

*Elanor* 

Annual Report 2017



Bell City, Preston, VIC

# ELANOR INVESTORS GROUP

## Annual Report 2017

### CONTENTS

Highlights	2
Message from the Chairman	3
CEO's Message	4
Financial Report	8
Directors' Report	9
Auditors Independence Declaration	33
Financial Statements	34
Notes to the Financial Statements	41
Directors' Declaration	97
Independent Auditor's Report	98
Corporate Governance	103
Security Holder Analysis	104
Corporate Directory	106

### FINANCIAL CALENDAR

17 October 2017	Meeting of security holders
December 2017	Estimated interim distribution announcement and securities trade ex-distribution
February 2018	Interim results announcement
March 2018	Interim distribution payment
June 2018	Estimated final distribution announcement and securities trade ex-distribution
August 2018	Full-year results announcement
September 2018	Final distribution payment
September 2018	Annual tax statements

### MEETING OF SECURITY HOLDERS

The meeting of security holders will be held at 10:30am (Sydney time) at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000, on 17 October 2017.


### RESPONSIBLE ENTITY

Elanor Funds Management Limited ABN 39 125 903 031. ASFL 398 196.  
Elanor Investors Group comprises Elanor Investors Limited  
(ABN 33 169 308 187) and Elanor Investment Fund (ARSN 169 450 926).

# HIGHLIGHTS

## CORE EARNINGS

for the financial year 2017

**\$12.67m**  **9.6%**

## DISTRIBUTIONS

(per security)

**12.78c**  **12.8%**


## FUNDS UNDER MANAGEMENT

at 30 June 2017

**\$682m**  **40.7%**

## SECURITIES ON ISSUE

at 30 June 2017

**89.2m**  **25%**


## SECURITY PRICE

at 30 June 2017

**\$2.14**  **13.8%**

## NET ASSET VALUE

(per security)

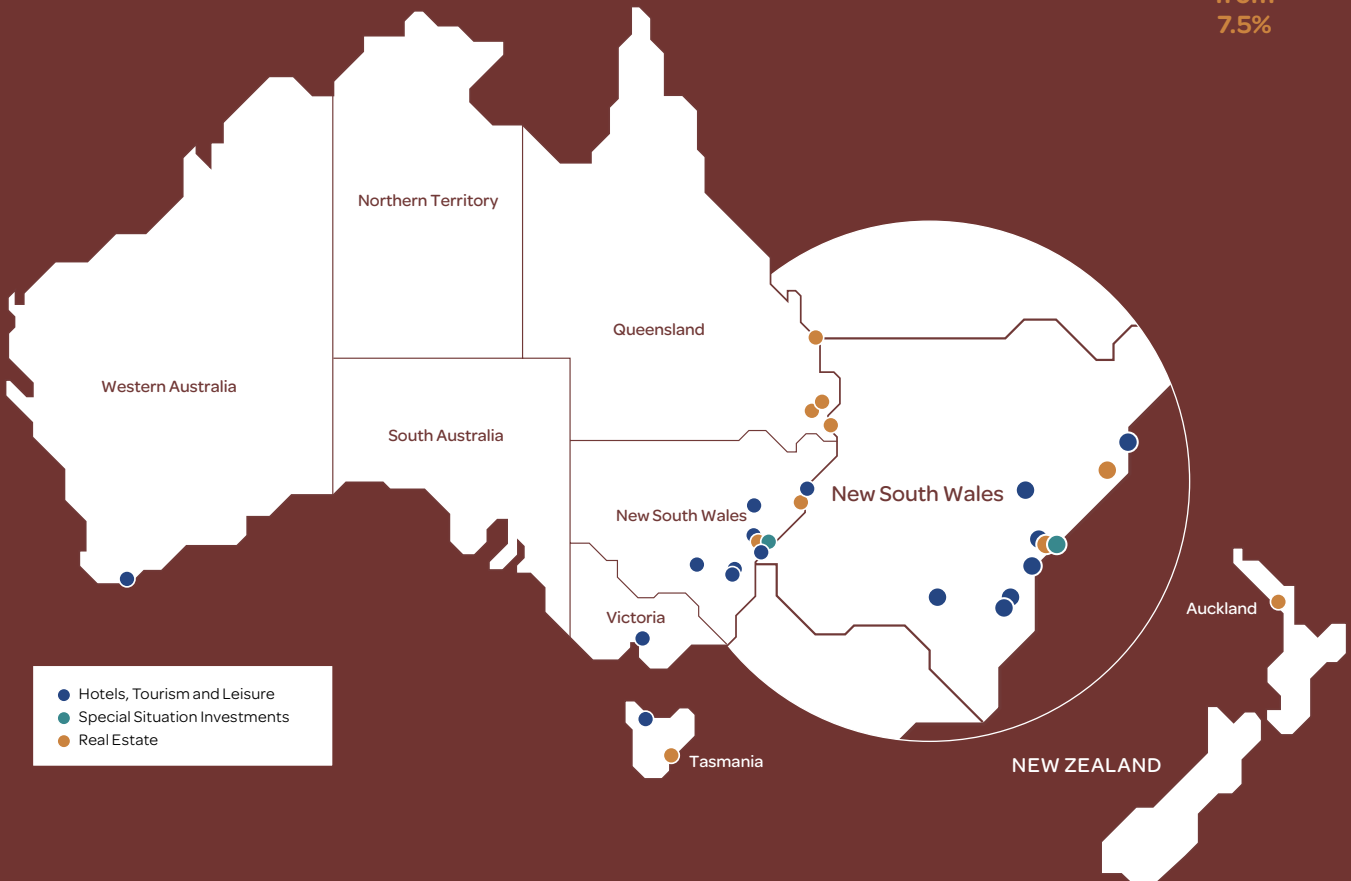
**\$1.75**  **27.7%**

## GEARING

at 30 June 2017

**4.2%**  **from 7.5%**

## ELANOR INVESTOR GROUP'S OWNED AND MANAGED INVESTMENTS



# MESSAGE FROM THE CHAIRMAN



On behalf of the Board, I am pleased to present Elanor Investors Group's Annual Report, including its Financial Statements for the year ended 30 June 2017.

**Paul Bedbrook**  
Chairman

The year ended 30 June 2017 has been another successful year, Elanor's third financial year since its IPO in July 2014. The Group has achieved significant growth in both funds under management and security holder value since its IPO.

Our solid growth was driven by a clear focus on our strategy to grow funds under management by identifying and originating investments that deliver strong performance for both Elanor's funds management capital partners and Elanor's security holders. The successful execution of this strategy resulted in significant growth in funds under management of 40.7% over the year. Since the listing of the Group in July 2014 Elanor has delivered a total security holder return of approximately 28% per annum.

## ACHIEVEMENTS

We continue to build our funds management platform as an ASX listed public company. Our core earnings of \$12.7 million reflected a 9.6% increase on the prior year. Distributions per security were 12.78 cents per stapled security for the year, a reduction of 12.8% on the prior year, on a 25% increased equity base following the Group's capital raising in July/August 2016. Underpinning this result is the strong performance of the funds management business, growing its earnings over the year by 43% to \$11.3 million.

Particularly pleasing has been our ability to increase funds under management during the year to \$682 million as at 30 June 2017. A significant achievement of the Group during the year was the inaugural listing of an Elanor managed fund, the Elanor Retail Property Fund. The Elanor Retail Property Fund (ASX: ERF) listed in November 2016. As at 30 June 2017, ERF had a gross asset value of \$260.8 million reflecting a \$17.5 million or 7.2% increase in the valuation of the portfolio of properties over the 8 months since its listing.

The growth in Elanor's funds under management over the year has been achieved as a result of the establishment of three new syndicates, the listed Elanor Retail Property Fund, the Elanor Commercial Property Fund (a multi asset commercial office fund), and the Hunters Plaza Syndicate (to acquire a retail shopping centre in Auckland, New Zealand).

The Group also continues to focus on maintaining a strong balance sheet to support the execution of its strategy. In July and August 2016 we strengthened our balance sheet with the successful completion of a \$30 million Institutional Placement and a \$3 million Security Purchase Plan. In addition to this, the Group has maintained its low gearing, being 4.2% at 30 June 2017.

## GOVERNANCE

The Board continues to focus on the Group's corporate governance structure and processes consistent with the strategic intent and operating activities. Good governance is fundamental to our operations as the Group continues to grow and execute on its stated strategy.

## ACKNOWLEDGEMENTS

I wish to thank my fellow Board members, our executive management team led by the CEO, and all of our staff across the Group, for their contribution during the year.

Finally, thank you to all Elanor security holders for your continued support and confidence. I look forward to discussing the business further at our Annual General Meeting in Sydney on 17 October 2017.

Yours sincerely,

**Paul Bedbrook**  
Chairman, Elanor Investors Group

# CEO'S MESSAGE



I am pleased to present Elanor Investors Group's annual report for the year ended 30 June 2017.

**Glenn Willis**  
Managing Director and  
Chief Executive Officer

## We have continued to successfully grow our business during the year.

The Group's core earnings of \$12.7 million reflected a 9.6% increase on the prior year. Pleasingly, earnings from the funds management business grew by 43% to \$11.3 million for the year, reflecting a 40.7% increase in funds under management to \$682 million. The Group's net asset backing of \$1.75 per security as at 30 June 2017 represents a 27.7% increase on the prior year, primarily driven by a \$25.8 million increase in the value of Elanor's Hotels, Tourism and Leisure balance sheet assets.

### STRATEGY AND INVESTMENT APPROACH

The key strategic objective of the Group is to grow funds under management by identifying and originating investments that deliver strong returns for both Elanor's funds management capital partners and ENN security holders. Elanor's investment focus is on acquiring and unlocking value in assets that provide strong, stable cash flows and high quality capital growth potential. We evaluate acquisition opportunities through a strong value and risk management lens; our highly active approach to asset management is underpinned with urgency and an acute focus on results.

We seek to co-invest with our funds management capital partners for both strategic and alignment purposes. We also originate and hold investments on balance sheet to provide opportunities for future co-investment by Elanor's capital partners. The core sectors of Elanor's investment focus are the real estate sector and the hotels, tourism and leisure sector. Furthermore, our special situation investments encompass other real estate-backed assets that generate strong cash flows.

### KEY RESULTS

- Core earnings for the year were \$12.7 million, representing an increase of 9.6% on the prior year.
- Distributions for the year were \$11.4 million, or 12.78 cents per stapled security. This represents a 12.8% decrease on the prior year on a 25% higher number of securities on issue.
- Net Tangible Assets (NTA) per security increased by 31.5% during the year, from \$1.27 to \$1.66 per security.

### FUNDS MANAGEMENT

- Funds under management increased by \$197 million, or 40.7%, from \$485 million to \$682 million.
- Earnings from funds management increased by 43% to \$11.3 million.
- Successful listing of Elanor Retail Property Fund (ASX: ERF) in November 2016. ERF was formed by the stapling of two existing Elanor managed funds and the acquisition of two new properties, the Tweed Mall Shopping Centre located in Tweed Heads, NSW, and Northway Plaza Shopping Centre located in Bundaberg, QLD. ERF had a gross asset value of \$260.8 million as at 30 June 2017.

The level of growth in funds under management has been significant. The Group established three new funds during the period, being the ASX listed Elanor Retail Property Fund, the Elanor Commercial Property Fund (ECPF), comprising initially two commercial office assets located in Cannon Hill and Mt Gravatt, QLD, and the Hunters Plaza Syndicate (a retail shopping centre in Auckland, NZ).

The Group successfully completed an Institutional Placement and Security Purchase Plan in July/August 2016, raising \$31.7 million net of costs. The proceeds from the capital raising were substantially deployed to fund co-investments in both ERF and ECPF.

# CEO'S MESSAGE

continued



Cradle Mountain Lodge, Cradle Mountain, TAS

During the year the Group generated significant performance fees from asset realisations including the Auburn Central Syndicate (generating a 24% internal rate of return for investors), the sale of the Super A-Mart Auburn property (generating a 23.3% internal rate of return for investors), and the sale of the properties in the John Cootes Diversified Property Syndicate (generating a 29.5% internal rate of return for investors).

On 21 August 2017, the Group announced the establishment of Elanor Metro and Prime Regional Fund with an initial fund size of \$80.6 million. This is our second multi-asset hotel fund. The fund will initially comprise a portfolio of 3 Australian Hotels with strong, diversified cash flows and significant and high quality medium term development and redevelopment potential.

The Group's strong track record and investor base continues to be evidenced by the demand from its capital partners for newly established funds. Furthermore, the Group has significantly increased its investment origination and capital raising capability during the six months ended 30 June 2017 with several key appointments to the business. Elanor is strongly positioned to grow its funds management business.

## INVESTMENT PORTFOLIO

The value of the Group's investment portfolio totalled \$159.2 million as at 30 June 2017, having grown by \$51.8 million, or 48.2% during the year. Elanor's investment portfolio consists of the Group's co-investments in funds managed by Elanor and wholly owned assets that provide opportunities for future co-investment by external capital partners.

In keeping with our strategy of co-investing alongside our capital partners, co-investments totalling \$22.7 million were made in managed funds during the year, including in the Elanor Retail Property Fund and in the Elanor Commercial Property Fund. Further to this, the Group also co-invested in a new managed fund, the Hunters Plaza Syndicate, in July 2017. The financial performance of the investment portfolio remains strong.

During the year our Hotels, Tourism and Leisure balance sheet assets increased in value by \$25.7 million.

Our investment portfolio includes 26,135 square metres of development land located at Merrylands, NSW, which was acquired as part of the John Cootes Furniture acquisition. Further progress has been made during the year in relation to the Merrylands Property. Whilst the Expression of Interest campaign initiated in July 2016 did not result in a satisfactory offer, the Group is in advanced discussions with several parties in relation to the property.

# CEO'S MESSAGE

continued

## CAPITAL MANAGEMENT

As mentioned above, in July and August 2016, the Group undertook an equity raising of \$33 million via an institutional placement of \$30 million and a security purchase plan of \$3 million.

During the year the Group further reduced gearing levels to 4.2% as at 30 June 2017, down from 7.5% at 30 June 2016.

Our intention remains for the Group's balance sheet to be lowly geared, while maintaining borrowing capacity to take advantage of opportunities arising from asset valuation cycles. In this regard, during the coming year, the Group plans to issue a corporate bond to improve the efficiency of Elanor's capital structure by providing medium term, permanent, non-dilutive capital. This capital, in conjunction with available bank facilities, will be used to fund short to medium term growth.

## SOCIAL RESPONSIBILITY

At Elanor, we are acutely aware of our responsibility to the communities in which we operate and to society more generally. During the year the Group supported a number of charitable causes and organisations including the FSHD (Facioscapulohumeral Muscular Dystrophy) Foundation, Big Brothers Big Sisters, Disability Sports Australia, Life Education Australia and The One Foundation Australia. In addition to these organisations, across the Group, Elanor supports a number of community focussed initiatives.

Elanor, as owner of Featherdale Wildlife Park, is committed to animal welfare and native animal preservation. Featherdale is a pre-eminent contributor to numerous endangered species preservation programs for Australian native animals. Featherdale is a major social contributor to the Western Sydney community and across the State of NSW in the areas of animal preservation, education and animal rescue. Featherdale is committed to maintain its social contribution into the future.

## OUTLOOK

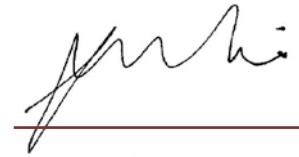
The Group remains well positioned to continue to grow earnings and value for its security holders. Our core strategy is focused on growing earnings from the funds management business and actively managing our investment portfolio.

We have an active pipeline of potential funds management opportunities in a market where identifying and acquiring quality assets that meet our investment criteria has been challenging, particularly over the last six months.

Continued growth in core earnings will be dependent on the Group's ability to grow funds under management through the acquisition of quality assets, and the timing and size of future performance fees.

I wish to thank my fellow Board members, my executive leadership team and all our staff, both at Group level and at each of our investments, for their dedication and commendable efforts over the year.

Yours sincerely,



**Glenn Willis**

Managing Director and  
Chief Executive Officer,  
Elanor Investors Group





Cannon Hill, Brisbane, QLD



Mt Gravatt, Brisbane, QLD



Hunters Plaza, Auckland, NZ

# FINANCIAL REPORT

for the year ended 30 June 2017

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## CONTENTS

Directors' Report	9
Auditors Independence Declaration	33
Consolidated Statements of Profit or Loss	34
Consolidated Statements of Comprehensive Income	35
Consolidated Statements of Financial Position	36
Consolidated Statements of Changes in Equity	38
Consolidated Statements of Cash Flows	40
Notes to the Financial Statements	41
Directors' Declaration	97
Independent Auditor's Report	98

# DIRECTORS' REPORT

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

## 2. Principal activities

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

## 3. Distributions

Distributions relating to the year ended 30 June 2017 comprise:

Distribution	Year Ended 30 June 2017
Interim Distribution	
Amount paid (cents per stapled security)	7.77
Payment Date	3 March 2017
Final Distribution	
Amount payable (cents per stapled security)	5.01
Payment Date	1 September 2017

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 per stapled security will bring distributions in respect of the year ended 30 June 2017 to 12.78 cents per stapled security.

# DIRECTORS' REPORT

continued

## 4. Operating and financial review

### OVERVIEW AND STRATEGY

The key strategic objective of Elanor is to grow funds under management by identifying and originating investments that deliver strong performance for both Elanor security holders and Elanor's funds management capital partners. Elanor seeks to co-invest with its capital partners in funds managed by Elanor for both strategic and alignment purposes.

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

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

During the year Elanor increased assets under management from \$484.5 million to \$681.6 million. Co-investments of \$22.7 million were made in new managed funds, and the Hotels, Tourism and Leisure portfolio of on balance sheet properties showed a revaluation increment of \$25.7 million, resulting in an investment portfolio of \$159.2 million as at 30 June 2017, an increase of approximately \$52 million from 30 June 2016.

In August 2016, the Group successfully completed an institutional placement and Security Purchase Plan which raised \$31.7 million, net of raising costs. A total of 17.84 million stapled securities were issued as a result of these raisings, which increased the Group's stapled securities on issue by 25% to 89.22 million at the time.

The capital raising related to two key funds management initiatives that were completed in the six months ended 31 December 2016. These initiatives were:

- The listing of Elanor Retail Property Fund (ASX: ERF) in November 2016. ERF was formed by the stapling of two existing Elanor managed funds, and the acquisition of two new properties, the Tweed Mall Shopping Centre located in Tweed Heads, NSW, and Northway Plaza Shopping Centre located in Bundaberg, QLD. ERF had a gross asset value of \$248.5 million as at 31 December 2016 which has increased to \$267.9 million as at 30 June 2017 following a revaluation of the property portfolio at that date.
- Elanor increased its co-investment interest in ERF to 17.00% during the six month ended 30 June 2017.
- The establishment of Elanor Commercial Property Fund (ECPF), a multi-asset commercial property fund. ECPF acquired 34 Corporate Drive, Cannon Hill, QLD in November 2016. In February 2017 ECPF acquired 96 Mount Gravatt-Capalaba Rd, Upper Mount Gravatt, QLD. These acquisitions established the fund which had a gross asset value of \$51.5 million as at 30 June 2017.
- In addition, the Hunters Plaza Syndicate was established in June 2017, acquiring the Hunters Plaza Shopping Centre in Auckland NZ, with a gross asset value of \$47.7 million at 30 June 2017. Elanor has also co-invested in this syndicate, subsequent to year end

During the year the Group generated significant performance fees from exits / asset realisations including the Auburn Central Syndicate (included in the Elanor Retail Property Fund IPO) generating a 24% internal rate of return for investors in that fund, the sale of the Super A-Mart Auburn property generating a 23.3% internal rate of return for investors in that fund, and the sale of the properties in the John Cootes Diversified Property Syndicate, generating a 29.5% internal rate of return for investors in that fund.

ENN's strong investment track record and investor base continues to be evidenced by the demand from investors for ENN's newly established funds. Elanor has a well resourced and scalable platform with capacity for growth. The Group has significantly increased its origination and capital raising capability during the six month ended 30 June 2017 (people, investor demand and balance sheet capacity and is strongly positioned to grow the funds management business).

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

# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### MANAGED FUNDS AND INVESTMENT PORTFOLIO

The following tables show the Group's managed funds and investment portfolio:

#### Managed Funds

<b>Funds</b>	<b>Location</b>	<b>Type</b>	<b>Gross Asset Value \$'m</b>
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	24.6
Auburn Central Syndicate	Auburn, NSW	Sub-regional shopping centre	74.8
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	154.6
Elanor Hospitality and Accommodation Fund	NSW, TAS and ACT	Six hotels across NSW (4), TAS (1) and ACT (1)	98.0
Elanor Retail Property Fund	Taree, NSW and Glenorchy, TAS	Sub-regional shopping centre	64.2
Super A Mart Auburn Syndicate	Auburn, NSW	Retail warehouse	28.6
John Cootes Diversified Property Fund	Penrith and Tuggerah, NSW	Two retail showrooms	10.8
Limestone Street Centre Syndicate	Ipswich, QLD	Commercial office building	36.6
<b>Disposals since 30 June 2016</b>			
Auburn Central Syndicate	Auburn, NSW	Sub-regional shopping centre	(74.8)
Elanor Retail Property Fund	Taree, NSW and Glenorchy, TAS	Sub-regional shopping centre	(64.2)
John Cootes Diversified Property Fund	Penrith and Tuggerah, NSW	Two retail showrooms	(10.8)
Super A Mart Auburn Syndicate	Auburn, NSW	Retail warehouse	(28.6)
<b>Additions since 30 June 2016</b>			
Elanor Retail Property Fund (Nov 2016 IPO)	Auburn, Taree and Tweed Heads, NSW, Bundaberg, QLD, and Glenorchy, TAS	Sub-regional shopping centre	267.9
Elanor Commercial Property Fund (Nov 2016 and Feb 2017)	Cannon Hill and Mt Gravatt, QLD	Commercial office buildings	51.5
Hunters Plaza Syndicate	Auckland, NZ	Sub-regional shopping centre	48.4
<b>Total Managed Funds</b>			<b>681.6</b>

# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

<b>Investment Portfolio</b>				
<b>Asset</b>	<b>Location</b>	<b>Type</b>	<b>Note</b>	<b>Carrying Value \$'m</b>
<b>Hotels Tourism and Leisure</b>				
Featherdale Wildlife Park	Sydney, NSW	Wildlife Park	1	39.0
Hotel Ibis Styles Albany	Albany, WA	Hotel	1	5.3
Hotel Ibis Styles Canberra Eaglehawk	Canberra, ACT	Hotel	1	20.0
				<b>Cost \$'m</b>
<b>Special Situations Investments</b>				
John Cootes Furniture	12 locations across NSW	Furniture retailer	2	12.6
Merrylands Property	Merrylands, NSW	Property associated with John Cootes Furniture	3	17.1
				<b>Equity accounted value \$'m</b>
<b>Managed Fund Co-Investments</b>				
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	4	1.1
Auburn Central Syndicate	Auburn, NSW	Sub-regional shopping centre	4	0.6
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	4	11.8
Elanor Hospitality and Accommodation Fund	NSW, TAS and ACT	Six hotels across NSW (4), TAS (1) and ACT (1)	5	19.4
Elanor Retail Property Fund	Taree, NSW and Glenorchy, TAS	Sub-regional shopping centres	4	7.0
Limestone Street Centre Syndicate	Ipswich, QLD	Commercial office	4	1.4
<b>Disposals since 30 June 2016</b>				
Auburn Central Syndicate	Auburn, NSW	Sub-regional shopping centre	4	(0.6)
Elanor Retail Property Fund	Taree, NSW and Glenorchy, TAS	Sub-regional shopping centres	4	(7.0)
<b>Additions since 30 June 2016</b>				
Elanor Retail Property Fund (ASX: ERF - Nov 2016 IPO)	Auburn, Taree and Tweed Heads, NSW, Bundaberg, QLD, and Glenorchy, TAS	Sub-regional shopping centres	4	31.0
Elanor Commercial Property Fund	Cannon Hill and Mt Gravatt, QLD	Commercial offices	4	0.5
<b>Total Investment Portfolio</b>				<b>159.2</b>
<b>Total Managed Funds and Investment Portfolio</b>				<b>840.8</b>

# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

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

Note 2: The John Cootes Furniture business is a wholly owned subsidiary of the Company and accounted for using the basis of consolidation.

Note 3: The Merrylands property is stated at cost.

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

Note 5: The co-investment in Elanor Hospitality and Accommodation Fund has been consolidated in the financial statements. The amount shown assumes that the investment was accounted for using the equity method.

### REVIEW OF FINANCIAL RESULTS

The Group recorded a statutory profit after tax of \$11.6 million for the year ended 30 June 2017.

Core or Distributable earnings were \$12.7 million or 14.2 cents per stapled security. A Final Distribution of 5.01 cents per stapled security has been declared for the six months ended 30 June 2017 (90% pay-out ratio on Core Earnings). Core Earnings is considered more relevant than statutory profit as it represents an estimate of the underlying recurring cash earnings of the Group, and has been determined in accordance with ASIC Regulatory Guide 230.

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

<b>Statutory financial results</b>	<b>Group 30 June 2017</b>	<b>Group 30 June 2016</b>	<b>EIF Group 30 June 2017</b>	<b>EIF Group 30 June 2016</b>
Net profit / (loss) after tax (\$'000)	11,626	4,143	38,774	3,789
Net profit / (loss) after tax (\$'000) (EHAF equity accounted)	11,400	6,810	33,590	5,544
Core Earnings (\$'000)	12,670	11,560	7,720	8,540
Distributions payable to security holders (\$'000)	11,403	10,404	6,948	7,686
Core Earnings per stapled security (cents)	14.20	16.19	8.65	11.96
Core Earnings per weighted average stapled security (cents)	14.49	16.36	8.83	12.09
Distributions (cents per stapled security / unit)	12.78	14.65	8.74	10.82
Net tangible assets (\$ per stapled security)	1.96	1.65	1.45	1.17
Net tangible assets (\$ per stapled security) (EHAF equity accounted)	1.66	1.27	1.13	0.80
Gearing (net debt / total assets less cash) (%)	21.15	28.15	30.01	36.80
Gearing (net debt / total assets less cash) (%) (EHAF equity accounted)	4.24	7.50	7.04	27.38

As Elanor holds a 42.07% interest in the Elanor Hospitality and Accommodation Fund (EHAF or the Fund), for accounting purposes, Elanor is deemed to have a controlling interest in the Fund given its level of ownership and role as manager of the Fund. This means that the financial results and financial position of the Fund are consolidated into the financial statements of the Group for the period ended 30 June 2017. All other managed fund co-investments are accounted for using the equity method in the Group's consolidated financial statements.

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

# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### REVIEW OF FINANCIAL RESULTS (CONTINUED)

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

		Group 30 June 2017 \$'000	Group 30 June 2016 \$'000	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
<b>Statutory Net profit / (loss) after tax</b>		<b>11,626</b>	<b>4,143</b>	<b>38,774</b>	<b>3,789</b>
Adjustment to remove the impact of consolidation of EHAF		(3,880)	4,668	(5,994)	3,064
Adjustment to include the impact of accounting for EHAF using the equity method		3,654	(2,001)	810	(1,310)
<b>Adjusted Net profit / (loss) after tax</b>		<b>11,400</b>	<b>6,810</b>	<b>33,590</b>	<b>5,543</b>
<i>Adjustments for items included in statutory profit/(loss)</i>					
Increase in equity accounted investments to reflect distributions received / receivable	2	190	3,480	(696)	2,997
Building depreciation expense	3	324	851	-	-
John Cootes Furniture Insurance recovery adjustment		-	(706)	-	-
Straight lining of rental expense		20	32	-	-
Amortisation of intangibles		150	150	-	-
Gain on the sale of Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel	5	-	10,009	-	-
Net proceeds on the sale of Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel retained	5	-	(9,056)	-	-
Fair value adjustments on investment property		-	-	(25,567)	-
Amortisation of equity settled STI amounts	4	676	-	393	-
Tax adjustments		(90)	(10)	-	-
<b>Core Earnings</b>	<b>1</b>	<b>12,670</b>	<b>11,560</b>	<b>7,720</b>	<b>8,540</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 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: During the year, the Group incurred total depreciation charges of \$6.317 million, however only the depreciation expense on buildings of \$0.324 million has been added back for the purposes of calculating Core Earnings.

Note 4: During the year, the Group incurred non-cash profit and loss charges in respect of the amortisation of the equity component of the Group's Short Term Incentive (STI) amounts. These amounts have been added back for the purposes of calculating Core Earnings.

Note 5: In March 2016 the Group sold Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel to Elanor Hospitality and Accommodation Fund for \$38.0 million and \$9.0 million respectively. These assets were accounted for by the Group on a fair value basis whereby revaluation increases arising from changes in the fair value of land and buildings are recognised in other comprehensive income and accumulated within equity as opposed to being reflected in the consolidated profit and loss of the Group.



# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### REVIEW OF OPERATIONAL RESULTS

The Group is organised into four divisions by business type.

Funds Management manages third party owned investment funds and syndicates.

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

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

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

Set out below is an adjusted presentation of the statutory financial results by segment, on the basis that the Group's interest in EHAF is 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'.

The performance of the ENN Group for the period ended 30 June 2017, as represented by the aggregate results of its operations for the period, was as follows:

	ENN Group Segment Revenue	ENN Group Segment Revenue	ENN Group Segment EBITDA	ENN Group Segment EBITDA
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
<b>ENN Group Revenue and EBITDA (adjusted to reflect EHAF accounted for using the equity method)</b>				
Funds Management	14,176	9,345	11,338	7,918
Hotels, Tourism and Leisure	23,601	32,205	7,068	6,752
Real Estate	2,437	-	1,512	321
Special Situations Investments	31,000	28,289	1,332	2,404
<b>Total Segment Revenue and EBITDA</b>	<b>71,214</b>	<b>69,839</b>	<b>21,250</b>	<b>17,395</b>
Unallocated corporate costs			(6,063)	(6,400)
<b>Group EBITDA</b>			<b>15,187</b>	<b>10,995</b>
Depreciation and amortisation			(1,865)	(2,727)
Group EBIT			13,322	8,268
Other Income			141	140
Interest income			270	76
Borrowing costs			(908)	(1,062)
Group net profit / (loss) before income tax			12,825	7,422
Income tax expense			(1,425)	(612)
<b>Group net profit / (loss) after income tax</b>			<b>11,400</b>	<b>6,810</b>

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

# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### REVIEW OF OPERATIONAL RESULTS (CONTINUED)

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

Operating Performance for year ended 30 June 2017	ENN Group EBITDA	Remove Equity Accounted Result	Add Distributions received / receivable	EBITDA Contribution to Core Earnings
	\$'000	\$'000	\$'000	\$'000
Funds Management	11,338	-	-	11,338
Hotels, Tourism and Leisure	7,068	(1,779)	2,641	7,930
Real Estate	1,512	(2,437)	1,765	840
Special Situation Investments	1,332	-	-	1,332
Unallocated Corporate Costs	(6,063)	-	-	(6,063)
<b>EBITDA</b>	<b>15,187</b>	<b>(4,216)</b>	<b>4,406</b>	<b>15,377</b>

### Funds Management

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

Operating Performance	2017 \$'000	2016 \$'000
Total Adjusted revenue	14,176	9,345
EBITDA Contribution to Core Earnings	11,338	7,918
Operating margin	80.0%	84.7%

Funds under Management	30 June 2017 \$'m	30 June 2016 \$'m
Opening funds under management	484.5	346.4
Increase in value of funds under management	24.7	(4.6)
Disposals / decrease in value of funds under management	(39.4)	(56.2)
New funds	211.8	198.9
<b>Total</b>	<b>681.6</b>	<b>484.5</b>

The Group has achieved significant growth in funds under management since July 2016, with the Group establishing three new funds being Elanor Retail Property Fund (IPO of two existing funds on 9 November 2016 and the acquisition of Tweed Mall and Northway Plaza on 10 November and 11 November 2016 respectively), the Elanor Commercial Property Fund (a multi-asset fund comprising two commercial properties) and the Hunters Plaza Syndicate (a New Zealand based retail shopping centre fund).

The Funds Management division delivered material outperformance relative to the prior period, with EBITDA of \$11.3 million (FY16: \$7.9 million) and a net increase in funds under management of \$197 million to \$682 million.

During the year, the Group received performance fees in respect of the Auburn Central Syndicate as a result of that syndicate forming part of the Elanor Retail Property Fund which was listed in November 2016, the Super A Mart Auburn Syndicate, and the John Cootes Diversified Property Syndicate as a result of the sale of the properties in those funds.

During the year the Group strengthened its internal asset management and investment management capabilities, along with its asset origination resources, and deepened its capital partner base to support the Group's strategic focus to deliver growth in funds under management and the performance of assets under management.

# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### REVIEW OF OPERATIONAL RESULTS (CONTINUED)

#### Hotels, Tourism and Leisure

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

<b>Operating Performance</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Total Adjusted revenue	24,463	35,873
EBITDA Contribution to Core Earnings	7,930	10,420
Operating margin	32.4%	29.0%

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings, includes the results of Featherdale Wildlife Park, Ibis Styles Canberra Eaglehawk Hotel and Ibis Styles Albany Hotel. The comparative result also included the results of Cradle Mountain Lodge and Mantra Wollongong Hotel, until 21 March 2016, when they were sold to EHAF.

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 year ended 30 June 2017 (\$2.0 million for the comparative period).

Distribution received / receivable from the co-investment in Hotels, Tourism and Leisure funds managed by the Group represent an average annualized return of 8.2%.

The table below sets out the assessed value of each investment portfolio property at 30 June 2017.

<b>Carrying Value of Properties</b>	<b>2017 \$'m</b>	<b>2016 \$'m</b>
Featherdale Wildlife Park	39.0	15.6
Ibis Styles Eaglehawk Hotel	20.0	17.7
Ibis Styles Albany Hotel	5.3	5.3
<b>Total</b>	<b>64.3</b>	<b>38.6</b>

The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 30 June 2017, using the equity method, is as follows:

<b>Carrying Value of Co-Investments</b>	<b>2017 \$'m</b>	<b>2016 \$'m</b>
Elanor Hospitality and Accommodation Fund	19.4	19.8
Bell City Fund	11.8	12.6
193 Clarence Hotel Syndicate	1.1	1.2
<b>Total</b>	<b>32.3</b>	<b>33.6</b>

#### Real Estate

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

<b>Operating Performance</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Total Adjusted revenue	1,765	19
EBITDA Contribution to Core Earnings	840	340
Operating margin	47.6%	N/A

# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### REVIEW OF OPERATIONAL RESULTS (CONTINUED)

#### Real Estate (continued)

The carrying value of these investments as at 30 June 2017, using the equity method, is as follows:

Carrying Value of Co-Investments	2017 \$'m	2016 \$'m
Auburn Central Syndicate	-	0.6
Elanor Retail Property Fund (ASX: ERF)	31.0	7.0
Elanor Commercial Property Fund	0.5	-
Limestone Street Centre Syndicate	1.4	1.4
<b>Total</b>	<b>32.9</b>	<b>9.0</b>

Subsequent to 30 June 2017, the Group has also invested in approximately 5% of the newly established Hunters Plaza Syndicate.

#### Special Situations Investments

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

During the year new John Cootes Furniture stores were opened in Rutherford, NSW and Prospect in Sydney.

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

Operating Performance	2017 \$'000	2016 \$'000
Total Adjusted revenue	31,000	28,289
EBITDA Contribution to Core Earnings <sup>1</sup>	1,332	1,698
Operating margin	4.3%	6.0%

Note 1: The EBITDA for Special Situation Investments for the period ended 30 June 2016 included \$1.524 million of John Cootes Furniture insurance recoveries that related to the loss of plant and equipment. Of this amount \$0.706 million was deducted to arrive at Core Earnings for that period. Therefore on a like for like basis, Special Situations Investments contribution to Core Earnings for the year ended 30 June 2016 was \$1.70 million which reflects an operating margin of 6.0%.

On 27 July 2015 the John Cootes Furniture warehouse in Orchardleigh Street, Yennora sustained major damage as a result of a fire. The entire contents of the building, primarily stock and plant and equipment of the John Cootes Furniture business were destroyed and the building was unable to be recovered. In respect of the John Cootes Furniture business, claims for loss of stock and plant and equipment have been fully settled.

At balance date, the business interruption claim was not fully settled. To date, progress payments in relation to the business interruption claims of \$2.3 million have been received from the insurer. A final claim for lost sales along with claim preparation costs and additional costs over and above amounts received will be lodged in the short term.

Further progress has been made during the year in relation to the Merrylands Property. Whilst the Expression of Interest campaign initiated in July 2016 did not result in a satisfactory offer, the Group is in advanced discussions with several parties in relation to the property.

# DIRECTORS' REPORT

continued

## 4. Operating and financial review (continued)

### Summary and Outlook

The Group's core strategy will remain focused on growing its managed funds and earnings from the funds management business and actively managing its investment portfolio. The Group has a number of funds management opportunities under consideration, with a particular focus on the real estate and hotels, tourism and leisure sectors. The Group will look to increase income from managed funds, seed new managed funds with Group owned investments, and continue to co-invest with external capital partners.

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

During the coming year, the Group plans to issue a corporate bond to improve the capital structure efficiency of the Group by providing medium term, permanent, non-dilutive capital. This capital will be used to fund short to medium term growth in conjunction with available bank facilities.

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

## 5. Interests in the Group

In August 2016, the Group successfully completed an institutional placement and Security Purchase Plan which raised \$31.7 million, net of raising costs. A total of 17.84 million stapled securities were issued as a result of these raisings. The capital raising related to two key funds management initiatives that were completed in the six months ended 31 December 2016.

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

	<b>Consolidated Group 30 June 2017 '000</b>	<b>Consolidated Group 30 June 2016 '000</b>
Stapled securities on issue at the beginning of the year	71,386	70,645
Stapled securities issued for business acquisitions through Institutional Placement	16,216	-
Stapled securities issued for Security Purchase Plan	1,622	-
Stapled Securities issued under the short term incentive scheme	-	741
<b>Stapled securities on issue at the end of the period</b>	<b>89,224</b>	<b>71,386</b>

# DIRECTORS' REPORT

continued

## 6. Directors

Name	Particulars
Paul Bedbrook	<p>Independent Non-Executive Chairman</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. 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, a non-executive director of Credit Union Australia, and the National Blood Authority.</p> <p>Former listed directorships in the last three years: None</p> <p>Interest in stapled securities: 257,327</p> <p>Qualifications: B.Sc, F FIN, FAICD</p>
Glenn Willis	<p>Managing Director and Chief Executive Officer</p> <p>Glenn was appointed a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF) in June 2014. Glenn has extensive industry knowledge with over 25 years' experience in the Australian and international capital markets.</p> <p>Glenn was most recently co-founder and Chief Executive Officer of Moss Capital. Prior to Moss Capital, Glenn co-founded Grange Securities and led the team in his role as Managing Director and CEO. Grange Securities was a pre-eminent Australian owned investment bank with businesses in fixed income, equities, corporate finance and funds management. Grange Securities grew to be Australia's major independent fixed income house.</p> <p>After 12 years of growth, Grange Securities, a business with approximately 150 personnel, 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 previously held senior positions at Fay Richwhite and Challenge Bank.</p> <p>Former listed directorships in the last three years: None</p> <p>Interest in stapled securities: 5,852,050</p> <p>Qualifications: B.Bus (Econ &amp; Fin)</p>

# DIRECTORS' REPORT

continued

## 6. Directors (continued)

<p>Nigel Ampherlaw</p>	<p>Independent Non-Executive Director Chairman, Audit and Risk Committee</p> <p>Nigel was appointed a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF) 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. 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 a non-executive Director with Credit Union Australia, where he is Chair of CCI Ltd and a member of the Strategy Committee, non-executive director of Quickstep Holdings Ltd where he is Chair of the Audit and Risk Committee 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. Nigel has also been a member of the Grameen Foundation Australia charity board since 2012.</p> <p>Former listed directorships in the last three years: None</p> <p>Interest in stapled securities: 164,654</p> <p>Qualifications: B.Com, FCA, MAICD</p>
<p>William (Bill) Moss AO</p>	<p>Non-Executive Director 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</p> <p>Interest in stapled securities: 4,678,159</p> <p>Qualifications: B.Ec</p>

# DIRECTORS' REPORT

continued

## 7. Directors' relevant interests

	Stapled securities At 1 July 2016	Net Movement	Stapled securities at the date of this report
Paul Bedbrook	254,847	2,480	257,327
Glenn Willis <sup>1</sup>	1,434,610	17,440	1,452,050
Nigel Ampherlaw	159,694	4,960	164,654
William (Bill) Moss	4,620,051	58,108	4,678,159

Note 1: Glenn Willis has an entitlement to an additional 4,400,000 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 (Responsible Entity & the Company)		Audit & Risk Committee		Remuneration and Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended
Paul Bedbrook	16	16	5	5	3	3
Glenn Willis	16	16	5	5	3	3
Nigel Ampherlaw	16	16	5	5	3	3
William (Bill) Moss	16	13	N/A	N/A	3	3

## 9. Remuneration Report (Audited)

The remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements, philosophy and framework of the Elanor Investors Group (Group) in accordance with the requirements of the Corporations Act 2001 (Cth) and its regulations.

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

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

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

### a) Remuneration Policy and Approach

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

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

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



# DIRECTORS' REPORT

continued

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

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

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.

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 2017 were:

Executive	Position
Mr Glenn Willis	Managing Director and Chief Executive Officer
Mr Paul Siviour	Chief Operating Officer
Ms Marianne Ossovani	Chief Investment Officer and Head of Hotels, Tourism and Leisure
Mr Symon Simmons	Chief Financial Officer and Company Secretary
Non Executive	Position
Mr Paul Bedbrook	Independent Chairman and Non-Executive Director
Mr Nigel Amphelaw	Independent Non-Executive Director
Mr William (Bill) Moss AO	Non-Executive Director

### 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.

# DIRECTORS' REPORT

continued

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

### c) Executive Remuneration Arrangements (continued)

#### - 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 6.4 million Securities have been made.

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 1.6 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 for the 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 3 years in the case of both plans. 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 option plan has an exercise price of \$1.80 per security (44% premium to the \$1.25 offer price at the time of the IPO).

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

# DIRECTORS' REPORT

continued

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

### 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 2017:

	30 June 2017	30 June 2016	30 June 2015	Prospectus
Total Income (\$'000)	98,541	76,425	58,180	56,743
Net profit before tax (\$'000)	12,394	5,070	3,297	1,064
Net profit before tax (\$'000) (EHAF equity accounted)	12,825	7,422	3,297	1,064
Net profit after tax (\$'000)	11,626	4,143	2,720	664
Net profit / (loss) after tax (\$'000) (EHAF equity accounted)	11,400	6,810	2,720	664
Core earnings (\$'000)	12,670	11,560	9,344	7,864
Security price at start of year	\$1.88	\$1.70	\$1.25	\$1.25 <sup>1</sup>
Security price at end of year	\$2.14	\$1.88	\$1.70	
Interim distribution	7.77 cents	7.31 cents	5.20 cents	
Final distribution	5.01 cents	7.34 cents	6.70 cents	
Total distributions	12.78 cents	14.65 cents	11.90 cents	11.70 cents
Basic earnings per security	13.29 cents	5.86 cents	4.10 cents	1.09 cents
Basic earnings per security (EHAF equity accounted)	13.03 cents	9.64 cents	4.10 cents	1.09 cents
Diluted earnings per security	12.20 cents	5.37 cents	3.74 cents	0.99 cents
Diluted earnings per security (EHAF equity accounted)	11.96 cents	8.83 cents	3.74 cents	0.99 cents

Note 1: The Group listed on 11 July 2014. This was the issue price at listing.

The financial performance measure driving STI payment outcomes is pre-tax return on equity (ROE). Reported earnings before tax for the year were \$12.8 million or \$11.4 million after tax. This reflects a 13.03 cents basic earnings per security based on average equity employed for the period.

For the year ended 30 June 2017 the Group achieved Core Earnings of \$12.7 million, a 9.6% increase on 2016. Total distributions per security in respect of the period were 12.78 cents.

The Group's closing trading price on 30 June 2017 was \$2.14 per security, a 13.8% increase on the \$1.88 price at 1 July 2016.

For the year ended 30 June 2017, the bonus pool has been calculated in accordance with the STI plan rules. The 2017 STI bonus pool was approved on 18 August 2017. No deferred securities were issued in respect of the 2017 STI plan.

No LTI securities vested to executives during the year. However, as at 11 July 2017, the end of the vesting period, all vesting conditions have been met and the Directors resolved to approve the vesting of the LTI awards on 18 August 2017.

continued

**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				Total
		Salary	STI Cash Bonus	Non-Monetary	Other <sup>1</sup>			Super	Long Service Leave	LTI Loan Security Payments <sup>2</sup>	Deferred Security	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive Officers</b>												
G. Willis	2017	480,384	0	0	27,714	19,616	0	115,960	140,400	17,333	17,333	801,407
	2016	363,348	292,500	0	33,548	19,308	0	115,960	11,700	17,333	17,333	853,697
P. Siviour	2017	389,924	37,500	0	18,710	35,076	0	48,686	140,400	0	0	670,296
	2016	302,936	292,500	0	20,937	35,131	0	48,686	11,700	0	0	711,890
M. Ossovani	2017	405,385	0	0	161,777	19,616	0	45,556	140,400	0	0	772,734
	2016	330,696	292,500	0	6,360	19,308	0	45,556	11,700	0	0	706,120
S. Simmons	2017	394,924	37,500	0	37,420	30,076	0	11,596	140,400	0	0	651,916
	2016	282,370	292,500	0	15,744	30,130	0	11,596	11,700	0	0	644,040

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.

# DIRECTORS' REPORT

continued

## 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	2017	64.63	35.37	100.00
	2016	46.66	53.34	100.00
P. Siviour	2017	65.23	34.77	100.00
	2016	49.79	50.21	100.00
M. Ossovani	2017	69.56	30.44	100.00
	2016	50.02	49.98	100.00
S. Simmons	2017	69.16	30.84	100.00
	2016	52.57	47.43	100.00

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 the remuneration of executive remuneration in June 2017, and resolved not to increase the remuneration.

Table 3: Employment contracts of key management personnel

Executive	G. Willis	P. Siviour	M. Ossovani	S. Simmons
<b>Position</b>	Managing Director and Chief Executive Officer	Chief Operating Officer	Chief Investment Officer and Head of Hotels, Tourism and Leisure	Chief Financial Officer and Company Secretary
<b>Term</b>	No fixed term	No fixed term	No fixed term	No fixed term
<b>Salary (including Superannuation)</b>	\$500,000	\$425,000	\$425,000	\$425,000
<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	Eligible for an award of short term and long term incentive remuneration (if any) as described above
<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	Entitled to participate in Elanor Investors Group benefit plans that are made available

# DIRECTORS' REPORT

continued

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

### d) Executive Remuneration Outcomes (continued)

<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.	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	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 2017, and resolved not to increase 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 NED's 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

		<b>Salary (including Superannuation)</b>	<b>Committee Fees\$</b>	<b>Total (including Superannuation) \$</b>
<b>Non-Executive Directors</b>				
P. Bedbrook	2017	150,000	10,000	160,000
	2016	100,000	10,000	110,000
N. Ampherlaw	2017	70,000	10,000	80,000
	2016	55,000	10,000	65,000
W. Moss	2017	70,000	10,000	80,000
	2016	55,000	10,000	65,000

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

#### During the financial year

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

The fair value at grant date of each Option was \$0.04. The NED option vesting period ended on 30 June 2017.

Remuneration and other terms of appointment of the NED's are formalised in contracts.

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

# DIRECTORS' REPORT

continued

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

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

Details of Long Term Incentive Plan payments granted 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	2017	0	0	0%	0	N/A	0%
	Securities	2016	0	0	0%	0	N/A	0%
		2015	2,800,000	0	0%	0	N/A	22%
P. Siviour	Loan	2017	0	0	0%	0	N/A	0%
	Securities	2016	0	0	0%	0	N/A	0%
		2015	1,100,000	0	0%	0	N/A	12%
M. Ossovani	Loan	2017	0	0	0%	0	N/A	0%
	Securities	2016	0	0	0%	0	N/A	0%
		2015	1,000,000	0	0%	0	N/A	12%
S. Simmons	Loan	2017	0	0	0%	0	N/A	0%
	Securities	2016	0	0	0%	0	N/A	0%
		2015	280,000	0	0%	0	N/A	4%

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.

Details of Long Term Incentive Plan payments granted as Option 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	Options	2017	0	0	0%	0	N/A	0%
		2016	0	0	0%	0	N/A	0%
		2015	1,600,000	0	0%	0	N/A	3%

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

The following table summarises the value of options granted and exercised 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>	Value of options exercised at the exercise date <sup>2</sup>
		\$	\$
G. Willis	2017	0	0
	2016	0	0
	2015	52,000	0

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 2017.

# DIRECTORS' REPORT

continued

## 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 1 July 2016	Acquired <sup>1</sup>	Disposed	Closing Balance 30 June 2017
<b>Non-Executive Directors</b>				
P. Bedbrook	254,847	2,480	0	257,327
N. Ampherlaw	159,694	4,960	0	164,654
W. Moss AO	4,620,051	58,108	0	4,678,159
<b>Executive Officers</b>				
G. Willis	1,434,610	17,440	0	1,452,050
P. Siviour	479,254	104,960	0	584,214
M. Ossovani	150,608	0	0	150,608
S. Simmons	186,840	27,027	0	213,867

Note 1: The number of stapled securities acquired during the year includes issues of securities under the FY2017 STI Bonus Plan, the August 2016 Placement and Security Purchase Plan and securities acquired on market.

### Options over Elanor Investors Group – Stapled Securities

Name	Opening Balance 1 July 2016	Acquired under the Group's incentive plans	Exercised	Closing Balance 30 June 2017	Balance vested at Closing	Vested but not exercisable	Vested and exercisable	Options vested during the year
G. Willis	1,600,000	0	0	1,600,000	0	0	0	0

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

During the financial year, no options were exercised by Key Management Personnel.

Name	Opening Balance 1 July 2016	Issued under the Group's Salary sacrifice offer	Exercised	Closing Balance 30 June 2017	Balance vested at Closing	Vested but not exercisable	Vested and exercisable	Options vested during the year
P. Bedbrook	0	851,064	0	851,064	0	0	0	0
N. Ampherlaw	0	1,063,830	0	1,063,830	0	0	0	0
W. Moss	0	957,447	0	957,447	0	0	0	0



# DIRECTORS' REPORT

continued

## 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.

## 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.

## 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 27 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 27 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,

# DIRECTORS' REPORT

continued

## 15. Non audit services (continued)

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 2017 and fees paid to and expenses reimbursed by its related entities during the financial year are disclosed in Note 23 to the consolidated financial statements.

## 18. Events occurring after reporting date

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

## 19. Proceedings on behalf of the Group


No proceedings have been brought, or intervened in, on behalf of the Group.

## 20. Rounding of amounts to the nearest thousand dollars

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

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

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



Paul Bedbrook  
Chairman



Glenn Willis  
CEO and Managing Director

Sydney, 18 August 2017

# AUDITORS INDEPENDENCE DECLARATION

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**Deloitte.**

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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

18 August 2017

Dear Directors

## **Elanor Investors Limited and Elanor Investment Fund**

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

As lead audit partner for the audit of the consolidated financial statements of Elanor Investors Limited and Elanor Investment Fund for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

# CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

for the year ended 30 June 2017

		Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
	Note				
<b>Income</b>					
Revenue from operating activities	2	93,488	68,741	–	–
Interest income		276	81	13	24
Rental income		104	66	12,270	8,952
Share of profit / (loss) from equity accounted investments		2,595	611	2,595	611
Realised gain on disposal of investment		141	–	141	–
Fair value gain on revaluation of assets / investment properties		1,255	–	28,342	–
Other income	3	682	6,926	–	82
<b>Total income</b>		<b>98,541</b>	<b>76,425</b>	<b>43,361</b>	<b>9,669</b>
<b>Expenses</b>					
Changes in inventories of finished goods		19,631	15,259	–	–
Salary and employee benefits		34,169	26,956	579	153
Property expenses		8,172	6,290	–	5
Operator management costs		2,613	1,731	–	–
Borrowing costs		2,475	1,571	2,311	1,594
Depreciation		6,317	3,666	–	–
Amortisation		571	358	333	158
Marketing and promotion		4,782	3,713	2	–
Repairs, maintenance and technology		1,274	856	–	–
Transaction, establishment costs and fair value decrement		–	3,796	–	3,494
Other expenses	3	6,143	7,159	1,362	476
<b>Total expenses</b>		<b>86,147</b>	<b>71,355</b>	<b>4,587</b>	<b>5,880</b>
<b>Net profit / (loss) before income tax expense</b>		<b>12,394</b>	<b>5,070</b>	<b>38,774</b>	<b>3,789</b>
Income tax expense / (benefit)	6	768	927	–	–
<b>Net profit / (loss) for the year</b>		<b>11,626</b>	<b>4,143</b>	<b>38,774</b>	<b>3,789</b>
<b>Attributable to security holders of:</b>					
- Parent Entity		2,424	(732)	35,286	5,624
- Non-controlling interest EIF		8,556	5,785	–	–
<b>Net profit / (loss) attributable to ENN security holders</b>		<b>10,980</b>	<b>5,053</b>	<b>35,286</b>	<b>5,624</b>
<b>Attributable to security holders of:</b>					
- Non-controlling interest EHAF		646	(910)	3,488	(1,835)
<b>Net profit / (loss) for the year</b>		<b>11,626</b>	<b>4,143</b>	<b>38,774</b>	<b>3,789</b>
Basic earnings / (loss) per stapled security (cents)	5	13.29	5.86		
Diluted earnings / (loss) per stapled security (cents)	5	12.20	5.37		
<hr/>					
Basic earnings / (loss) per ENN stapled security (cents)	5	12.55	7.15		
Diluted earnings / (loss) per ENN stapled security (cents)	5	11.52	6.55		

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

		Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
	Note				
<b>Net profit / (loss) for the year</b>		<b>11,626</b>	<b>4,143</b>	<b>38,774</b>	<b>3,789</b>
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit and loss</i>					
Gain / (loss) on revaluation of cash flow hedge	14	535	(613)	410	(486)
<i>Items that may not be reclassified to profit and loss</i>					
Share of asset revaluation reserve from equity accounted investments	14	163	698	163	698
Gain / (loss) on revaluation of property, plant and equipment	14	27,554	2,851	471	–
Income tax relating to these items	14	(51)	(346)	–	–
Other comprehensive income / (loss) for the year, net of tax		28,201	2,590	1,044	212
<b>Total comprehensive income / (loss) for the year, net of tax</b>		<b>39,827</b>	<b>6,733</b>	<b>39,818</b>	<b>4,001</b>
<b>Attributable to security holders of:</b>					
- Parent Entity		2,476	1,474	35,893	6,144
- Non-controlling interest		36,163	6,305	–	–
<b>Total comprehensive income / (loss) for the year, net of tax of ENN Security holders</b>		<b>38,639</b>	<b>7,779</b>	<b>35,893</b>	<b>6,144</b>
<b>Attributable to security holders of:</b>					
- Non-controlling interest EHAF		1,188	(1,046)	3,925	(2,143)
<b>Total comprehensive income / (loss) for the year, net of tax</b>		<b>39,827</b>	<b>6,733</b>	<b>39,818</b>	<b>4,001</b>

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

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June 2017

		Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
	Note				
<b>Current assets</b>					
Cash and cash equivalents		15,725	8,192	8,435	2,081
Receivables	18	8,218	3,201	6,687	6,176
Inventories	10	6,566	5,368	–	–
Other current assets		995	1,024	–	65
Current tax asset		772	–	–	–
<b>Total current assets</b>		<b>32,276</b>	<b>17,785</b>	<b>15,122</b>	<b>8,321</b>
<b>Non-current assets</b>					
Property, plant and equipment	8	162,549	136,148	–	–
Investment properties	28	–	–	135,144	106,087
Non-current inventories	10	15,137	14,092	–	–
Equity accounted investments	9	45,891	22,726	45,891	22,726
Goodwill and intangible assets	19	7,520	7,670	–	–
Deferred tax assets	6	965	594	–	–
<b>Total non-current assets</b>		<b>232,062</b>	<b>181,230</b>	<b>181,035</b>	<b>128,813</b>
<b>Total assets</b>		<b>264,338</b>	<b>199,015</b>	<b>196,157</b>	<b>137,134</b>
<b>Current liabilities</b>					
Payables	18	6,570	5,342	1,555	397
Derivative financial instruments	12	4	114	4	114
Interest bearing liabilities	11	550	528	–	–
Current provisions	18	1,505	2,600	–	–
Other current liabilities	18	1,619	1,771	9	–
Income tax payable		2,104	701	–	–
Loan from the Company	28	–	–	–	5,460
<b>Total current liabilities</b>		<b>12,352</b>	<b>11,056</b>	<b>1,568</b>	<b>5,971</b>
<b>Non-current liabilities</b>					
Derivative financial instruments	12	329	728	244	545
Interest bearing liabilities	11,28	67,747	60,698	51,902	46,896
Non-current provisions	18	684	679	–	–
Other non-current liabilities	18	934	490	–	–
Deferred tax liabilities	6	–	122	–	–
Loan from the Company	28	–	–	12,868	–
<b>Total non-current liabilities</b>		<b>69,694</b>	<b>62,717</b>	<b>65,014</b>	<b>47,441</b>
<b>Total liabilities</b>		<b>82,046</b>	<b>73,773</b>	<b>66,582</b>	<b>53,412</b>
<b>Net assets</b>		<b>182,292</b>	<b>125,242</b>	<b>129,575</b>	<b>83,722</b>

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

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June 2017

		Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
	Note				
<b>Equity</b>					
<i>Equity Holders of Parent Entity</i>					
Contributed equity	13	55,768	42,280	64,503	46,209
Treasury Shares	13	(691)	(691)	(749)	(749)
Reserves	14	13,849	13,411	2,274	1,088
Retained profits / (accumulated losses)		(7,228)	(6,968)	36,507	10,712
<b>Parent entity interest</b>		<b>61,698</b>	<b>48,032</b>	<b>102,535</b>	<b>57,260</b>
<i>Equity Holders of Non Controlling Interest</i>					
Contributed equity - Elanor Investment Fund	13	64,503	46,209	-	-
Treasury Shares	13	(749)	(749)	-	-
Reserves	14	29,277	1,088	-	-
Retained profits / (accumulated losses)		234	1,169	-	-
<b>Non-controlling interest</b>		<b>93,265</b>	<b>47,717</b>	<b>-</b>	<b>-</b>
<i>Equity Holders of Non Controlling Interest EHAF</i>					
Contributed equity - EHAF		30,329	30,540	28,398	28,610
Reserves	14	405	(137)	130	(308)
Retained profits / (accumulated losses)		(3,405)	(910)	(1,488)	(1,835)
<b>External Non-controlling interest</b>		<b>27,329</b>	<b>29,493</b>	<b>27,040</b>	<b>26,467</b>
<b>Total equity attributable to stapled security holders:</b>					
- Parent Entity		61,698	48,032	102,535	57,260
- Non-controlling Interest - EIF		93,265	47,717	-	-
<b>Total equity attributable to ENN security holders</b>		<b>154,963</b>	<b>95,749</b>	<b>102,535</b>	<b>57,260</b>
<b>Total equity attributable to stapled security holders:</b>					
- Non-controlling interest - EHAF		27,329	29,493	27,040	26,467
<b>Total equity</b>		<b>182,292</b>	<b>125,242</b>	<b>129,575</b>	<b>83,727</b>

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Note	Contributed equity	Treasury shares	Asset Revaluation Reserve	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained profits/ losses	Parent Entity Total Equity	Non-controlling interest EIF	Total ENN Equity	External Non-controlling interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated Group</b>												
Total equity at 1 July 2016		42,280	(691)	13,065	(53)	399	(6,968)	48,032	47,717	95,749	29,493	125,242
Profit / (loss) for the period		-	-	-	-	-	2,423	2,423	8,557	10,980	646	11,626
Other comprehensive income / (expense) for the period		-	-	-	53	-	-	53	27,606	27,659	542	28,201
<b>Total comprehensive income / (expense) for the period</b>		-	-	-	<b>53</b>	-	<b>2,423</b>	<b>2,476</b>	<b>36,163</b>	<b>38,639</b>	<b>1,188</b>	<b>39,827</b>
<b>Transactions with owners in their capacity as owners:</b>												
Contributions of equity, net of issue costs	13	13,488	-	-	-	-	-	13,488	18,294	31,782	(211)	31,571
Security-based payments	14	-	-	-	-	385	-	385	582	967	-	967
Distributions paid and payable	4	-	-	-	-	-	(2,683)	(2,683)	(9,491)	(12,174)	(3,141)	(15,315)
<b>Total equity at 30 June 2017</b>		<b>55,768</b>	<b>(691)</b>	<b>13,065</b>	<b>-</b>	<b>784</b>	<b>(7,228)</b>	<b>61,698</b>	<b>93,265</b>	<b>154,963</b>	<b>27,329</b>	<b>182,292</b>

	Note	Contributed equity	Treasury shares	Asset Revaluation Reserve	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained profits/ losses	Parent Entity Total Equity	Non-controlling interest EIF	Total ENN Equity	External Non-controlling interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated Group</b>												
Total equity at 1 July 2015		41,589	-	10,805	-	124	(3,261)	49,257	48,180	97,437	-	97,437
Profit / (loss) for the period		-	-	-	-	-	(732)	(732)	5,785	5,053	(910)	4,143
Other comprehensive income / (expense) for the period		-	-	2,260	(53)	-	-	2,207	520	2,727	(137)	2,590
<b>Total comprehensive income / (expense) for the period</b>		-	-	<b>2,260</b>	<b>(53)</b>	-	<b>(732)</b>	<b>1,475</b>	<b>6,305</b>	<b>7,780</b>	<b>(1,047)</b>	<b>6,733</b>
<b>Transactions with owners in their capacity as owners:</b>												
Contributions of equity, net of issue costs	13	691	(691)	-	-	-	-	-	-	-	30,540	30,540
Security-based payments	14	-	-	-	-	275	-	275	154	429	-	429
Distributions paid and payable	4	-	-	-	-	-	(2,975)	(2,975)	(6,922)	(9,897)	-	(9,897)
<b>Total equity at 30 June 2016</b>		<b>42,280</b>	<b>(691)</b>	<b>13,065</b>	<b>(53)</b>	<b>399</b>	<b>(6,968)</b>	<b>48,032</b>	<b>47,717</b>	<b>95,749</b>	<b>29,493</b>	<b>125,242</b>

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



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

continued

	Note	Contributed equity	Treasury shares	Revaluation Reserve	Asset Reserve	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained profits/ losses	Parent Entity Total Equity	External Non-controlling interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EIF Group</b>											
Total equity at 1 July 2016		46,209	(749)	1,148	(350)	290	10,712	57,260	26,467	83,727	
Profit / (loss) for the period		-	-	-	-	-	35,286	35,286	3,488	38,774	
Other comprehensive income / (expense) for the period		-	-	198	246	-	-	444	437	881	
Share of reserves of Equity		-	-	163	-	-	-	163	-	163	
Accounted Investments		-	-	-	-	-	-	-	-	-	
<b>Total comprehensive income / (expense) for the period</b>		-	-	<b>361</b>	<b>246</b>	-	<b>35,286</b>	<b>35,893</b>	<b>3,925</b>	<b>39,818</b>	
<b>Transactions with owners in their capacity as owners:</b>											
Contributions of equity, net of issues costs	13	18,294	-	-	-	-	-	18,294	(211)	18,083	
Security-based payments	28	-	-	-	-	579	-	579	-	579	
Distributions paid and payable	28	-	-	-	-	-	(9,491)	(9,491)	(3,141)	(12,632)	
<b>Total equity at 30 June 2017</b>		<b>64,503</b>	<b>(749)</b>	<b>1,509</b>	<b>(104)</b>	<b>869</b>	<b>36,507</b>	<b>102,535</b>	<b>27,040</b>	<b>129,575</b>	

	Note	Contributed equity	Treasury shares	Revaluation Reserve	Asset Reserve	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained profits/ losses	Parent Entity Total Equity	External Non-controlling interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EIF Group</b>											
Total equity at 1 July 2015		45,460	-	450	(172)	136	12,010	57,884	-	57,884	
Profit / (loss) for the period		-	-	-	-	-	5,624	5,624	(1,835)	3,789	
Other comprehensive income / (expense) for the period		-	-	-	(178)	-	-	(178)	(308)	(486)	
Share of reserves of Equity		-	-	698	-	-	-	698	-	698	
Accounted Investments		-	-	-	-	-	-	-	-	-	
<b>Total comprehensive income / (expense) for the period</b>		-	-	<b>698</b>	<b>(178)</b>	-	<b>5,624</b>	<b>6,144</b>	<b>(2,143)</b>	<b>4,001</b>	
<b>Transactions with owners in their capacity as owners:</b>											
Contributions of equity, net of issues costs	13	749	(749)	-	-	-	-	-	-	28,610	28,610
Security-based payments	28	-	-	-	-	154	-	154	-	154	
Distributions paid and payable	28	-	-	-	-	-	(6,922)	(6,922)	-	(6,922)	
<b>Total equity at 30 June 2016</b>		<b>46,209</b>	<b>(749)</b>	<b>1,148</b>	<b>(350)</b>	<b>290</b>	<b>10,712</b>	<b>57,260</b>	<b>26,467</b>	<b>83,727</b>	

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 30 June 2017

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
Note				
<b>Cash flows from operating activities</b>				
Receipts from customers	102,359	82,882	–	–
Payments to suppliers and employees	(88,180)	(67,712)	(1,770)	(1,099)
Interest received	276	81	13	24
Finance costs paid	(2,317)	(1,664)	(2,288)	(1,685)
Rent receipts from the Company	–	–	11,022	7,918
Income tax paid	631	–	–	–
<b>Net cash flows from operating activities</b>	<b>7</b>	<b>12,769</b>	<b>6,977</b>	<b>5,158</b>
<b>Cash flows from investing activities</b>				
Payments for business and asset acquisitions	–	(49,243)	–	(35,233)
Receipts for business and asset disposals	–	–	755	–
Transaction costs for business and asset acquisitions	–	(1,931)	–	(1,687)
Payments for non-current inventory	(1,045)	(2,311)	–	–
Payments for property, plant and equipment	(3,976)	(4,083)	(715)	–
Payment for management rights	–	–	–	–
Loans to associates	(3,759)	(185)	(1,944)	–
Payments for equity accounted investments	(22,945)	(8,639)	(22,945)	(8,639)
Distributions received from equity accounted investments	1,923	1,224	1,923	1,224
Loans from Company	–	–	11,797	(2,980)
<b>Net cash flows from investing activities</b>	<b>(29,802)</b>	<b>(65,168)</b>	<b>(11,129)</b>	<b>(47,315)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from borrowings	8,219	30,509	4,568	18,526
Proceeds from equity raisings	33,000	31,962	19,348	29,457
Costs associated with equity raisings	(1,338)	(289)	(781)	(260)
Distributions paid to unit holders	(15,315)	(9,897)	(12,632)	(6,922)
<b>Net cash flows from financing activities</b>	<b>24,566</b>	<b>52,285</b>	<b>10,503</b>	<b>40,801</b>
Net increase / (decrease) in cash and cash equivalents	7,533	704	6,351	(1,356)
Cash and cash equivalents at the beginning of the year	8,192	7,488	2,081	3,437
<b>Cash at the end of the year</b>	<b>15,725</b>	<b>8,192</b>	<b>8,432</b>	<b>2,081</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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## 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 format of Elanor Investors Group's annual financial report has been changed to provide users of the financial report with a clearer understanding of relevant balances and transactions that drive the Group's financial performance and financial position. Plain English is used in commentary or explanatory sections of the notes to the financial statements to also improve readability of the financial report. Additionally, 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 2017. Elanor Investors Limited is the parent entity in relation to the stapling. The results and equity of Elanor Investment Fund (which is not directly owned by Elanor Investors Limited) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of Elanor Investment Fund are disclosed as a non-controlling interest, the stapled security holders of Elanor Investment Fund are the same as the stapled security holders of Elanor Investors Limited.

These consolidated Financial Statements also include a separate column representing the consolidated Financial Statements of EIF Group, incorporating the assets and liabilities of Elanor Investment Fund and all of its subsidiaries, as at 30 June 2017.

## Control of Elanor Hospitality and Accommodation Fund (EHAF)

EHAF comprises stapled securities in Elanor Hospitality and Accommodation Fund and EHAF Management Pty Limited. The Group holds 42.07% of the equity in EHAF. The Group's 42.07% ownership interest in EHAF gives the Group the same percentage of the voting rights in EHAF. EHAF is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

The responsible entity 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 EHAF constitution, which sets out the basis of fees that the Trustee can receive. These fees include management fees, performance fees, and acquisition fees.

Based on the assessment above, at the current level of equity investment in EHAF, the AASB 10 definition of control for this investment is met, and therefore EHAF is consolidated into Elanor Investors Group Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

continued

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

<b>RESULTS</b>	<b>43</b>
1. Segment information	43
2. Revenue	45
3. Other Income and expenses	46
4. Distributions	46
5. Earnings / (losses) per stapled security	47
6. Income tax	49
7. Cash flow information	51
<b>OPERATING ASSETS</b>	<b>52</b>
8. Property, plant and equipment	52
9. Equity accounted investments	57
10. Inventories	61
<b>FINANCE AND CAPITAL STRUCTURE</b>	<b>62</b>
11. Interest bearing liabilities.	62
12. Derivative financial instruments	63
13. Contributed equity	65
14. Reserves	66
15. Financial risk management	67
<b>GROUP STRUCTURE</b>	<b>72</b>
16. Parent entity	72
17. Subsidiaries and Controlled entities	73
<b>OTHER ITEMS</b>	<b>75</b>
18. Other financial assets and liabilities	75
19. Intangible assets	77
20. Net tangible assets	79
21. Commitments	79
22. Share-based payments	80
23. Related parties	82
24. Significant Events	83
25. Events occurring after reporting date	84
26. Summary of other significant accounting policies	84
27. Auditor's remuneration	85
28. Non-Parent Disclosure	86

# NOTES TO THE FINANCIAL STATEMENTS

continued

## Results

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

## 1. Segment information

### OVERVIEW

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

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

### BUSINESS SEGMENTS

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

### FUNDS MANAGEMENT

The Funds Management division manages third party owned investment funds and syndicates. As at 30 June 2017, the Funds Management division has approximately \$583.6m of external investments (excluding EHAF) under management, being the managed investments.

### HOTELS, TOURISM AND LEISURE

Hotels, Tourism and Leisure originates investment and fund management assets. The current investment portfolio includes Featherdale Wildlife Park, Ibis Styles Canberra Eaglehawk Hotel and Ibis Styles Albany Hotel along with co-investments in 193 Clarence Hotel syndicate, Bell City Fund and the Elanor Hospitality and Accommodation Fund (Peppers Cradle Mountain Lodge, Mantra Wollongong Hotel, Mantra Pavilion Wagga Wagga, Best Western Port Macquarie, Best Western Tall Trees and Parklands Resort Mudgee). Hotels, Tourism and Leisure also manages these syndicates.

### REAL ESTATE

Real Estate originates investment and fund management assets. The current investment portfolio comprises an investment in Elanor Commercial Property Fund, Elanor Retail Property Fund and Limestone Street Centre syndicate. Real Estate also managed Elanor Retail Property Fund, Limestone Street Centre, Super A Mart, John Cootes Diversified Property and Auburn Central syndicates during the period.

### SPECIAL SITUATION INVESTMENTS

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 1. Segment information (continued)

The table below shows segment results:

### Consolidated Group – 30 June 2017

	Funds Management	Hotels, Tourism & Leisure	Real Estate	Special Situations Investments	Unallocated Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from trading activities	12,584	36,700	–	31,000	–	80,284
Revenue from wildlife parks	–	13,684	–	–	–	13,684
Share of profit of equity accounted investments	–	158	2,437	–	–	2,595
Operating expense	(2,229)	(36,984)	(925)	(29,668)	(6,672)	(76,478)
Divisional EBITDA	10,355	13,558	1,512	1,332	(6,672)	20,085
Depreciation and amortisation	(150)	(5,713)	–	(253)	(351)	(6,467)
Divisional EBIT	10,205	7,845	1,512	1,079	(7,023)	13,618
Fair value gain on revaluation of assets / investment properties	–	–	–	–	1,255	1,255
Other income	–	–	–	–	141	141
Interest income	102	9	–	21	144	276
Amortisation of borrowing costs	–	–	–	–	(421)	(421)
Borrowing costs	–	–	–	–	(2,475)	(2,475)
Net tax benefit / (expense)	–	–	–	–	(768)	(768)
<b>Profit / (loss) for the year</b>	<b>10,307</b>	<b>7,854</b>	<b>1,512</b>	<b>1,100</b>	<b>(9,147)</b>	<b>11,626</b>
Total assets	6,200	174,699	32,952	35,621	14,866	264,338
Total liabilities	–	51,530	–	5,574	24,942	82,046

### Consolidated Group – 30 June 2016

	Funds Management	Hotels, Tourism & Leisure	Real Estate	Special Situations Investments	Unallocated Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from trading activities	7,810	27,761	–	28,289	–	63,860
Revenue from wildlife parks	–	11,733	–	–	–	11,733
Share of profit of equity accounted investments	–	290	321	–	–	611
Operating expense	(1,427)	(28,428)	–	(25,885)	(6,083)	(61,823)
Divisional EBITDA	6,383	11,356	321	2,404	(6,083)	14,381
Depreciation and amortisation	(150)	(3,307)	–	(125)	(234)	(3,816)
Divisional EBIT	6,233	8,049	321	2,279	(6,317)	10,565
Transaction and establishment costs not included in divisional EBIT	–	–	–	–	(3,796)	(3,796)
Interest income	20	24	–	22	15	81
Amortisation of borrowing costs	–	–	–	–	(209)	(209)
Borrowing costs	–	–	–	–	(1,571)	(1,571)
Net tax benefit / (expense)	–	–	–	–	(927)	(927)
<b>Profit / (loss) for the year</b>	<b>6,253</b>	<b>8,073</b>	<b>321</b>	<b>2,301</b>	<b>(12,805)</b>	<b>4,143</b>
Total assets	4,094	138,386	22,879	30,279	3,377	199,015
Total liabilities	34	51,247	–	4,009	18,483	73,773

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 2. Revenue

### OVERVIEW

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

#### Revenue from operating activities:

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 31 July 2016 \$'000
Revenue from Hotels	36,700	27,761
Revenue from Wildlife parks	13,684	11,733
Revenue from Sale of Furniture	30,520	21,437
Revenue from Funds Management	12,584	7,810
<b>Total Revenue from Operating activities</b>	<b>93,488</b>	<b>68,741</b>

### ACCOUNTING POLICY

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Elanor's activities as described below.

#### Hotel and wildlife park revenue

Revenue is recognised when goods and services have been provided to the customer and the outcome can be reliably measured. Revenue is recognised when the risks and rewards of ownership have passed to the buyer.

#### Sale of furniture and other goods

Sales are recognised as revenue when the risks and rewards of ownership have passed to the buyer. This is when the sale becomes unconditional and ownership of a product has passed to the customer, after delivery.

#### Funds management fee revenue

Funds management fee revenue is recognised on an accruals basis as the services are performed, in accordance with the terms of the relevant contracts. Where fees are subject to meeting certain performance hurdles, they are recognised as income at the point when those conditions have been met.

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 3. Other Income and expenses

### OVERVIEW

This note provides a breakdown of Other Income and Other Expenses, into the key components for the period.

#### (a) Other income

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Stock and equipment / Insurance claim income <sup>1</sup>	–	2,056
Business interruption / Insurance claim income <sup>1</sup>	375	2,480
Material damage / Insurance claim income <sup>1</sup>	–	1,616
Other Income	307	774
<b>Total Other Income</b>	<b>682</b>	<b>6,926</b>

1. These amounts relate to insurance payments received in relation to the fire at the John Cootes Furniture warehouse in July 2015.

### ACCOUNTING POLICY

Income is brought to account on an accrual basis.

#### (b) Other expenses

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Stock write-off <sup>1</sup>	–	1,924
PPE write-off <sup>1</sup>	–	34
Motor vehicles write-off <sup>1</sup>	–	55
Other fire related expenses <sup>1</sup>	520	1,279
Other expenses	5,623	3,867
<b>Total Other Expenses</b>	<b>6,143</b>	<b>7,159</b>

1. These amounts relate to expenses incurred in relation to the fire at the John Cootes Furniture warehouse in July 2015.

### ACCOUNTING POLICY

#### Expenses

Expenses are brought to account on an accrual basis.

## 4. 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 Investor Group aims to distribute 90% of Core Earnings, reflecting the Director's view of underlying earnings from ongoing operating activities for the period.



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 4. Distributions (continued)

### ENN Group

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

	Distribution cents per stapled security 30 June 2017	Distribution cents per stapled security 30 June 2016	Total Amount 30 June 2017 \$'000	Total Amount 30 June 2016 \$'000
Interim distribution <sup>1</sup>	7.77	7.31	6,933	5,163
Final distribution <sup>2</sup>	5.01	7.34	4,470	5,241

1. The interim distribution of 7.77 cents per stapled security was declared on 21 February 2017 and paid on 3 March 2017.

2. The final distribution of 5.01 cents per stapled security was declared on 18 August 2017. Please refer to the Directors' Report for the calculation of Core Earnings and the Distribution.

## 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.

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

	Consolidated Group 30 June 2017	Consolidated Group 30 June 2016
Basic (cents)	13.29	5.86
Diluted (cents)	12.20	5.37
Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000)	11,626	4,143
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	87,465	70,653
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security <sup>1</sup>	95,305	77,103

1. 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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

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

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

	ENN Parent 30 June 2017	ENN Parent 30 June 2016
Basic (cents)	12.55	7.15
Diluted (cents)	11.52	6.55
Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000)	10,980	5,053
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	87,465	70,653
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security <sup>1</sup>	95,305	77,103

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

The ENN (equity accounted EHAF) results are shown on page 19.

### ACCOUNTING POLICY

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

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 6. Income tax

### OVERVIEW

This note provides detailed information about the Group's income tax items and accounting policies. This includes 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 as well as an analysis of Elanor's deferred tax balances.

#### (a) Income Tax Expense

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Current tax expense	1,232	495
Deferred tax expense	(464)	432
<b>Income tax expense / (benefit)</b>	<b>768</b>	<b>927</b>

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

Profit / (loss) from continuing operations before income tax expense:	12,394	5,070
Less: Profit / (loss) from the Trust (which is not taxable)	38,774	3,789
Prima facie profit / (loss)	(26,380)	1,281
Tax at the Australian tax rate of 30%	(7,914)	384
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Entertainment	18	13
Non-deductible depreciation and amortisation	651	300
Fair value adjustments to investment property in the Trust	8,126	64
Non-deductible expenses	48	60
Impact of EHAF consolidation	-	497
Insurance proceeds on plant and equipment	88	(391)
Reversal of tax provision <sup>1</sup>	(335)	-
Other	86	-
<b>Income tax expense / (benefit)</b>	<b>768</b>	<b>927</b>

1. Reversal of tax provision in respect of proposed tax legislation, subsequently not enacted.

### 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".

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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 6. Income tax (continued)

### ACCOUNTING POLICY (continued)

EHAF 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 EHAF 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.

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>(a) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Employee entitlements	530	501
Audit accrual	25	38
Asset acquisitions and blackhole expenses	541	944
Lease incentive	418	182
Other	1,086	414
<b>Total Deferred tax assets</b>	<b>2,600</b>	<b>2,079</b>
<i>Movements:</i>		
Opening balance at beginning of year	2,079	1,437
Tax group consolidation adjustments	269	(112)
Debited to the Consolidated Statements of Profit or Loss	233	697
Credited to Equity	19	57
<b>Closing balance at the end of the year</b>	<b>2,600</b>	<b>2,079</b>
Deferred tax expected to be recovered within 12 months	705	645
Deferred tax expected to be recovered after more than 12 months	1,895	1,434
<b>(b) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Employee incentive plans	110	195
Business acquisitions	-	671
Other	1,525	741
<b>Total Deferred tax liabilities</b>	<b>1,635</b>	<b>1,607</b>
<i>Movements:</i>		
Opening balance at beginning of year	1,607	485
Other non profit or loss movement	29	202
Tax group consolidation adjustments	12	(209)
Credited to the Consolidated Statements of Profit or Loss	(13)	1,129
<b>Closing balance at the end of the year</b>	<b>1,635</b>	<b>1,607</b>
Deferred tax expected to be settled within 12 months	165	305
Deferred tax expected to be settled after more than 12 months	1,470	1,302
<b>Net Deferred tax position</b>	<b>965</b>	<b>472</b>
<b>(c) Deferred tax asset / liability per tax group</b>		
Deferred tax asset / (liability) of the ENN tax group	857	594
Deferred tax asset / (liability) of the EHAF tax group	108	(122)
<b>Net Deferred tax position</b>	<b>965</b>	<b>472</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 6. Income tax (continued)

### (c) Deferred taxes (continued)

#### ACCOUNTING POLICY

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

## 7. Cash flow information

### OVERVIEW

This note provides further information on the consolidated cash flow statements of the Group and 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

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>Profit / (Loss) for the period</b>	<b>11,626</b>	<b>4,143</b>
Depreciation of non-current assets	6,317	3,816
Amortisation	571	208
Fair value adjustment on revaluation of investment property	(1,255)	2,041
Net unrealised revenue from Equity Investments	(2,595)	(611)
Net realised Gain on Sale of Investment	(141)	–
Other non cash items	1,020	292
Transaction and IPO costs through profit and loss	–	1,755
Straight line lease expense and lease incentive income	480	33
Employee costs funded directly through equity	–	(1,129)
<b>Net cash provided by operating activities before changes in assets and liabilities</b>	<b>16,023</b>	<b>10,548</b>
<b>Movement in working capital:</b>		
Decrease / (increase) in trade and other receivables	(2,592)	154
Decrease / (increase) in stock	(1,198)	(1,604)
Increase / (decrease) in other current assets	29	(585)
Decrease / (increase) in deferred tax	(464)	495
Increase / (decrease) in current tax liability	1,232	432
Increase / (decrease) in trade and other payables	499	1,477
Increase / (decrease) in other liabilities	330	1,116
Increase / (decrease) in other provision	(1,090)	1,554
<b>Net cash from operating activities</b>	<b>12,769</b>	<b>13,587</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 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

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

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Livestock \$'000	Consolidated Group 30 June 2017 \$'000
Carrying amount at the beginning of the period	44,892	69,098	27,399	728	142,117
Acquisitions	–	–	–	–	–
Additions	–	520	3,456	–	3,976
Fair value decrement	–	–	–	–	–
Revaluation increments	24,609	4,434	(285)	–	28,758
Disposals	–	–	(16)	–	(16)
<b>Carrying amount at the end of the period</b>	<b>69,501</b>	<b>74,052</b>	<b>30,554</b>	<b>728</b>	<b>174,835</b>
Accumulated depreciation at the beginning of the period	–	(2,398)	(3,461)	(110)	(5,969)
Depreciation	–	(2,240)	(4,021)	(56)	(6,317)
<b>Accumulated depreciation at the end of the period</b>	<b>–</b>	<b>(4,638)</b>	<b>(7,482)</b>	<b>(166)</b>	<b>(12,286)</b>
<b>Total carrying value at the end of the period</b>	<b>69,501</b>	<b>69,414</b>	<b>23,072</b>	<b>562</b>	<b>162,549</b>

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of 30 June 2016 is set out below:

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Livestock \$'000	Consolidated Group 30 June 2016 \$'000
Carrying amount at the beginning of the period	36,975	40,356	10,292	728	88,351
Acquisitions	5,065	30,181	13,997	–	49,243
Additions	–	–	3,712	–	3,712
Fair value decrement	–	(1,439)	(602)	–	(2,041)
Revaluation increments	2,852	–	–	–	2,852
Disposals	–	–	–	–	–
<b>Carrying amount at the end of the period</b>	<b>44,892</b>	<b>69,098</b>	<b>27,399</b>	<b>728</b>	<b>142,117</b>
Accumulated depreciation at the beginning of the period	–	(1,078)	(1,171)	(54)	(2,303)
Depreciation	–	(1,320)	(2,290)	(56)	(3,666)
<b>Accumulated depreciation at the end of the period</b>	<b>–</b>	<b>(2,398)</b>	<b>(3,461)</b>	<b>(110)</b>	<b>(5,969)</b>
<b>Total carrying value at the end of the period</b>	<b>44,892</b>	<b>66,700</b>	<b>23,938</b>	<b>618</b>	<b>136,148</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

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

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

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

#### Consolidated Group

Property	Valuation	Date	Consolidated Group	Consolidated Group
			30 June 2017	30 June 2016
			\$'000	\$'000
Cradle Mountain Lodge	Internal	June 2017	38,015	38,000
Eaglehawk Hotel	Independent	June 2017	20,000	17,700
Wollongong Hotel	Internal	June 2017	9,000	9,000
Albany Hotel	Internal	June 2017	5,254	5,250
Featherdale Wildlife Park	Independent	June 2017	39,000	15,550
Port Macquarie	Internal	June 2017	9,350	9,350
Tall Trees	Internal	June 2017	14,200	14,200
Pavilion Wagga Wagga	Internal	June 2017	11,500	11,500
Parklands Resort	Internal	June 2017	11,400	11,400
Other			4,830	4,198
<b>Total</b>			<b>162,549</b>	<b>136,148</b>

As at 30 June 2017, the Directors assessed the fair value of the properties above, supported by external or internal valuation reports.

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

	Consolidated Group	Consolidated Group
	30 June 2017	30 June 2016
	\$'000	\$'000
Freehold land	31,235	31,235
Buildings	66,419	68,139
Plant and equipment	23,976	24,540
Livestock	562	618
<b>Total</b>	<b>122,192</b>	<b>124,532</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

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

### 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 judgment needs to be exercised. The level of management judgment 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 & 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.

The land and buildings owned by Wiltex Wholesale are classified as Inventory, other than the proportion of the property which is classified as owner occupied as a result of being used by the John Cootes Furniture business for the supply of services. Owner occupied land and buildings owned by Wiltex Wholesale Pty Limited is stated at cost less accumulated depreciation.

#### 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.

#### 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



# NOTES TO THE FINANCIAL STATEMENTS

continued

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

### (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 properties fair values presented are based on market values, which are derived using the capitalisation and the discounted cashflow 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 utilizing 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).

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

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

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

#### Assets measured at fair value

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

Consolidated Group	Book Value 30 June 2017 \$'000	Capitalisation Rate %	Discount Rate %
<b>Assets measured at fair value</b>			
Property, plant and equipment	162,549	8.75 -15.50	9.00 -18.50
<b>Total assets</b>	<b>162,549</b>		

Consolidated Group	Book Value 30 June 2016 \$'000	Capitalisation Rate %	Discount Rate %
<b>Assets measured at fair value</b>			
Property, plant and equipment	136,148	9.00 -23.00	9.00 -13.00
<b>Total assets</b>	<b>136,148</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 Rate %	Discount Rate %
Fair value measurement sensitivity to significant increase in input	Decrease	Decrease
Fair value measurement sensitivity to significant decrease in input	Increase	Increase

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 9. Equity accounted investments

### OVERVIEW

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

The Group's equity accounted investments are as follows:

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

30 June 2016	Principal activity	Percentage Ownership	Consolidated Group 30 June 2016 \$'000
193 Clarence Hotel Fund	Accommodation	10.00%	1,175
Bell City Fund	Accommodation	17.64%	12,558
Auburn Central Fund	Shopping Centre	1.85%	628
Elanor Retail Property Fund	Shopping Centres	24.40%	6,965
Limestone Street Centre Syndicate	Office Building	8.19%	1,400
<b>Total equity accounted investments</b>			<b>22,726</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 9. Equity accounted investments (continued)

### Details of Material Associates

Summarised financial information in respect of each of the Group's material associates is set out below. 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.

#### Bell City Fund

The Bell City Fund comprises the aggregated investment in six entities being, Bell City Accommodation Management Pty Limited, Bell City Accommodation Syndicate, Bell City Hotel Management Pty Limited, Bell City Hotel Syndicate, Bell City Office Syndicate and Bell City Residential Development Syndicate.

Although the Group has less than 20% of the equity in the fund, the Group has significant influence by virtue of its role as Trustee and Manager of the Fund and its ability to participate in the financial and operating policy decisions of the Fund.

#### Elanor Retail Property Fund

The Elanor Retail Property Fund ("ERF") is an externally managed real estate investment fund, investing in Australian retail property, focusing on high investment quality neighbourhood and sub-regional shopping centres. ERF was listed on the Australian Securities Exchange (ASX) on 9 November 2016.

As the Group has a 17% investment in the equity in ERF, the Group has significant influence by virtue of its role as Responsible Entity of the Fund and its ability to participate in the financial and operating policy decisions of the Fund.

The following information represents the aggregated financial position and financial performance of the Bell City Fund and the Elanor Retail Property 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.

### 30 June 2017

	ERF 30 June 2017 \$'000	Bell City 30 June 2017 \$'000
<b>Financial Position</b>		
Current assets	7,155	2,790
Non - current assets	260,750	151,673
<b>Total Assets</b>	<b>267,905</b>	<b>154,463</b>
Current liabilities	3,075	2,783
Non - current liabilities	81,975	86,201
<b>Total Liabilities</b>	<b>85,050</b>	<b>88,984</b>
Contributed Equity	156,537	68,700
Reserves	(1,234)	8,400
Retained profits / (accumulated losses)	27,552	(11,621)
<b>Total Equity</b>	<b>182,855</b>	<b>65,479</b>
	ERF Period ended 30 June 2017 \$'000	Bell City Period ended 30 June 2017 \$'000
<b>Financial performance</b>		
Profit / (loss) for the period	11,732	1,060
Other comprehensive income for the period	368	923
<b>Total comprehensive income for the period</b>	<b>12,100</b>	<b>1,983</b>
Distributions received from the associate during the period	1,579	854

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 9. Equity accounted investments (continued)

### Details of Material Associates (continued)

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 Period ended 30 June 2017 \$'000	Bell City Period ended 30 June 2017 \$'000
Net assets of the associate	182,855	65,479
Proportion of the Group's ownership interest	17.00%	17.64%
Carrying amount of the Group's interest	31,012	11,796

### 30 June 2016

On 9 November 2016, the Elanor Retail Property Fund (ERPF) and the Auburn Central Syndicate were rolled into the IPO of the new listed Elanor Retail Property Fund (ERF). Prior to the IPO, the Group held 24.4% of ERPF, and at balance date the Group held 17% of the listed ERF, accounted for using equity method.

	ERPF 30 June 2016 \$'000	Bell City 30 June 2016 \$'000
<b>Financial Position</b>		
Current assets	1,228	5,734
Non - current assets	62,574	153,880
<b>Total Assets</b>	<b>63,802</b>	<b>159,614</b>
Current liabilities	886	2,914
Non - current liabilities	34,371	85,510
<b>Total Liabilities</b>	<b>35,257</b>	<b>88,424</b>
Contributed Equity	28,676	68,699
Reserves	(614)	7,477
Retained profits / (accumulated losses)	483	(4,986)
<b>Total Equity</b>	<b>28,545</b>	<b>71,190</b>

	ERPF Peirod ended 30 June 2016 \$'000	Bell City Peirod ended 30 June 2016 \$'000
<b>Financial performance</b>		
Profit / (loss) for the period	1,142	1,512
Other comprehensive income for the period	(1,152)	5,150
<b>Total comprehensive income for the period</b>	<b>(10)</b>	<b>6,662</b>
Distributions received from the associate during the period	70	994

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:

	ERPF 30 June 2016 \$'000	Bell City 30 June 2016 \$'000
Net assets of the associate	28,545	71,190
Proportion of the Group's ownership interest	24.40%	17.64%
Carrying amount of the Group's interest	6,965	12,558

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 9. Equity accounted investments (continued)

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

	Period ended	Period ended
	30 June	30 June
	2017	2016
	\$'000	\$'000
Profit / (loss) for the period	(642)	3,715
Other comprehensive income for the period	1,675	(1,543)
<b>Total comprehensive income for the period</b>	<b>1,033</b>	<b>2,172</b>
Aggregate carrying amount of the Group's interests in these associates	3,083	3,203

### 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.

The Group holds a 17.0% interest in ERF which has been classified as a material associated entity. 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 Group holds a 17.6% interest in the Bell City Fund (Bell City) which has been classified as a material associated entity. Management of the Group reviewed and assessed the classification of the Group's investment in the associated entity in accordance with AASB 128 on the basis that the Group has significant influence over the financial and operating policy decisions of the investee.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 10. Inventories

### OVERVIEW

Inventories are assets held for sale or consumables held in the ordinary course of operations. The Group holds current inventory in respect of the John Cootes Furniture business, and non-current inventory in respect of its Merrylands property.

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>Current</b>		
Goods held for resale	6,566	5,368
<b>Total current</b>	<b>6,566</b>	<b>5,368</b>
<b>Non-current</b>		
Property Inventory	15,137	14,092
<b>Total Non-current</b>	<b>15,137</b>	<b>14,092</b>

### ACCOUNTING POLICY

Inventories are assets held for sale or consumables held in the ordinary course of operations and recognised at the lower of cost or net realisable value.

The cost of the inventory comprises costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. A provision is raised when it is believed that the costs incurred will not be recovered on the ultimate sale of the inventory. Cost for all inventories is determined using the first-in, first-out (FIFO) method.

The Group holds certain landholdings that are intended solely for sale, and not for long term appreciation or the derivation of rental income. These landholdings are carried as non-current inventory.

Inventory is carried at the lower of cost or net realisable value. The directors have assessed the carrying value of the Goods held for resale and Property Inventory, and have not recognised any impairment during the period.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## Finance and Capital Structure

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

### 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 EHAF.

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>Current</b>		
Bank loan - term debt	550	528
<b>Total current</b>	<b>550</b>	<b>528</b>
<b>Non-current</b>		
Bank loan - term debt	67,945	61,352
Borrowing Costs less amortisation	(198)	(654)
<b>Total non-current</b>	<b>67,747</b>	<b>60,698</b>
<b>Total interest bearing liabilities</b>	<b>68,297</b>	<b>61,226</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 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.

#### CREDIT FACILITIES

As at 30 June 2017, the Group had unrestricted access to the following credit facilities:

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>ENN Group</b>		
Facility - ENN	27,500	27,000
Total amount used	(21,770)	(15,154)
<b>Total amount unused - ENN</b>	<b>5,730</b>	<b>11,846</b>
<b>EHAF Group</b>		
Facility - EHAF	46,725	46,725
Total amount used	(46,725)	(46,725)
<b>Total amount unused - EHAF</b>	<b>-</b>	<b>-</b>
<b>Total amount unused - Consolidated Group</b>	<b>5,730</b>	<b>11,846</b>



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 11. Interest bearing liabilities (continued)

### CONSOLIDATED GROUP

Included in the above numbers, the ENN Group has access to a \$27.5 million facility, upon which both the Company and the Trust can draw. The drawn amount at 30 June 2017 is \$21.8 million which will mature on 11 July 2020. At 30 June 2017 the amount of drawn facilities is hedged to 47%.

Included in the above numbers, the EHAF Group has access to a \$46.7 million facility, upon which both the Company and Trust can draw. The drawn amount at 30 June 2017 is \$46.7 million which will mature on 21 March 2019. At 30 June 2017, the amount of drawn facilities is hedged to 100%.

All of the facilities have a variable interest rate. The interest rates on the loans are partially fixed using interest rate swaps. The weighted average annual interest rates payable of the loans at 30 June 2017, including the impact of the interest rate swaps, is 4.39% per annum.

### ACCOUNTING POLICY

Interest bearing liabilities are recognised initially at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing. Subsequent to initial recognition, interest bearing liabilities are recognised 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.

## 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 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>Current liabilities</b>		
Interest rate swaps	4	114
	<b>4</b>	<b>114</b>
<b>Non-current liabilities</b>		
Interest rate swaps	329	728
	<b>329</b>	<b>728</b>
<b>Total Derivative financial instruments</b>	<b>333</b>	<b>842</b>

### ACCOUNTING POLICY

#### Interest rate swaps

The Group has entered into interest rate swap agreements with a notional principal amount totaling \$56.7 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 Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 12. Derivative financial instruments (continued)

### 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.

### 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;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 13. Contributed equity

### OVERVIEW

The shares of Elanor Investors Limited (the "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 2017

No. of securities/shares	Details	Date of income entitlement	Note	Total Equity 30 June 2017 \$'000	Parent Entity 30 June 2017 \$'000	EIF Group 30 June 2017 \$'000
71,386,205	Opening balance	1 Jul 2015		88,489	42,280	46,209
16,216,217	Placement	04 Aug 2016	(i)	28,905	12,300	16,605
1,621,920	Security Purchase Plan	26 Aug 2016	(i)	2,877	1,188	1,689
<b>89,224,342</b>	<b>Securities on issue</b>	<b>30 Jun 2017</b>		<b>120,271</b>	<b>55,768</b>	<b>64,503</b>

- (i) On 4 August 2016 and 26 August 2016 the Group issued stapled securities under a Placement and a Security Purchase Plan respectively to fund additional acquisitions of co-investments.

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

No. of securities/shares	Details	Date of income entitlement	Note	Total Equity 30 June 2017 \$'000	Parent Entity 30 June 2017 \$'000	EIF Group 30 June 2017 \$'000
741,453	Opening balance	30 Jun 2016		1,440	691	749
-	Issue of Treasury securities	-		-	-	-
<b>741,453</b>	<b>Treasury securities on issue</b>	<b>30 Jun 2017</b>		<b>1,440</b>	<b>691</b>	<b>749</b>

#### Contributed equity for the period ended 30 June 2016

No. of securities/shares	Details	Date of income entitlement	Note	Total Equity 30 June 2016 \$'000	Parent Entity 30 June 2016 \$'000	EIF Group 30 June 2016 \$'000
70,644,752	Opening balance	1 Jul 2015		87,049	41,589	45,460
741,453	Issue of Treasury securities	27 Jun 2016		1,440	691	749
<b>71,386,205</b>	<b>Securities on issue</b>	<b>30 Jun 2016</b>		<b>88,489</b>	<b>42,280</b>	<b>46,209</b>

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

No. of securities/shares	Details	Date of income entitlement	Note	Total Equity 30 June 2016 \$'000	Parent Entity 30 June 2016 \$'000	EIF Group 30 June 2016 \$'000
-	Opening balance	1 Jul 2015		-	-	-
741,453	Issue of Treasury securities	27 Jun 2016		1,440	691	749
<b>741,453</b>	<b>Treasury securities on issue</b>	<b>30 Jun 2016</b>		<b>1,440</b>	<b>691</b>	<b>749</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 13. Contributed equity (continued)

### ACCOUNTING POLICY

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

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

## 14. Reserves

### OVERVIEW

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

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>Asset revaluation reserve</b>		
Opening balance	14,460	11,255
Revaluation	27,502	2,505
Transfer to retained profits - realised items	-	-
Equity Accounted Investment Revaluation Reserve	163	698
Closing balance	42,125	14,458
<b>Cash flow hedge reserve</b>		
Opening balance	(785)	(172)
Revaluation	535	(613)
Transfer to retained profits - realised items	-	-
Closing balance	(250)	(785)
<b>Stapled security-based payment reserve</b>		
Opening balance	689	260
Loan Securities and Option expense	347	236
Short term incentive scheme expense	620	193
Closing balance	1,656	689
<b>Total reserves</b>	<b>43,531</b>	<b>14,362</b>

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 15. Financial risk management

### OVERVIEW

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

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

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

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

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

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

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

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

#### a) Market risk

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

##### (i) Interest rate risk

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

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

Consolidated Group 30 June 2017	Floating	Fixed interest	Fixed interest	Fixed interest	Total \$'000
	interest rate \$'000	Maturity < 1 yr \$'000	Maturity 1 - 5 yrs \$'000	Maturity > 5 yrs \$'000	
<b>Assets</b>					
Cash and cash equivalents	15,725	–	–	–	15,725
<b>Total Assets</b>	<b>15,725</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15,725</b>
Weighted average interest rate					<b>4.39%</b>
<b>Liabilities</b>					
Interest bearing loans	11,447	–	57,048	–	68,495
Derivative financial instruments	333	–	–	–	333
<b>Total Liabilities</b>	<b>11,780</b>	<b>–</b>	<b>57,048</b>	<b>–</b>	<b>68,828</b>
Weighted average interest rate					<b>4.39%</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 15. Financial risk management (continued)

### a) Market risk (continued)

As at 30 June 2016, the Consolidated Group had the following interest bearing assets and liabilities:

Consolidated Group 30 June 2016	Floating interest rate	Fixed interest Maturity < 1 yr	Fixed interest Maturity 1 - 5 yrs	Fixed interest Maturity > 5 yrs	Total \$'000
	\$'000	\$'000	\$'000	\$'000	
<b>Assets</b>					
Cash and cash equivalents	8,192	–	–	–	8,192
<b>Total Assets</b>	<b>8,192</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,192</b>
Weighted average interest rate					<b>3.75%</b>
<b>Liabilities</b>					
Interest bearing loans	5,155	–	56,725	–	61,880
Derivative financial instruments	842	–	–	–	842
<b>Total Liabilities</b>	<b>5,997</b>	<b>–</b>	<b>56,725</b>	<b>–</b>	<b>62,722</b>
Weighted average interest rate					<b>3.75%</b>

### (ii) Interest Rate Sensitivity

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

Consolidated Group 30 June 2017	Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and cash equivalents	15,725	157	–	(157)	–
Derivative financial instruments	333	–	(3)	–	3
Interest bearing loans	68,495	(114)	–	114	–
<b>Total increase / (decrease)</b>	<b>84,553</b>	<b>43</b>	<b>(3)</b>	<b>(43)</b>	<b>3</b>

Consolidated Group 30 June 2016	Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and cash equivalents	8,192	82	–	(82)	–
Derivative financial instruments	842	–	(8)	–	8
Interest bearing loans	61,880	(52)	–	52	–
<b>Total increase / (decrease)</b>	<b>70,914</b>	<b>30</b>	<b>(8)</b>	<b>(30)</b>	<b>8</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 15. Financial risk management (continued)

### 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 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Cash and cash equivalents	15,725	8,192
Trade and other receivables	8,218	3,201
<b>Total</b>	<b>23,943</b>	<b>11,393</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 21.

Trade and other receivables consist of GST, distributions and other receivables. At balance date 17.5% 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 distribution receivable from the taxation authorities and related parties respectively. Based on historical experience, there is no evidence of default from these counterparties which would indicate that an allowance was necessary.

#### Impairment losses

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

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Current	2,061	1,245
Past due 31-61 days	4,753	1,792
Past due 61+ days	1,404	164
<b>Total</b>	<b>8,218</b>	<b>3,201</b>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 15. Financial risk management (continued)

#### c) Liquidity risk

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

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

#### Consolidated Group 30 June 2017

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000	Carrying amount \$'000
<b>Derivative financial liabilities</b>						
Derivatives	4	329	–	–	–	333
<b>Non derivative financial liabilities</b>						
Payables	8,671	1,618	–	–	–	10,289
Interest bearing loans	550	48,852	23,918	–	–	73,320
Current tax liabilities	3,127	1,635	–	–	–	4,762
<b>Total</b>	<b>12,352</b>	<b>52,434</b>	<b>23,918</b>	<b>–</b>	<b>–</b>	<b>88,704</b>

#### Consolidated Group 30 June 2016

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000	Carrying amount \$'000
<b>Derivative financial liabilities</b>						
Derivatives	114	728	–	–	–	842
<b>Non derivative financial liabilities</b>						
Payables	9,261	679	–	–	–	9,940
Interest bearing loans	2,849	16,662	48,752	–	–	68,263
Current tax liabilities	452	1,607	–	–	–	2,059
<b>Total</b>	<b>12,676</b>	<b>19,676</b>	<b>48,752</b>	<b>–</b>	<b>–</b>	<b>81,104</b>



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 15. Financial risk management (continued)

### d) Capital risk management

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

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

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

#### 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 12 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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## Group Structure

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

## 16. Parent entity

### OVERVIEW

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

#### (a) Summarised financial information

	Elanor Investors Limited <sup>1</sup> 30 June 2017 \$'000	Elanor Investors Limited <sup>1</sup> 30 June 2016 \$'000	Elanor Investment Fund <sup>2</sup> 30 June 2017 \$'000	Elanor Investment Fund <sup>2</sup> 30 June 2016 \$'000
<b>Financial Position</b>				
Current assets	16,199	9,258	13,649	4,523
Non - current assets	56,251	40,648	96,287	74,633
<b>Total Assets</b>	<b>72,450</b>	<b>49,906</b>	<b>109,936</b>	<b>79,156</b>
Current liabilities	16,113	10,264	8,399	15,825
Non - current liabilities	3,795	154	32,868	12,509
<b>Total Liabilities</b>	<b>19,908</b>	<b>10,418</b>	<b>41,267</b>	<b>28,334</b>
Contributed equity	55,061	42,280	63,770	46,209
Reserves	437	(639)	656	(798)
Retained profits / (accumulated losses)	(2,956)	(2,153)	4,243	5,411
<b>Total Equity</b>	<b>52,542</b>	<b>39,488</b>	<b>68,669</b>	<b>50,822</b>
<b>Financial performance</b>				
Profit / (loss) for the period	1,880	2,262	8,310	15,816
Other comprehensive income for the period	(347)	-	(212)	42
<b>Total comprehensive income for the period</b>	<b>1,533</b>	<b>2,262</b>	<b>8,098</b>	<b>15,858</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 (2016: 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 (2016: none).

#### (d) Contingent liabilities

At balance date Elanor Investors Limited and Elanor Investment Fund had no contingent liabilities (2016: none).

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 16. 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.

## 17. Subsidiaries and Controlled entities

### OVERVIEW

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

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

Elanor Investors Limited			Proportion of ownership interest and voting power by the Group	
Name of Subsidiary	Principal activity	Place of incorporation and operation	30 June	30 June
			2017	2016
Elanor Asset Services Pty Limited <sup>1</sup>	Asset services	Australia	100%	0%
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 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%
Eaglehawk Hotel Management Pty Limited <sup>1</sup>	Hotel 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	42%	42%
Wollongong Hotel Management Pty Limited <sup>2</sup>	Hotel operator	Australia	42%	42%
Port Macquarie Hotel Management Pty Limited <sup>2</sup>	Hotel operator	Australia	42%	42%
Tall Trees Hotel Management Pty Limited <sup>2</sup>	Hotel operator	Australia	42%	42%
Pavilion Wagga Wagga Hotel Management Pty Limited <sup>2</sup>	Hotel operator	Australia	42%	42%
Parklands Resort Hotel Management Pty Limited <sup>2</sup>	Hotel operator	Australia	42%	42%
EHAF Management Pty Limited <sup>2</sup>	Holding company	Australia	42%	42%

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 17. Subsidiaries and Controlled entities (continued)

Elanor Investment Fund			Proportion of ownership interest and voting power by the Group	
Name of Subsidiary	Principal activity	Place of incorporation and operation	30 June 2017	30 June 2016
Elanor Investment Trust	Co-investment in Managed Funds	Australia	100%	100%
Featherdale Wildlife Park Syndicate	Wildlife Park landholder	Australia	100%	100%
Eaglehawk Syndicate	Hotel landholder	Australia	100%	100%
Albany Hotel Syndicate	Hotel landholder	Australia	100%	100%
Wollongong Hotel Syndicate	Hotel landholder	Australia	100%	100%
Elanor Hospitality Accommodation and Fund	Hotel landholder	Australia	42%	42%
Wollongong Hotel Property Trust	Hotel landholder	Australia	42%	42%
Port Macquarie Property Trust	Hotel landholder	Australia	42%	42%
Tall Trees Property Trust	Hotel landholder	Australia	42%	42%
Pavilion Wagga Wagga Property Trust	Hotel landholder	Australia	42%	42%
Parklands Resort Property Trust	Hotel landholder	Australia	42%	42%

# NOTES TO THE FINANCIAL STATEMENTS

continued

## Other Items

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

## 18. Other financial assets and liabilities

### OVERVIEW

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

#### (a) Trade and Other Receivables

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>Current</b>		
Trade receivables	3,813	2,699
Other receivables	4,405	502
<b>Total receivables</b>	<b>8,218</b>	<b>3,201</b>

### ACCOUNTING POLICY

Trade and other receivables are initially recognised at fair value and subsequently accounted for at amortised cost. Collectability of trade receivables is reviewed on a regular basis and bad debts are written off when identified. A specific provision is made for any doubtful debts where objective evidence exists that the receivables will not be recoverable. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows.

All receivables with maturities greater than 12 months after reporting date are classified as non-current assets.

#### (b) Payables

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Trade creditors	2,157	2,140
Accrued expenses	3,390	2,750
GST payable	1,023	452
<b>Total payables</b>	<b>6,570</b>	<b>5,342</b>

### ACCOUNTING POLICY

Payables represent liabilities and accrued expenses owing at year end which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Payables are recognised at amortised cost and normal commercial terms and conditions apply to payables.

A distribution and or dividend payable to security holders is recognised for the amount of any distribution and or dividend approved on or before reporting date but not paid at reporting date.

All payables with maturities greater than 12 months after the reporting date are classified as non-current liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 18. Other financial assets and liabilities (continued)

### (c) Provisions

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>Current</b>		
Provision for annual leave	993	940
Provision for long service leave	89	50
Provision for short term incentives	423	1,610
<b>Total current</b>	<b>1,505</b>	<b>2,600</b>
<b>Non-current</b>		
Provision for annual leave	182	158
Provision for long service leave	502	521
<b>Total non-current</b>	<b>684</b>	<b>679</b>
<b>Total provisions</b>	<b>2,189</b>	<b>3,279</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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 18. Other financial assets and liabilities (continued)

### (d) Other liabilities

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
<b>Current</b>		
Advance deposits	1,097	1,622
Lease incentive liability	512	149
Other	10	–
<b>Total Other current liabilities</b>	<b>1,619</b>	<b>1,771</b>
<b>Non-current</b>		
Lease incentive liability	934	490
<b>Total Other non-current liabilities</b>	<b>934</b>	<b>490</b>

## 19. 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.

#### Brands

Brands represent the acquisition of the John Cootes Furniture brand upon the acquisition of the John Cootes Furniture business by JCF Management Pty Limited on 11 July 2014.

#### Goodwill

Goodwill represents goodwill acquired by the Group upon the acquisition of the John Cootes Furniture business by JCF Management Pty Limited on 11 July 2014.

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Management Rights	1,500	1,500
Accumulated amortisation	(450)	(300)
<b>Total Management Rights</b>	<b>1,050</b>	<b>1,200</b>
Brands	1,660	1,660
Accumulated impairment charge	–	–
<b>Total Brands</b>	<b>1,660</b>	<b>1,660</b>
Goodwill at cost	4,810	4,810
Accumulated impairment charge	–	–
<b>Total Goodwill</b>	<b>4,810</b>	<b>4,810</b>
<b>Total intangible assets</b>	<b>7,520</b>	<b>7,670</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 19. Intangible assets (continued)

### 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 licences over their estimated useful lives of 10 years.

#### Brands

Brands acquired are carried at cost as established at the date of acquisition less accumulated impairment losses, if any.

#### Impairment test for brands

Brands are allocated to the Group's cash-generating units (CGU's) identified. All of the brands carried at 30 June 2017 are attributable to the Group's investment in the John Cootes Furniture business.

The Directors have deemed there should be no impairment to the carrying value of brand due to the calculated recoverable amount of the brand being in excess of the carrying value.

The recoverable amount of the brand is based on value in use calculated on a net present value basis.

The period over which management has projected the CGU cash flows is based upon a 10 year operating forecast. The average growth rates used 7% are consistent with forecasts included in industry reports. The discount rates used (17.34%) are pre-tax and reflect specific risks relating to the relevant CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on the 2018 financial year budget. Cash flows beyond the budget period are extrapolated using the growth rates stated above. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### Impairment test for goodwill

Goodwill is allocated to the CGU's identified. All of the goodwill carried at 30 June 2017 is attributable to the Group's investment in the John Cootes Furniture business.

The Directors have deemed there should be no impairment to the carrying value of goodwill due to the calculated recoverable amount of the goodwill being in excess of the carrying value.

The recoverable amount of the goodwill is based on value in use calculated on a net present value basis.

The period over which management has projected the CGU cash flows is based upon a 10 year operating forecast. The average growth rates used 7% are consistent with forecasts included in industry reports. The discount rates used 17.34% are pre-tax and reflect specific risks relating to the relevant CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on the 2018 financial year budget. Cash flows beyond the budget period are extrapolated using the growth rates stated above. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 19. Intangible assets (continued)

### Goodwill (continued)

#### Sensitivity

Management recognises that the calculation of recoverable amounts can vary based on the assumptions used to project or discount cash flows and that changes to key assumptions can result in recoverable amounts falling below carrying amounts. In relation to the CGUs above, the recoverable amounts are well in excess of the carrying amount associated with each segment.

The Directors consider that the growth rates are appropriate, and that there is sufficient headroom such that a change in any of the other key assumptions would not cause the CGUs' carrying amount to exceed their recoverable amount.

## 20. Net tangible assets

### OVERVIEW

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

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Net tangible assets are calculated as follows:		
Total assets	264,338	199,015
Less: Intangible assets	(7,520)	(7,670)
Less: Total liabilities	(82,046)	(73,773)
<b>Net tangible assets</b>	<b>174,772</b>	<b>117,572</b>
Total number of stapled securities on issue	89,224	71,386
Net tangible asset backing per stapled security	1.96	1.65

## 21. Commitments

### OVERVIEW

This note sets out the material commitments of the Group.

#### (a) Contingent liabilities and commitments

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

#### (b) 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 10 years and are classified as operating leases. The minimum lease payments are as follows:

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Within one year	5,328	3,192
Later than one year but not later than 5 years	19,847	14,504
Later than 5 years	4,648	4,509
<b>Total lease commitments</b>	<b>29,823</b>	<b>22,205</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 22. 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. Awards totalling 6.2 million securities have been made.

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 1.6 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 for the 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 3 years in the case of both plans. 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 option plan has an exercise price of \$1.80 per security (44% premium to the \$1.25 offer price at the time of the IPO).

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

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

### Employee Loan Securities

Award Type	Number Granted	Grant Date	Vesting Date	Vesting Conditions <sup>1</sup>	Fair Security Price at Grant Date	Fair Value at Grant Date
Loan Securities	6,240,000	11/07/2014	10/07/2017	Service & non-market	\$1.25	\$0.10

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 22. Share-based payments (continued)

### Options

Award Type	Number Granted	Grant Date	Vesting Date	Vesting Conditions <sup>1</sup>	Exercise Price	Fair Value at Grant Date
Options	1,600,000	11/07/2014	10/07/2017	Service & non-market	\$1.80	\$0.03

Award Type	Number Granted	Grant Date	Vesting Date	Vesting Conditions <sup>1</sup>	Exercise Price	Fair Value at Grant 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 Granted	Grant Date	Vesting Date	Vesting Conditions <sup>1</sup>	Security Price at Grant Date	Fair Value at Grant Date
FY16 STI	741,453	24/06/2016	24/06/2016	Service	\$1.94	\$1.90

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 \$676,000.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 23. 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

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 ending 30 June 2017, this amount is \$130,000.

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

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 ending 30 June 2017 was nil.

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

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

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Elanor Retail Property Fund	3,498	2,199
Elanor Commercial Property Fund	1,099	–
Griffin Plaza Syndicate	55	1,055
Super A Mart Auburn Syndicate	1,814	184
John Cootes Diversified Property Syndicate	576	678
193 Clarence St Hotel Syndicate	343	468
Bell City Syndicates	1,447	1,728
Auburn Central Syndicate	2,292	716
Limestone Syndicate	465	782
Hunters Plaza Syndicate	995	–
<b>Total</b>	<b>12,584</b>	<b>7,810</b>

#### Merrylands Property

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 23. Related parties (continued)

### 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
Ms. Marianne Ossovani	Chief Investment Officer and Head of Hotels, Tourism and Leisure
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

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

	Consolidated Group 30 June 2017 \$'000	Consolidated Group 30 June 2016 \$'000
Short term benefits	2,160	2,526
Post-employment benefits	120	104
Share-based payment	375	286
<b>Total</b>	<b>2,655</b>	<b>2,916</b>

## 24. Significant Events

### Establishment of Elanor Retail Property Fund

The Group completed the Initial Public Offering of Elanor Retail Property Fund (ASX: ERF) on 9 November 2016, offering 81 million securities at an offer price of \$1.35, raising \$109.3 million. ERF listed with an initial market capitalisation of \$173.8 million.

Elanor holds a 17.0% co-investment in ERF and is therefore strongly aligned with the Fund's investors.

ERF was formed by the stapling of two existing Elanor managed funds (Elanor Retail Property Fund and Auburn Central Syndicate) and the acquisition of two new properties. Existing investors in these funds provided overwhelming support for ERF, with 92% of existing investors electing to retain their investment. In addition, these investors elected to invest further significant funds in ERF.

At 30 June 2017, ERF had a portfolio of five retail shopping centres, valued at \$260.8 million.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 25. Events occurring after reporting date

Subsequent to the period end, a distribution of 5.01 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$4.5 million will be paid on or before 1 September 2017 in respect of the six months ended 30 June 2017.

Other than the event disclosed above, the directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial period subsequent to the year ended 30 June 2017.

## 26. Summary of other significant accounting policies

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the Group's financial statements, are detailed below:

The significant policies which have been adopted in the preparation of these consolidated financial statements for the year ended 30 June 2017 are set out below:

The financial statements were authorised for issue by the Directors on 18 August 2017.

### (a) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short term deposits with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (b) Impairment of assets

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where objective evidence or an indicator of impairment exists, an estimate of the asset's recoverable amount is made. An impairment loss is recognised in the statement of profit or loss and other comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

### (c) Goods and Services Tax (GST)

Revenues, expenses and assets (with the exception of receivables) are recognised net of the amount of GST, to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition, or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the statement of financial position as receivable or payable.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 27. 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 Group 30 June 2017 \$	Consolidated Group 30 June 2016 \$
<b>Audit services:</b>		
Auditors of the Elanor Investors Group		
Deloitte Touche Tohmatsu Australia:		
Audit and review of financial reports	187,400	190,000
	187,400	190,000
<b>Other services:</b>		
Auditors of the Elanor Investors Group		
Deloitte Touche Tohmatsu Australia:		
Taxation advisory services	98,200	61,500
Taxation compliance services	70,000	98,800
Transaction services	16,100	17,500
	184,300	177,800
<b>Total - Deloitte Touche Tohmatsu Australia</b>	<b>371,700</b>	<b>367,800</b>
Auditors of the Elanor Investors Group		
Pitcher Partners:		
Compliance Plan Audit	8,650	8,000
<b>Total - Pitcher Partners</b>	<b>8,650</b>	<b>8,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure

### OVERVIEW

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

#### (a) Segment information

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

#### (b) Distributions

The following distributions were declared by the EIF Group either during the year or post balance date:

	Distribution cents per stapled security 30 June 2017	Distribution cents per stapled security 30 June 2016	Total Amount 30 June 2017 \$'000	Total Amount 30 June 2016 \$'000
Interim distribution <sup>1</sup>	4.76	5.05	4,250	3,569
Final distribution <sup>2</sup>	3.98	7.34	3,547	5,241

1. The interim distribution of 4.76 cents per stapled security was declared on 21 February 2017 and paid on 3 March 2017.

2. The final distribution of 3.98 cents per stapled security was declared on 18 August 2017. Please refer to the Directors' Report for the calculation of Core Earnings and the Distribution.

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

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

	EIF Group 30 June 2017	EIF Group 30 June 2016
Basic (cents)	44.33	5.36
Diluted (cents)	40.68	4.91
Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000)	38,774	3,789
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	87,465	70,653
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security <sup>1</sup>	95,305	77,103

1. 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.

#### (d) 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.



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (e) Rental income

Rental income from investment properties, received by the EIF Group, is accounted for on a straight-line basis over the term of the lease.

### (f) Investment Property

Movement in investment properties

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

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
Carrying amount at the beginning of the period	106,087	72,908
Total costs on acquisition	–	–
Additions	715	35,232
Revaluation (decrements) / increments	28,342	(2,053)
<b>Carrying amount at the end of the period</b>	<b>135,144</b>	<b>106,087</b>

Carrying value investment properties

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

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
Cradle Mountain Lodge	36,265	33,233
Albany Hotel	4,992	5,057
Featherdale Wildlife Park	34,309	11,593
Eaglehawk Hotel	16,709	14,776
Wollongong Hotel	8,477	8,462
Port Macquarie Hotel	8,129	8,000
Tall Trees Hotel	9,288	8,520
Pavilion Wagga Wagga Hotel	8,691	8,300
Parklands Resort	8,284	8,146
<b>Total</b>	<b>135,144</b>	<b>106,087</b>

Refer to Note 8 Property, plant and equipment for further details.

## 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 judgment 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 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (f) Investment Property (continued)

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 derecognised.

#### 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

EIF Group	Book Value 30 June 2017 \$'000	Capitalisation Rate %	Discount Rate %
<b>Assets measured at fair value</b>			
Investment properties	135,144	8.75 - 15.50	9.00 - 18.50
<b>Total assets</b>	<b>135,144</b>		
	Book Value 30 June 2016 \$'000	Capitalisation Rate %	Discount Rate %
<b>Assets measured at fair value</b>			
Investment properties	106,087	9.00 - 23.00	9.00 - 13.00
<b>Total assets</b>	<b>106,087</b>		

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (g) Equity accounted investments

The Trust's equity accounted investments are as follows:

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

30 June 2016	Principal activity	Percentage Ownership	EIF Group 30 June 2016 \$'000
193 Clarence Hotel Fund	Accommodation	10.00%	1,175
Bell City Fund	Accommodation	17.64%	12,558
Auburn Central Fund	Shopping Centre	1.85%	628
Elanor Retail Property Fund	Shopping Centres	24.40%	6,965
Limestone Street Centre Syndicate	Office Building	8.19%	1,400
<b>Total equity accounted investments</b>			<b>22,726</b>

The following information represents the aggregated financial position and financial performance of the Bell City Fund and the Elanor Retail Property 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.

### 30 June 2017

	ERF 30 June 2017 \$'000	Bell City 30 June 2017 \$'000
<b>Financial Position</b>		
Current assets	7,155	2,790
Non - current assets	260,750	151,673
<b>Total Assets</b>	<b>267,905</b>	<b>154,463</b>
Current liabilities	3,075	2,783
Non - current liabilities	81,975	86,201
<b>Total Liabilities</b>	<b>85,050</b>	<b>88,984</b>
Contributed Equity	156,537	68,700
Reserves	(1,234)	8,400
Retained profits / (accumulated losses)	27,552	(11,621)
<b>Total Equity</b>	<b>182,855</b>	<b>65,479</b>
	ERF Period ended 30 June 2017 \$'000	Bell City Period ended 30 June 2017 \$'000
<b>Financial performance</b>		
Profit / (loss) for the period	11,732	1,060
Other comprehensive income for the period	368	923
<b>Total comprehensive income for the period</b>	<b>12,100</b>	<b>1,983</b>
Distributions received from the associate during the period	1,579	854

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (g) Equity accounted investments (continued)

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 Period ended 30 June 2017 \$'000	Bell City Period ended 30 June 2017 \$'000
Net assets of the associate	182,855	65,479
Proportion of the Group's ownership interest	17.00%	17.64%
Carrying amount of the Group's interest	31,012	11,796

### 30 June 2016

	ERPF 30 June 2016 \$'000	Bell City 30 June 2016 \$'000
<b>Financial Position</b>		
Current assets	1,228	5,734
Non - current assets	62,574	153,880
<b>Total Assets</b>	<b>63,802</b>	<b>159,614</b>

Current liabilities	886	2,914
Non - current liabilities	34,371	85,510
<b>Total Liabilities</b>	<b>35,257</b>	<b>88,424</b>

Contributed Equity	28,676	68,699
Reserves	(614)	7,477
Retained profits / (accumulated losses)	483	(4,986)
<b>Total Equity</b>	<b>28,545</b>	<b>71,190</b>

	ERPF Peirod ended 30 June 2016 \$'000	Bell City Peirod ended 30 June 2016 \$'000
<b>Financial performance</b>		
Profit / (loss) for the period	1,142	1,512
Other comprehensive income for the period	(1,152)	5,150
<b>Total comprehensive income for the period</b>	<b>(10)</b>	<b>6,662</b>

Distributions received from the associate during the period	70	994
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Reconciliation of the above summarised financial information to the carrying amount of the interest in the Bell City Fund recognised in the consolidated financial statements:

	ERPF 30 June 2016 \$'000	Bell City 30 June 2016 \$'000
Net assets of the associate	28,545	71,190
Proportion of the Group's ownership interest	24.40%	17.64%
Carrying amount of the Group's interest	6,965	12,558

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (g) Equity accounted investments (continued)

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

	Period ended 30 June 2017 \$'000	Period ended 30 June 2016 \$'000
Profit / (loss) for the period	(642)	3,715
Other comprehensive income for the period	1,675	(1,543)
<b>Total comprehensive income for the period</b>	<b>1,033</b>	<b>2,172</b>
<b>Aggregate carrying amount of the Group's interests in these associates</b>	<b>3,083</b>	<b>3,203</b>

### (h) Interest bearing liabilities

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
<b>Current</b>		
Bank loan - term debt	-	-
Borrowing Costs less amortisation	-	-
Loan from the Company	-	5,460
<b>Total current</b>	<b>-</b>	<b>5,460</b>
<b>Non-current</b>		
Bank loan - term debt	51,963	47,394
Borrowing Costs less amortisation	(61)	(498)
Loan from the Company	12,868	-
<b>Total non-current</b>	<b>64,770</b>	<b>46,896</b>
<b>Total interest bearing liabilities</b>	<b>64,770</b>	<b>52,356</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 companies. The terms of the debt also impose certain covenants on the EIF Group including Loan to Value ratio and Interest Cover covenants. The EIF Group is currently meeting all its covenants.

As part of the internal funding of the Fund, EIF entered into a long term interest-bearing loan with EIL at arm's length terms, maturing on 2024. As at 30 June 2017, the outstanding payable to the Company was \$12.9 million.

#### Credit facilities

As at 30 June 2017, the EIF Group had unrestricted access to the following credit facilities:

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
Facility	73,225	73,225
Total amount used	(64,868)	(61,406)
<b>Total amount unused</b>	<b>8,357</b>	<b>11,819</b>

Included in the above numbers, the EIF Group has access to a \$26.5m facility, upon which both the Company and the Trust can draw. The drawn amount at 30 June 2017 is \$17.3m which will mature on 11 July 2020. At 30 June 2017 the amount of drawn facilities is hedged to 58%.

Included in the above numbers, the EHAF Group has access to a \$46.7 facility, upon which both the Company and Trust can draw. The drawn amount at 30 June 2017 is \$34.7m which will mature on 21 March 2019. At 30 June 2017, the amount of drawn facilities is hedged to 100%.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (i) Derivative Financial instruments

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

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
<b>Current liabilities</b>		
Interest rate swaps	4	114
	<b>4</b>	<b>114</b>
<b>Non-current liabilities</b>		
Interest rate swaps	244	545
	<b>244</b>	<b>545</b>
<b>Total Derivative financial instruments</b>	<b>248</b>	<b>659</b>

### (j) Reserves

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

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
<b>Asset revaluation reserve</b>		
Opening balance	1,149	450
Revaluation	471	–
Transfer to retained profits - realised items	–	–
Equity Accounted Investment Revaluation Reserve	163	698
Closing balance	1,783	1,148
<b>Cash flow hedge reserve</b>		
Opening balance	(659)	(172)
Revaluation	411	(486)
Transfer to retained profits - realised items	–	–
Closing balance	(248)	(658)
<b>Stapled security-based payment reserve</b>		
Opening balance	289	136
Loan Securities and Option expense	187	124
Short term incentive scheme expense	393	30
Closing balance	869	290
<b>Total reserves</b>	<b>2,404</b>	<b>780</b>

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (k) Financial Risk Management

#### (1) Market Risk

##### (i) Interest rate risk

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

EIF Group 30 June 2017	Floating interest rate \$'000	Fixed interest Maturity < 1 yr \$'000	Fixed interest Maturity 1 - 5 yrs \$'000	Fixed interest Maturity > 5 yrs \$'000	Total \$'000
<b>Assets</b>					
Cash and cash equivalents	8,435	–	–	–	8,435
<b>Total Assets</b>	<b>8,435</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,435</b>
Weighted average interest rate					
<b>Liabilities</b>					
Interest bearing loans	20,118	–	44,712	–	64,830
Derivative financial instruments	248	–	–	–	248
<b>Total Liabilities</b>	<b>20,366</b>	<b>–</b>	<b>44,712</b>	<b>–</b>	<b>65,078</b>
Weighted average interest rate					
					<b>4.39%</b>

EIF Group 30 June 2016	Floating interest rate \$'000	Fixed interest Maturity < 1 yr \$'000	Fixed interest Maturity 1 - 5 yrs \$'000	Fixed interest Maturity > 5 yrs \$'000	Total \$'000
<b>Assets</b>					
Cash and cash equivalents	2,081	–	–	–	2,081
<b>Total Assets</b>	<b>2,081</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,081</b>
Weighted average interest rate					
					<b>3.75%</b>
<b>Liabilities</b>					
Interest bearing loans	–	–	52,854	–	52,854
Derivative financial instruments	659	–	–	–	659
<b>Total Liabilities</b>	<b>659</b>	<b>–</b>	<b>52,854</b>	<b>–</b>	<b>53,513</b>
Weighted average interest rate					
					<b>3.75%</b>

##### (ii) Interest Rate Sensitivity

EIF Group 30 June 2017	Amount \$'000	Increase by 1% Profit \$'000	Equity \$'000	Decrease by 1% Profit \$'000	Equity \$'000
Cash and cash equivalents	8,435	84	–	(84)	–
Derivative financial instruments	248	–	(2)	–	2
Interest bearing loans	64,830	(201)	–	201	–
<b>Total increase / (decrease)</b>	<b>73,513</b>	<b>(117)</b>	<b>(2)</b>	<b>117</b>	<b>2</b>
<b>EIF Group 30 June 2016</b>					
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	2,081	21	–	(21)	–
Derivative financial instruments	659	–	10	–	(10)
Interest bearing loans	52,854	(226)	–	226	–
<b>Total increase / (decrease)</b>	<b>55,594</b>	<b>(205)</b>	<b>10</b>	<b>205</b>	<b>(10)</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (2) Credit Risk

Exposure to credit risk

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

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
Cash and cash equivalents	8,435	2,081
Trade and other receivables	6,687	6,176
<b>Total</b>	<b>15,122</b>	<b>8,257</b>

Impairment losses

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

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
Current	1,817	1,787
Past due 31-61 days	2,567	4,389
Past due 61+ days	2,303	–
<b>Total</b>	<b>6,687</b>	<b>6,176</b>

### (3) Liquidity risk

EIF Group  
30 June 2017

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000	Carrying amount \$'000
<b>Derivative financial liabilities</b>						
Derivatives	4	244	–	–	–	248
<b>Non derivative financial liabilities</b>						
Payables	1,298	–	–	–	–	1,298
Interest bearing loans	–	36,236	19,522	16,823	–	72,581
Current tax liabilities	266	–	–	–	–	266
<b>Total</b>	<b>1,568</b>	<b>36,480</b>	<b>19,522</b>	<b>16,823</b>	<b>–</b>	<b>74,393</b>



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 28. Non-Parent Disclosure (continued)

### (3) Liquidity risk (continued)

#### EIF Group

30 June 2016

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000	Carrying amount \$'000
<b>Derivative financial liabilities</b>						
Derivatives	114	545	–	–	–	659
<b>Non derivative financial liabilities</b>						
Payables	311	–	–	–	–	311
Interest bearing loans	7,442	14,459	36,014	–	–	57,915
Current tax liabilities	86	–	–	–	–	86
<b>Total</b>	<b>7,953</b>	<b>15,004</b>	<b>36,014</b>	<b>–</b>	<b>–</b>	<b>58,971</b>

### (l) Other financial assets and liabilities

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

#### Trade and Other Receivables

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
<b>Current</b>		
Trade receivables	4,262	1,787
Other receivables	2,425	4,389
<b>Total receivables</b>	<b>6,687</b>	<b>6,176</b>

#### Payables

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
Trade creditors	1,156	189
Related party payables	–	–
Accrued expenses	133	122
GST payable	266	86
Tax payable	–	–
<b>Total payables</b>	<b>1,555</b>	<b>397</b>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 28. Non-Parent Disclosure (continued)

#### (m) Cash flow information

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

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

	EIF Group 30 June 2017 \$'000	EIF Group 30 June 2016 \$'000
<b>Profit / (Loss) for the period</b>	<b>38,774</b>	<b>3,789</b>
Depreciation of non-current assets	–	–
Amortisation	333	158
Fair value adjustment on revaluation of investment property	(28,342)	2,054
Net unrealised revenue from Equity Investments	(2,595)	(611)
Net realised Gain on Sale of Investment	(141)	–
Other non cash items	579	153
Transaction and IPO costs through profit and loss	–	1,440
Straight line lease expense and lease incentive income	–	–
Employee costs funded directly through equity	–	(587)
<b>Net cash provided by operating activities before changes in assets and liabilities</b>	<b>8,608</b>	<b>6,396</b>
<b>Movement in working capital:</b>		
Decrease / (increase) in trade and other receivables	(2,475)	(1,034)
Decrease / (increase) in stock	–	–
Increase / (decrease) in other current assets	–	(69)
Decrease / (increase) in deferred tax	–	–
Increase / (decrease) in current tax liability	–	–
Increase / (decrease) in trade and other payables	845	(98)
Increase / (decrease) in other liabilities	–	–
Increase / (decrease) in other provision	–	(37)
<b>Net cash from operating activities</b>	<b>6,978</b>	<b>5,158</b>

# DIRECTORS' DECLARATION

to Stapled Security Holders

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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 34-96 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 2017 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  
18 August 2017

# INDEPENDENT AUDITOR'S REPORT

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Deloitte Touche Tohmatsu  
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## 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 accompanying financial report of:

- Elanor Investors Limited (the "Company") and its controlled entities ("Elanor Investors Group") which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration; and
- Elanor Investors Fund (the "Fund") and its controlled entities ("EIF Group") which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended and notes to the financial statements including a summary of significant accounting policies and the directors' declaration.

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

- giving a true and fair view of Elanor Investors Group and EIF Group's financial positions as at 30 June 2017 and of their financial performance for the year then ended; and
- 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 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 the Company and Elanor Funds Management Limited (the "Responsible Entity"), as responsible entity for 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.

# INDEPENDENT AUDITOR'S REPORT

continued

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. 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 valuation</b></p> <p>As at 30 June 2017, Elanor Investors Group recognised property plant and equipment valued at \$162.5m (2016: \$136.1m) as disclosed in Note 8.</p> <p>The fair value of property, plant and equipment is calculated in accordance with the valuation policy set out in Note 8 which outlines two valuation methodologies used by Elanor Investors Group.</p> <p>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>• forecast cash flows,</li> <li>• capitalisation rates, and</li> <li>• discount rates.</li> </ul> <p>In addition, 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 management who recommends each property's valuation to the Audit and Risk Committee and the Board in accordance with Elanor Investors Group's valuation protocol.</p>	<p>Our procedures included but, were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing management's process over property valuations and the oversight applied by the directors;</li> <li>• Assessing the competence and objectivity of the external valuers and the competence of 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 (and the external valuers as needed) to obtain an understanding of portfolio 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>○ 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>○ The forecasts used in the valuations with reference to current financial results such as revenues and expenses, capital expenditure requirements, occupancy rates and average room rates and visitor numbers; and</li> <li>○ The mathematical accuracy of the models.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the related disclosures included in Note 8 to the financial statements.</p>

# INDEPENDENT AUDITOR'S REPORT

continued

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Accounting treatment for 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. 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>As a result of the judgement required to determine the appropriate accounting treatment, this is a key audit matter.</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>• Examining 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 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 and assessing the expected economic return on the investment, through management fees, service fees, performance fees and the return from equity stakes.</li> </ul>

## Other Information

The directors of the Company and 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. The other information also includes the following documents which will be included in the Annual Report (but does not include the financial report and our auditor's report thereon): the Message from the Chairman, Message from the CEO and other documents 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 express any form of assurance conclusion thereon.

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

When we read the Message from the Chairman, Message from the CEO and other documents in the Annual Report, 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.

## Directors' Responsibilities 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 going concerns, disclosing, as applicable, matters related to going concern and

# INDEPENDENT AUDITOR'S REPORT

continued

using the going concern basis of accounting unless the directors either intend to liquidate Elanor Investors Group and/or EIF Group or to cease operations, or have no realistic alternative but to do so.

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

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

# INDEPENDENT AUDITOR'S REPORT

continued

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## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 22 to 31 of the Financial Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Elanor Investors Limited, for the year ended 30 June 2017, 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, 18 August 2017



## CORPORATE GOVERNANCE

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The Board of Directors of Elanor Investors Group (Group) have approved the Group's Corporate Governance Statement as at 30 June 2017. In accordance with ASX Listing Rule 4.10.3, the Group's Corporate Governance Statement can be found on its website at: [www.elanorinvestors.com](http://www.elanorinvestors.com)

The Board of Directors is responsible for the overall corporate governance of the Group, including establishing and monitoring key strategy and performance goals. The Board monitors the operational and financial position and performance of the Group, and oversees its business strategy, including approving the Group's strategic goals.

The Board seeks to ensure that the Group is properly managed to protect and enhance security holder interests, and that the Group, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing the Group, including Board and Committee Charters and various corporate governance policies designed to promote the responsible management and conduct of the Group.

# SECURITY HOLDER ANALYSIS

(as at 24 August 2017)

## STAPLED SECURITIES

The units of the Trust and the shares of the Company are combined and issued as stapled securities in the Group. The Group's securities are traded on the Australian Securities Exchange (ASX: ENN), having listed on 11 July 2014. The units of the Trust and shares of the Company cannot be traded separately and can only be traded as stapled securities. In accordance with the ASX's requirements for stapled securities, the ASX reserves the right (but without limiting its absolute discretion) to remove the Company or the Trust or both from the ASX Official List if any of the units and the shares cease to be stapled together or any equity securities issued by the Company or the Trust which are not stapled to equivalent securities in the other entity.

## TOP 20 SECURITY HOLDERS

Number	Security holder	No. of Securities	%
1	HSBC Custody Nominees (Australia) Limited	17,491,521	19.60
2	Citicorp Nominees Pty Limited	9,662,346	10.83
3	JP Morgan Nominees Australia Limited	5,830,178	6.53
4	RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	4,949,513	5.55
5	National Nominees Limited	4,645,429	5.21
6	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	3,548,355	3.98
7	Armada Investments Pty Ltd	3,295,605	3.69
8	BNP Paribas Noms Pty Ltd <Drp>	2,214,653	2.48
9	National Nominees Limited <Db A/C>	1,298,209	1.45
10	Aust Executor Trustees Ltd <Ds Capital Growth Fund>	1,025,046	1.15
11	CPU Share Plans Pty Ltd <Enn Dsi Control A/C>	718,283	0.81
12	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	589,358	0.66
13	Citano Pty Ltd <G N Willis Super Fund A/C>	533,839	0.60
14	Farallon Capital Pty Ltd <Nunn Investment A/C>	502,480	0.56
15	Moat Investments Pty Ltd <Moat Investment A/C>	477,006	0.53
16	Dr David John Ritchie + Dr Gillian Joan Ritchie <D J Ritchie Super Fund A/C>	434,371	0.49
17	BNP Paribas Nominees Pty Ltd <lb Au Noms Retailclient Drp>	416,400	0.47
18	Citylight Asset Pty Ltd <Graham Super Fund A/C>	411,378	0.46
19	Richjac Pty Ltd	400,000	0.45
20	Top 4 Pty Ltd <The Foundation Inv S/F A/C>	346,553	0.39
	<b>Total</b>	<b>58,790,523</b>	<b>65.89</b>
	<b>Balance of Register</b>	<b>30,433,819</b>	<b>34.11</b>
	<b>Grand Total</b>	<b>89,224,342</b>	<b>100.00</b>

# SECURITY HOLDER ANALYSIS

(as at 24 August 2017) continued

## RANGE REPORT

Range	No. of Securities	%	No. of Holders	%
100,001 and over	67,933,085	76.14	70	5.31
10,001 to 100,000	18,409,181	20.63	667	50.61
5,001 to 10,000	2,036,308	2.28	246	18.66
1,001 to 5,000	801,176	0.90	234	17.75
1 to 1,000	44,592	0.05	101	7.66
<b>Total</b>	<b>89,224,342</b>	<b>100.00</b>	<b>1,318</b>	<b>100.00</b>

The total number of security holders with an unmarketable parcel of securities was 30.

## SUBSTANTIAL SECURITY HOLDERS

Security Holder	No. of Securities	%
Perpetual Limited	12,675,000	13.78
Auscap Asset Management Limited (Citicorp Nominees)	8,675,000	9.90

## VOTING RIGHTS

On a poll, each security holder has, in relation to resolutions of the Trust, one vote for each dollar value of their total units held in the Trust and in relation to resolutions of the Company, one vote for each share held in the Company.

## ON-MARKET BUY-BACK

There is no current on-market buy-back program in place.

# CORPORATE DIRECTORY

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## **ELANOR INVESTORS GROUP (ASX CODE: ENN)**

Elanor Investors Limited (ACN 169 308 187) and Elanor Investment Fund (ARSN 169 450 926)  
(Elanor Funds Management Limited (ACN 125 903 031) is the Responsible Entity)

Level 38,  
259 George Street  
Sydney NSW 2000

T: +61 2 9239 8400

## **DIRECTORS OF THE RESPONSIBLE ENTITY AND ELANOR INVESTORS LIMITED**

Paul Bedbrook (Chair)  
Glenn Willis (Managing Director and CEO)  
Nigel Amphelaw  
William (Bill) Moss AO

## **COMPANY SECRETARY OF THE RESPONSIBLE ENTITY AND ELANOR INVESTORS LIMITED**

Symon Simmons

## **SECURITY REGISTRY**

### **Computershare Investor Services Pty Limited**

Level 4, 60 Carrington Street  
Sydney NSW 2000

## **AUDITORS**

### **Deloitte Touche Tohmatsu**

Grosvenor Place  
225 George Street  
Sydney NSW 2000

## **CUSTODIAN**

### **The Trust Company (Australia) Limited**

Level 18,  
123 Pitt Street  
Sydney NSW 2000

## **WEBSITE**

[www.elanorinvestors.com](http://www.elanorinvestors.com)





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