2,325)                                   | –   |
| <b>Total amount unused - Auburn Office</b> | <b>–</b>                                  | <b>–</b>                                  |
| <b>Total amount unused - EIF Group</b>     | <b>17,550</b>                             | <b>16,950</b>                             |

During the year, the ENN Group refinanced its debt facilities with a new \$30.0 million revolver facility, upon which both the Company and the Trust can draw, with a maturity date on 29 April 2022. The drawn amount at 30 June 2019 is \$17.0 million. At 30 June 2019 the amount of drawn facilities was not hedged.

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

The EMPR Group also refinanced its \$46.7 million debt facility during the year, and obtained an additional \$4.1 million debt capacity in the new facility. As a result, the EMPR Group has access to a \$87.43 million facility, upon which both the Company and Trust can draw. The drawn amount at 30 June 2019 is \$83.3 million out of which \$36.6 million will mature on 31 October 2020, with the remaining \$46.7 million maturing on 31 October 2021. At 30 June 2019, the amount of drawn facilities is hedged to 100%.

Included in the above numbers, Bluewater has access to a \$30.2 million facility. The drawn amount at 30 June 2019 is \$29.7 million which will mature on 30 October 2020. At 30 June 2019, the amount of drawn facilities is hedged to 100%.

#### Derivative Financial instruments

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

|   | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|---|---|---|
| <b>Current liabilities</b>                    |   |   |
| Interest rate swaps                           | 1,180                                     | 66  |
|   | <b>1,180</b>                              | <b>66</b>                                 |
| <b>Non-current liabilities</b>                |   |   |
| Interest rate swaps                           | 937                                       | 354                                       |
|   | <b>937</b>                                | <b>354</b>                                |
| <b>Total derivative financial instruments</b> | <b>2,117</b>                              | <b>420</b>                                |

#### Reserves

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

|   | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|---|---|---|
| <b>Asset revaluation reserve</b>                |   |   |
| Opening balance                                 | 17,239                                    | 1,783                                     |
| Revaluation                                     | 1,807                                     | 15,197                                    |
| Equity accounted investment revaluation reserve | 1,468                                     | 259                                       |
| Closing balance                                 | 20,514                                    | 17,239                                    |
| <b>Cash flow hedge reserve</b>                  |   |   |
| Opening balance                                 | (420)                                     | (248)                                     |
| Revaluation                                     | (1,697)                                   | (172)                                     |
| Closing balance                                 | (2,117)                                   | (420)                                     |
| <b>Stapled security-based payment reserve</b>   |   |   |
| Opening balance                                 | 644                                       | 869                                       |
| Loan Securities and Option expense              | 455                                       | 92  |
| Short term incentive scheme expense             | 265                                       | (317)                                     |
| Closing balance                                 | 1,363                                     | 644                                       |
| <b>Total reserves</b>                           | <b>19,761</b>                             | <b>17,463</b>                             |

## ELANOR INVESTORS GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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

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

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

#### Financial Risk Management

##### (1) Market Risk

##### Interest rate risk

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

| EIF Group<br>30 June 2019 | Floating<br>interest rate | Fixed interest<br>Maturity<br>< 1 yr | Fixed interest<br>Maturity<br>1 - 5 yrs | Fixed interest<br>Maturity<br>> 5 yrs | Total  |
|---------------------------|---------------------------|--------------------------------------|---|---------------------------------------|--------|
|                           | \$'000                    | \$'000                               | \$'000                                  | \$'000                                | \$'000 |

##### Assets

|                                |              |          |          |          |              |
|--------------------------------|--------------|----------|----------|----------|--------------|
| Cash and cash equivalents      | 1,094        | -        | -        | -        | 1,094        |
| <b>Total Assets</b>            | <b>1,094</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>1,094</b> |
| Weighted average interest rate |              |          |          |          | <b>2.41%</b> |

##### Liabilities

|                                  |               |              |               |          |                |
|----------------------------------|---------------|--------------|---------------|----------|----------------|
| Interest bearing loans           | 17,000        | 1,600        | 98,388        | -        | 116,987        |
| Derivative financial instruments | -             | 1,180        | 937           | -        | 2,117          |
| <b>Total Liabilities</b>         | <b>17,000</b> | <b>2,780</b> | <b>99,325</b> | <b>-</b> | <b>119,104</b> |
| Weighted average interest rate   |               |              |               |          | <b>3.41%</b>   |

| EIF Group<br>30 June 2018 | Floating<br>interest rate | Fixed interest<br>Maturity<br>< 1 yr | Fixed interest<br>Maturity<br>1 - 5 yrs | Fixed interest<br>Maturity<br>> 5 yrs | Total  |
|---------------------------|---------------------------|--------------------------------------|---|---------------------------------------|--------|
|                           | \$'000                    | \$'000                               | \$'000                                  | \$'000                                | \$'000 |

##### Assets

|                                |              |          |          |          |              |
|--------------------------------|--------------|----------|----------|----------|--------------|
| Cash and cash equivalents      | 2,883        | -        | -        | -        | 2,883        |
| <b>Total Assets</b>            | <b>2,883</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>2,883</b> |
| Weighted average interest rate |              |          |          |          | <b>1.70%</b> |

##### Liabilities

|                                  |              |               |               |          |               |
|----------------------------------|--------------|---------------|---------------|----------|---------------|
| Interest bearing loans           | 1,038        | 34,712        | 62,950        | -        | 98,700        |
| Derivative financial instruments | -            | 66            | 354           | -        | 420           |
| <b>Total Liabilities</b>         | <b>1,038</b> | <b>34,778</b> | <b>63,304</b> | <b>-</b> | <b>99,120</b> |
| Weighted average interest rate   |              |               |               |          | <b>4.63%</b>  |



# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Interest Rate Sensitivity

| EIF Group<br>30 June 2019          | Amount<br>\$'000 | Increase by 1%   |                  | Decrease by 1%   |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                    |                  | Profit<br>\$'000 | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| Cash and cash equivalents          | 1,094            | 11               | –                | (11)             | –                |
| Derivative financial instruments   | 2,117            | –                | –                | –                | –                |
| Interest bearing loans             | 116,988          | (830)            | –                | 830              | –                |
| <b>Total increase / (decrease)</b> | <b>120,199</b>   | <b>(819)</b>     | <b>–</b>         | <b>819</b>       | <b>–</b>         |

| EIF Group<br>30 June 2018          | Amount<br>\$'000 | Increase by 1%   |                  | Decrease by 1%   |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                    |                  | Profit<br>\$'000 | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| Cash and cash equivalents          | 2,883            | 29               | –                | (29)             | –                |
| Derivative financial instruments   | 420              | –                | –                | –                | –                |
| Interest bearing loans             | 98,700           | (966)            | –                | 966              | –                |
| <b>Total increase / (decrease)</b> | <b>102,003</b>   | <b>(937)</b>     | <b>–</b>         | <b>937</b>       | <b>–</b>         |

#### Credit Risk

##### Exposure to credit risk

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

|                             | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|-----------------------------|---|---|
| Cash and cash equivalents   | 1,094                                     | 2,883                                     |
| Trade and other receivables | 15,681                                    | 6,849                                     |
| <b>Total</b>                | <b>16,775</b>                             | <b>9,732</b>                              |

##### Impairment losses

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

|                     | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|---------------------|---|---|
| Current             | 15,681                                    | 6,849                                     |
| Past due 31-61 days | –   | –   |
| Past due 61+ days   | –   | –   |
| <b>Total</b>        | <b>15,681</b>                             | <b>6,849</b>                              |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Liquidity risk

EIF Group  
30 June 2019

|   | Less than<br>1 year<br>\$'000 | 1 to 2<br>years<br>\$'000 | 2 to 5<br>years<br>\$'000 | More than<br>5 years<br>\$'000 | Contractual<br>cash flows<br>\$'000 | Carrying<br>amount<br>\$'000 |
|---|-------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------------|
| <b>Derivative financial liabilities</b>     |                               |                           |                           |                                |                                     |                              |
| Derivatives                                 | 1,165                         | 952                       | –                         | –                              | –                                   | 2,117                        |
| <b>Non derivative financial liabilities</b> |                               |                           |                           |                                |                                     |                              |
| Payables                                    | 5,047                         | 300                       | –                         | –                              | –                                   | 5,347                        |
| Interest bearing loans                      | –                             | 17,000                    | 61,350                    | 30,950                         | –                                   | 109,300                      |
| Current tax liabilities                     | 305                           | –                         | –                         | –                              | –                                   | 305                          |
| <b>Total</b>                                | <b>6,517</b>                  | <b>18,252</b>             | <b>61,350</b>             | <b>30,950</b>                  | <b>–</b>                            | <b>117,069</b>               |

EIF Group  
30 June 2018

|   | Less than<br>1 year<br>\$'000 | 1 to 2<br>years<br>\$'000 | 2 to 5<br>years<br>\$'000 | More than<br>5 years<br>\$'000 | Contractual<br>cash flows<br>\$'000 | Carrying<br>amount<br>\$'000 |
|---|-------------------------------|---------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------------|
| <b>Derivative financial liabilities</b>     |                               |                           |                           |                                |                                     |                              |
| Derivatives                                 | 66                            | 354                       | –                         | –                              | –                                   | 420                          |
| <b>Non derivative financial liabilities</b> |                               |                           |                           |                                |                                     |                              |
| Payables                                    | 3,169                         | –                         | –                         | –                              | –                                   | 3,169                        |
| Interest bearing loans                      | 34,712                        | –                         | 63,988                    | 32,167                         | –                                   | 130,867                      |
| Current tax liabilities                     | 321                           | –                         | –                         | –                              | –                                   | 321                          |
| <b>Total</b>                                | <b>38,268</b>                 | <b>354</b>                | <b>63,988</b>             | <b>32,167</b>                  | <b>–</b>                            | <b>134,777</b>               |

#### Other financial assets and liabilities

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

#### Trade and Other Receivables

|                          | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|--------------------------|---|---|
| <b>Current</b>           |   |   |
| Trade receivables        | 15,415                                    | 6,834                                     |
| Other receivables        | 266                                       | 15  |
| <b>Total receivables</b> | <b>15,681</b>                             | <b>6,849</b>                              |

# ELANOR INVESTORS GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Payables

|                       | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|-----------------------|---|---|
| Trade creditors       | 2,987                                     | 2,242                                     |
| Accrued expenses      | 2,050                                     | 436                                       |
| GST payable           | 305                                       | 321                                       |
| <b>Total payables</b> | <b>5,342</b>                              | <b>2,999</b>                              |

#### Cash flow information

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

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

|   | EIF<br>Group<br>30 June<br>2019<br>\$'000 | EIF<br>Group<br>30 June<br>2018<br>\$'000 |
|---|---|---|
| <b>Profit / (Loss) for the period</b>   | <b>26,209</b>                             | <b>1,962</b>                              |
| Depreciation of non-current assets  | 1,748                                     | –   |
| Amortisation  | 242                                       | 201                                       |
| Fair value adjustment on revaluation of investment property                               | (15,093)                                  | –   |
| Net unrealised revenue from equity accounted investments                                  | (2,210)                                   | (4,266)                                   |
| Net realised gain/(loss) on sale of investment  | (4,650)                                   | (531)                                     |
| Other non cash items  | 1,184                                     | (99)                                      |
| Transaction costs through profit and loss   | –   | 11,271                                    |
| Employee costs funded directly through equity   | 721                                       | 956                                       |
| <b>Net cash provided by operating activities before changes in assets and liabilities</b> | <b>8,151</b>                              | <b>9,494</b>                              |
| <b>Movement in working capital:</b>   |   |   |
| Decrease / (increase) in trade and other receivables                                      | (8,832)                                   | (2,056)                                   |
| Increase / (decrease) in other current assets   | (581)                                     | (335)                                     |
| Increase / (decrease) in trade and other payables   | 2,348                                     | 1,176                                     |
| Increase / (decrease) in other liabilities  | (141)                                     | 161                                       |
| Increase / (decrease) in other provision  | 300                                       | –   |
| <b>Net cash from operating activities</b>   | <b>1,245</b>                              | <b>8,440</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 31-104 are in accordance with the corporations Act 2001 (*Cth*) including:
  - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the Group's and EIF's financial position as at 30 June 2019 and of their performance, for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Group and EIF will be able to pay their debts as and when they become due and payable.
- c) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- d) The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001 (Cth)*.

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



Glenn Willis  
CEO and Managing Director

Sydney  
16 August 2019

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of:

- **Elanor Investors Group (the "Group" or "Elanor")** which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the **directors' declaration of the consolidated entity Elanor Investors Group, being the consolidated stapled entity ("Elanor Investors Group")**. The consolidated stapled entity comprises Elanor Investors Limited and the entities it controlled at the year's end or from time to time during the year, including Elanor Investment Fund and the entities it controlled at year's end or from time to time during the financial year end;
- Elanor Investment Fund which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the **directors' declaration of the consolidated entity Elanor Investment Fund, being the consolidated entity ("EIF Group")**. The consolidated entity comprises Elanor Investment Fund and the entities it controlled at the year's end or from time to time during the year;
- **Audit the Remuneration Report of Elanor Investors Limited included in the Director's Report of Elanor Investors Group for the year ended 30 June 2019;**

In our opinion, the accompanying financial report of Elanor Investors Group and EIF Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the **Elanor Investors Group and EIF Group's** financial position as at 30 June 2019 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Elanor Investors Group and EIF Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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 (the "Responsible Entity"), 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 report.

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report in respect of Elanor Investors Group for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter   | How the scope of our audit responded to the Key Audit Matter  |
|--|---|
| <p><b>Property, plant, and equipment and investment property valuation</b></p> <p>As at 30 June 2019, Elanor Investors Group recognised property plant and equipment valued at \$237.3 million as disclosed in Note 8 and investment property valued at \$58.9 million as disclosed in Note 9.</p> <p>Note 8 and 9 outline two valuation methodologies used by Elanor Investors Group. The capitalisation of net income method applies a capitalisation rate to normalised market net operating income. The discounted cash flow method uses a cash flow forecast and terminal value calculation discounted to present value.</p> <p>The valuation process requires significant judgment in the following key areas:</p> <ul style="list-style-type: none"> <li>• Discount rate,</li> <li>• Capitalisation rate,</li> <li>• Terminal value,</li> <li>• NOI,</li> <li>• Capital expenditures</li> <li>• <b>Revenue per Available Room ("RevPAR"), Average Daily Room Rate ("ADR"), Occupancy % (hotel specific)</b></li> </ul> <p>Accordingly, internal and external valuers apply professional judgement concerning market conditions and factors impacting individual properties.</p> <p>The internal and external valuations are reviewed by <b>management who recommend each property's valuation to the Audit and Risk Committee and the Board in accordance with Elanor Investors Group's valuation protocol.</b></p> | <p>Our procedures included but, were not limited to:</p> <ul style="list-style-type: none"> <li>• <b>Assessing management's process over property valuations and the oversight applied by the directors;</b></li> <li>• Assessing the independence, competence and objectivity of the external and internal valuers;</li> <li>• Performing an analytical review and risk assessment of the portfolio, analysing the key inputs and assumptions;</li> <li>• Assessing the assumptions used in the portfolio, with particular focus on the capitalisation rate and discount rate with reference to external market trends and transactions and challenging those assumptions where appropriate;</li> <li>• Holding discussions with management to obtain an understanding of valuation movements and their identification of any additional property specific matters; and</li> <li>• Testing on a sample basis of properties, both externally and internally valued, the following: <ul style="list-style-type: none"> <li>○ Testing management methodology;</li> <li>○ The integrity of the information in the valuation by agreeing key inputs such as net operating income to underlying records and source evidence;</li> <li>○ Assessing the forecasts used in the valuations with reference to current financial results such as revenues and expenses, capital expenditure requirements, vacancy rates and lease renewals, (as appropriate); and</li> <li>○ The mathematical accuracy of the models.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the disclosures included in Note 8 and 9 to the consolidated financial statements.</p> |

| Key Audit Matter   | How the scope of our audit responded to the Key Audit Matter  |
|--|---|
| <p><b>Accounting treatment for new investments and changes to existing investments</b></p> <p>Elanor Investors Group’s capital management strategy involves the holding of a number of investments in funds which are managed by Elanor Funds Management Limited, a subsidiary of Elanor Investors Group.</p> <p>The accounting treatment for each type of investment is dependent on the Group’s relationship with these investments. The determination for an individual investment is the result of a critical accounting judgement applied to many factors, principally including consideration of the extent of its voting stake, the relationship with other stakeholders, the constitutional arrangements for the trust or fund, its manager and responsible entity or trustee, and the extent to which Elanor Investors Group’s economic exposure increases when management fees are paid.</p> <p>As disclosed in Note 10, investments that are determined to be controlled are treated as subsidiaries and are consolidated into Elanor Investors Group. Investments over which it is determined that Elanor Investors Group is deemed to have significant influence are classified as associates and are equity accounted.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Assessing management’s processes for their review and determination of the accounting for its investments and evaluating management’s position papers;</li> <li>Assessing legal documentation and business arrangements relating to the constitution of the funds and trusts, decision-making over their activities and operations of the manager;</li> <li>Assessing the impact of accounting on the existence of preferential voting rights held by Elanor Investors Group and the rights to remove the manager; and</li> <li>Assessing the exposure of Elanor Investors Group to variable return via ownership interests in the investments, the management fee arrangements such as ongoing management fees, service fees and performance fees.</li> </ul> <p>We also assessed the appropriateness of the disclosures included in Note 10 to the consolidated financial statements.</p> |

### Other Information

The directors of the Responsible Entity (the “Directors”) are responsible for the other information. The other information comprises the Directors’ Report, which we obtained prior to the date of this auditor’s report, and also includes the following information which will be included in the Group’s annual report (but does not include the financial report and our auditor’s report thereon): Distributions Summary, Overview and Strategy, Operating and Financial Review, Interest in the Group, Directors Summary, and additional ASX disclosures, which are expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Distributions Summary, Overview and Strategy, Operating and Financial Review, Interest in the Group, Directors Summary, and additional ASX disclosures, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

### Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



In preparing the financial report, the directors are responsible for assessing Elanor Investors Group and EIF Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and/or the Fund or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is **free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.** Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing **an opinion on the effectiveness of the Group's internal control.**
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to **events or conditions that may cast significant doubt on the Company and Fund's ability to continue as a going concern.** If we conclude that a material uncertainty exists, we **are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.** Our conclusions are **based on the audit evidence obtained up to the date of our auditor's report.** However, future events or conditions may cause the Company or the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We **describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.**

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 17 to 27 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Elanor Investors Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of Elanor Investors Limited and Elanor Funds Management Limited, as responsible entity of Elanor Investment Fund, are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants  
Sydney, 16 August 2019