



Elanor 

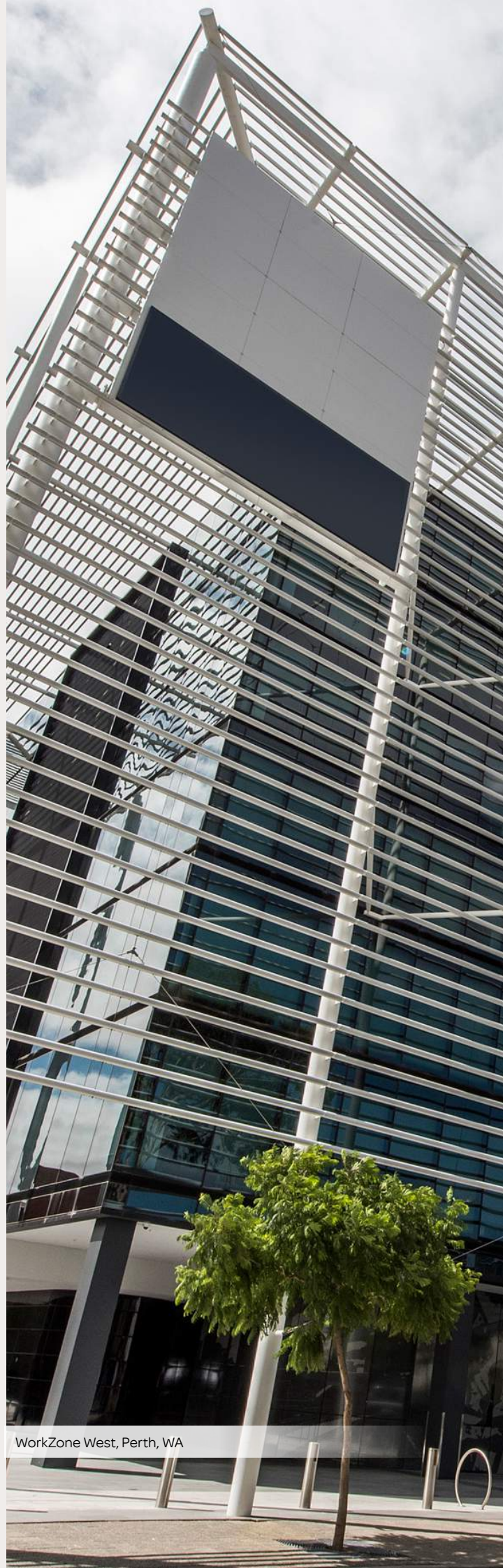
INVESTORS GROUP

ANNUAL REPORT 2018



ELANOR INVESTORS GROUP

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018



WorkZone West, Perth, WA



Contents

Highlights	4
Message from the Chairman	6
CEO's Message	7
Financial Report	10
Directors' Report	11
Auditor's Independence Declaration	37
Financial Statements	38
Notes to the Financial Statements	45
Directors' Declaration	109
Independent Auditor's Report	110
Corporate Governance	115
Security Holder Analysis	116
Corporate Directory	118

Financial Calendar

23 October 2018	Meeting of security holders
December 2018	Estimated interim distribution announcement and securities trade ex-distribution
February 2019	Interim results announcement
March 2019	Interim distribution payment
June 2019	Estimated final distribution announcement and securities trade ex-distribution
August 2019	Full-year results announcement
September 2019	Final distribution payment
September 2019	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 23 October 2018.

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 2018

\$16.27m 28.4% 


DISTRIBUTIONS

(per security)

15.77c 23.4% 

FUNDS UNDER MANAGEMENT

as at 30 June 2018

\$1,083m 58.8% 


SECURITIES ON ISSUE

as at 30 June 2018

93.0m 4.2% 


SECURITY PRICE

as at 30 June 2018

\$2.06 3.7% 


NET TANGIBLE ASSET VALUE

(per security)

\$1.63 1.8% 

GEARING

as at 30 June 2018

22.1% from 4.2% 





Elanor Investors Group's assets are located in urban and regional areas across Australia and New Zealand

Darwin

NORTHERN TERRITORY

QUEENSLAND

Gladstone

SOUTH AUSTRALIA

Brisbane

NEW SOUTH WALES

Taree

Auckland

Adelaide

Sydney

NZ

VICTORIA

Canberra

Wellington

Melbourne

TAS

Hobart



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 2018.

The year ended 30 June 2018 has been another successful year for the Group, both financially and strategically. The Group has achieved significant growth in Core Earnings, funds under management and security holder value. The Group achieved Core Earnings of \$16.3 million for the year. Elanor's investment portfolio and managed funds was in excess of \$1.2 billion as at 30 June 2018. From a strategic perspective, the Group is well positioned to grow in each of its core areas of focus being retail real estate, commercial real estate and hotels, tourism and leisure. New real estate sectors continue to be explored.

Our strong growth is 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 58.8% over the year.

Results

The results for the 2017/18 Financial Year reflect the continued growth of our funds management platform as an ASX listed public company. Our Core Earnings of \$16.3 million reflected a 28.4% increase on the prior year. Distributions per security were 15.77 cents per stapled security for the year, an increase of 23.4% on the prior year. Underpinning this result was the strong performance of the funds management business generating earnings for the year of \$10.6 million. Importantly recurring funds management fees increased by 28% over the year. Growing Elanor's recurring management fees is a major focus of the business.

Following a strategic review of the deteriorating trading and financial performance of the John Cootes Furniture business in June 2018, the Group determined to exit the business, either through a sale or an orderly closure. As such, and as previously announced, the Group has recognised a provision for the exit and closure of the business in the financial results for the 2018 financial year. This one-off provision has affected Elanor's statutory financial results but not the core earnings results.

Achievements

The primary achievement over the year has been the increase in funds under management to \$1.08 billion as at 30 June 2018. The growth in Elanor's funds under management over the year has been primarily achieved as a result of the establishment of four new managed funds: the Elanor Metro and Prime Regional Hotel Fund (a multi-asset accommodation fund); Bluewater Square Syndicate; Belconnen Markets Syndicate and the WorkZone West Syndicate. Additionally, the Group acquired the Campus DXC commercial asset for the Elanor Commercial Property Fund and the Gladstone Square and Moranbah Fair shopping centres for the Elanor Retail Property Fund (ASX: ERF).

During the year, the Group completed the sale of the Merrylands property for \$36 million, generating a net profit after tax of \$10.5 million. We also successfully divested the Bell City hotel and the 193 Clarence Street hotel on behalf of fund investors.

The Group continues to focus on maintaining a strong balance sheet to support its stated objective of growing

funds under management. During the year we strengthened our balance sheet with the issue of \$60 million of 5 year, unsecured 7.1% p.a. fixed rate notes, providing significant medium term, non-dilutive growth capital for the Group. In conjunction with the Group's secured debt facilities, the balance sheet remains conservatively geared at 22.1% at 30 June 2018.

Governance

The Board continues to strengthen the Group's corporate governance structure and processes consistent with the strategic intent and operating activities. This includes the further development of Workplace Health and Safety processes and procedures as well as the enhancement of the Risk Management Framework of the Group.

Acknowledgements

Thank you to fellow Board members, the executive management team led by the CEO and all the hard-working staff across the Group for their contribution during the year.

And most importantly, thank you to all Elanor security holders, as well as the investors and capital partners in our managed funds, for your continued support and confidence. I look forward to discussing the business further at our Annual General Meeting in Sydney on 23 October 2018.

Yours sincerely,

Paul Bedbrook
Chairman



CEO's Message

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

I am pleased to present Elanor Investors Group's Annual Report for the year ended 30 June 2018. We have continued to successfully grow our business during the year. The Group's Core Earnings of \$16.3 million reflected a 28.4% increase on the prior year. Pleasingly, recurring funds management revenue grew by 28% over the year as a result of a 58.8% increase in funds under management to \$1.08 billion as at 30 June 2018.

From a strategic perspective, much has been achieved over the year. We embark on the year ahead with funds under management of \$1.08 billion, a strengthened origination and asset management team, capital available to support significant growth in funds under management, a deeper investor base of offshore and domestic institutional capital partners and a strong pipeline. Furthermore, we see quality investment opportunities in each of our core areas of real estate expertise: retail real estate; commercial real estate and hotels, tourism and leisure. We anticipate that our funds management platform will continue to deliver strong performance for both Elanor security holders and Elanor's capital partners.

In addition to our core areas of real estate expertise, we continue to investigate other real estate sectors that provide quality investment opportunities. Furthermore, we continue to explore strategic opportunities to achieve our growth objectives.

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 real estate assets that provide strong, stable cash flows and significant capital growth potential. We evaluate acquisition opportunities through a value and risk management lens; our highly active approach to asset management is underpinned by an acute focus on delivering investment performance.

Furthermore, we seek to co-invest with our funds management capital partners for both strategic and alignment purposes. The Group also originates and holds investments on balance sheet to provide opportunities for future co-investment by Elanor's capital partners.

Key Results

- Core Earnings for the year were \$16.3 million, representing an increase of 28.4% on the prior year.
- Distributions for the year were \$14.6 million, or 15.77 cents per stapled security. This represents a 23.4% increase on the prior year.
- Net Tangible Assets (NTA) of \$1.63 per security, down slightly on the prior period of \$1.66 per security.

Funds Management

- Funds under management increased by \$401 million, or 58.8%, from \$681.6 million to \$1.08 billion.
- Recurring funds management revenue increased by 28% on the prior period.
- Four new managed funds were established during the period:
 - Elanor Metro and Prime Regional

Hotel Fund ("EMPR"), a multi-asset fund comprising 3 hotels in NSW and ACT, with a gross asset value of \$80.2 million as at 30 June 2018;

- Bluewater Square Syndicate ("Bluewater"), acquiring the Bluewater Square shopping centre in Redcliffe, QLD, with a gross asset value of \$53.7 million as at 30 June 2018;
- Belconnen Markets Syndicate ("Belconnen"), acquiring the Belconnen Markets site in the ACT, with a gross asset value of \$48.1 million as at 30 June 2018; and
- WorkZone West Syndicate ("WorkZone"), acquiring the WorkZone West commercial property in Perth, WA, with a gross asset value of \$130.3 million as at 30 June 2018.

- The acquisition of the Campus DXC commercial property in Felixstow, SA, for the Elanor Commercial Property Fund ("ECPF"), with a gross asset value of \$36 million as at 30 June 2018.
- The acquisition of the Gladstone Square and Moranbah Fair shopping centre assets for the Elanor Retail Property Fund (ASX: ERF), with a combined gross asset value of \$56.6 million as at 30 June 2018.
- Divestment on behalf of capital partners of the 193 Clarence Street hotel for \$30 million in May 2018 and the Bell City property for \$157 million (settlement occurred on 3 August 2018).
- During the year the Group also made co-investments of \$28 million in funds managed by Elanor.

The Group's strong track record and growing investor base continues to be evidenced by the increasing demand

CEO's Message

continued

from its capital partners for newly established funds. Furthermore, the Group has significantly increased its investment origination and capital raising capability during the year, with several key appointments to the funds management team. Elanor is strongly positioned to grow its funds management business.

Investment Portfolio

The value of the Group's investment portfolio totalled \$145.2 million as at 30 June 2018. 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 \$28 million were made in managed funds during the year, including in the Elanor Retail Property Fund, the Elanor Metro and Prime Regional Hotel Fund and in the Elanor Commercial Property Fund. Further to this, the Group also co-invested in new managed funds, including the Bluewater Square Syndicate and the Belconnen Markets Syndicate.

During the year, following a strategic review of the John Cootes Furniture business, we made the difficult decision to exit that business. The decision followed a period of deteriorating trading and financial performance of the business, notably over the last six months. Accordingly, the Group has recognised a provision for the closure of the business, reducing the Group's NTA to \$1.63 per stapled security as at 30 June 2018 (\$1.66 per stapled security as at 30 June 2017).

In June 2018, we sold the 26,135 square metres of development land located at Merrylands, NSW, which was acquired as part of the John Cootes Furniture acquisition. The \$36 million sale generated a net profit after tax of \$10.5 million. Core Earnings for the year ended 30 June 2018 included \$4.5 million in

respect of the after tax profit on the sale of the Merrylands property, with a further \$5.9 million expected to be included in future Core Earnings results.

Capital Management

In the first half of the financial year, the Group raised \$60 million of 5 year, unsecured, 7.1% p.a. fixed rate notes ("Corporate Notes") in two tranches. The Corporate Notes provide medium term, non-dilutive capital that will be used in conjunction with available bank facilities to fund the Group's medium term growth.

Over the year the Group maintained a conservative approach to gearing. As at 30 June 2018, following the issue of the Corporate Notes during the year, the Group's gearing was 22.1%.

In addition to the above, the Group holds significant growth capital. This capital, in conjunction with available bank facilities, will be used to fund the Group's short to medium term funds management growth objectives. Elanor estimates that its available growth capital will support the growth of the Group's funds under management to approximately \$2 billion.

Our intention remains for the Group's balance sheet to be conservatively geared, while maintaining capital capacity to take advantage of opportunities arising from asset valuation cycles.

Community Involvement

At Elanor, we are acutely aware of our responsibility to the communities in which 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 social 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 maintaining its significant social contribution into the future.

Outlook

The Group's core strategy will remain focused on growing funds management earnings and actively managing its investment portfolio. The Group has a number of funds management opportunities under consideration across all sectors of focus. The Group will continue to focus on increasing income from its managed funds, seeding new managed funds with Group owned investments, and co-investing with external capital partners.

Elanor is committed to growing its funds management business by acquiring high investment quality assets based on the Group's investment philosophy and criteria. The Group has a strong pipeline of potential funds management opportunities. Furthermore, the Group is actively pursuing opportunities in new real estate sectors and continuing to explore strategic opportunities to deliver its growth objectives.

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



Campus DXC, Felixstow, SA



Auburn Central, Sydney, NSW



ibis Styles, Port Macquarie, NSW

Financial Report

for the year ended 30 June 2018

Contents

Directors' Report	11
Auditor's Independence Declaration	37
Consolidated Statements of Profit or Loss	38
Consolidated Statements of Comprehensive Income	39
Consolidated Statements of Financial Position	40
Consolidated Statements of Changes in Equity	42
Consolidated Statements of Cash Flows	44
Notes to the Consolidated Financial Statements	45
Directors' Declaration	109
Independent Auditor's Report	110

Directors' Report

The Directors of Elanor Investors Limited (Company), and the Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Investment Fund present their report together with the consolidated financial report of Elanor Investors Group (Group, Consolidated Group or Elanor) and the consolidated financial report of the Elanor Investment Fund (EIF Group) for the full year ended 30 June 2018 (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 2018 comprise:

Distribution	Year Ended 30 June 2018
Interim Distribution	
Amount paid (cents per stapled security)	7.16
Payment Date	2 March 2018
Final Distribution	
Amount payable (cents per stapled security)	8.61
Payment Date	4 September 2018

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 2018 to 15.77 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 real estate 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 on acquiring and managing real estate investments with strong income generating fundamentals and significant value-add potential. ENN currently focuses on the retail, commercial and hotels, tourism and leisure real estate sectors. Elanor continues to investigate other real estate sectors that provide high investment value opportunities for its capital partners and security holders. Furthermore, Elanor continues to explore strategic opportunities to deliver on its growth objectives.

During the year Elanor's assets under management increased by 58.8% from \$681.6 million to \$1,082.6 million. Furthermore, co-investments of \$28 million were made in new managed funds over the year resulting in an investment portfolio of \$145.2 million as at 30 June 2018. Combined funds and investment portfolio totaled \$1.23 billion as at 30 June 2018.

During the year the Group issued \$60 million 7.1% unsecured 5 year fixed rate notes (Corporate Notes) in two tranches. The notes are due for repayment on 17 October 2022.

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

- The establishment of Elanor Metro and Prime Regional Hotel Fund (EMPR), a multi-asset hotel fund. EMPR acquired Ibis Styles Eaglehawk, Byron Bay Hotel and Apartments and Ibis Styles Canberra in November 2017. These acquisitions established the fund which had a gross asset value of \$80.2 million as at 30 June 2018.
- The acquisition of the Gladstone Square and Moranbah Fair shopping centre assets into the Elanor Retail Property Fund (ASX: ERF) with a combined gross asset value of \$56.5 million as at 30 June 2018.
- The Bluewater Square Syndicate was established in October 2017, acquiring the Bluewater Square Shopping Centre in Redcliffe QLD, with a gross asset value of \$53.7 million as at 30 June 2018.
- Campus DXC was acquired by the Elanor Commercial Property Fund in May 2018, with a gross asset value of \$36 million as at 30 June 2018.
- In June 2018, the Group completed the acquisition of the Belconnen Markets site in Belconnen, ACT into the Belconnen Markets Syndicate, with a gross asset value of \$48.1 million as at 30 June 2018.
- The WorkZone West Syndicate was established in June 2018, acquiring the WorkZone West Commercial property in Perth, WA, with a gross asset value of \$130.3 million as at 30 June 2018.

During the year, the Group completed two asset divestments on behalf of its capital partners with the sale of 193 Clarence Street hotel for \$30 million in May 2018, and the Bell City property for \$157 million. Settlement of the Bell City property was completed on 3 August 2018.

In addition to the above, on 6 June 2018, the Group sold the Merrylands property for \$36 million. Settlement was completed on 3 August 2018.

ENN's strong investment track record and growing investor base continues to be evidenced by the demand for ENN's newly established funds. Elanor has a scalable real estate funds management platform with significant capacity for growth. The Group continues to invest in senior, experienced asset and capital origination talent, and has strengthened its asset management capabilities during the period. This, coupled with the Group's available capital, positions the Group to strongly grow its funds management business.

The Group has a strong investment pipeline.

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

Funds	Location	Type	Gross Asset Value \$'m
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	24.7
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	159.5
Elanor Hospitality and Accommodation Fund	NSW, TAS and ACT	Six hotels across NSW (4), TAS (1) and ACT (1)	110.2
Limestone Street Centre Syndicate	Ipswich, QLD	Commercial office building	36.0
Elanor Retail Property Fund (ASX:ERF)	Auburn, Taree and Tweed Heads, NSW, Bundaberg, QLD, and Glenorchy, TAS	Sub-regional shopping centre	269.7
Elanor Commercial Property Fund	Cannon Hill and Mt Gravatt, QLD	Two commercial properties	54.7
Hunters Plaza Syndicate	Auckland, NZ	Sub-regional shopping centre	47.7
Additions since 30 June 2017			
Elanor Retail Property Fund (ASX:ERF)	Gladstone and Moranbah, QLD	Sub-regional shopping centre	56.5
Elanor Metro and Prime Regional Hotel Fund (Nov 2017)	Canberra and Narrabundah ACT and Byron Bay NSW	Three hotels across ACT (2) and NSW (1)	80.2
Bluewater Square Syndicate (Oct 2017)	Redcliffe, QLD	Shopping centre	53.7
Elanor Commercial Property Fund (May 2018)	OG Road, SA	Commercial property	36.0
Belconnen Market Syndicate (Jun 2018)	Canberra ACT	Shopping centre	48.1
WorkZone West Syndicate	Perth, WA	Commercial property	130.3
Disposals since 30 June 2017			
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	(24.7)
Total Managed Funds			1,082.6

Directors' Report

continued

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO (continued)

Investment Portfolio

Asset	Location	Type	Note	Carrying Value \$'m
Hotels Tourism and Leisure				
Featherdale Wildlife Park	Sydney, NSW	Wildlife Park	1	39.0
Hotel Ibis Styles Albany	Albany, WA	Hotel	1	5.3
				Cost \$'m
Special Situations Investments				
John Cootes Furniture	15 locations across NSW	Furniture retailer	2	16.1
Merrylands Property	Merrylands, NSW	Property associated with John Cootes Furniture	3	17.6
Disposals since 30 June 2017				
John Cootes Furniture	15 locations across NSW	Furniture retailer	2	(16.1)
Merrylands Property	Merrylands, NSW	Property associated with John Cootes Furniture	3	(17.6)
				Equity accounted value \$'m
Managed Fund Co-Investments				
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	4	11.7
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	4	1.1
Elanor Hospitality and Accommodation Fund	NSW, TAS and ACT	Six hotels across NSW (4), TAS (1) and ACT (1)	5	23.9
Limestone Street Centre Syndicate	Ipswich, QLD	Commercial office	4	1.4
Elanor Retail Property Fund (ASX: ERF)	Auburn, Taree and Tweed Heads, NSW, Bundaberg, Moranbah and Gladstone, QLD, and Glenorchy, TAS	Sub-regional shopping centres	4	34.2
Elanor Commercial Property Fund	Cannon Hill and Mt Gravatt, QLD and OG Road, SA	Three Commercial office properties	4	0.7
Hunters Plaza Syndicate	Auckland, NZ	Sub-regional shopping centre	4	1.2
Additions since 30 June 2017				
Elanor Metro and Prime Regional Hotel Fund	Canberra and Narrabundah ACT and Byron Bay NSW	Three hotels across ACT (2) and NSW (1)	5	18.3

Directors' Report

continued

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO (continued)

Bluewater Square Syndicate	Redcliffe, QLD	Shopping centre	5	9.3
Belconnen Markets Syndicate	Canberra ACT	Shopping centre	5	0.2
Disposals since 30 June 2017				
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	4	(1.1)
Total Investment Portfolio				145.2
Total Managed Funds and Investment Portfolio				1,227.8

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

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

Note 3: The Merrylands property is stated at cost.

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

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

REVIEW OF FINANCIAL RESULTS

The Group recorded a statutory profit after tax, prior to a provision for discontinued operations in relation to the John Cootes Furniture business, of \$8.4 million for the year ended 30 June 2018.

Elanor holds a 42.64% interest in the Elanor Hospitality and Accommodation Fund (EHAF), 44.04% interest in the Elanor Metro and Prime Regional Hotel Fund (EMPR) and 41.92% interest in the Bluewater Square Syndicate (Bluewater). For accounting purposes, Elanor is deemed to have a controlling interest in EHAF, EMPR and Bluewater given its level of ownership and role as manager of the Fund. This means that the financial results and financial position of the EHAF, EMPR and Bluewater are consolidated into the financial statements of the Group for the year ended 30 June 2018.

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

Presenting the summary consolidated financial results of the Group on the basis that EHAF, EMPR and Bluewater are accounted for using the equity method is important because Elanor considers that this gives the most appropriate presentation consistent with management and reporting of the Group and to provide a comparable basis to the presentation of the results for prior periods. On this basis Elanor's adjusted net profit after tax, prior to a provision for discontinued operations in relation to the John Cootes Furniture business, was \$14.4 million.

On 26 June 2018, following a strategic review of the deteriorating trading and financial performance of the John Cootes Furniture business, the Directors resolved to exit the business, either through a sale or a closure of the business. In accordance with accounting standards, the John Cootes Furniture business has been classified as a Discontinued Operation and a provision for discontinued operations of \$18.3 million has been raised within these financial statements.

Directors' Report

continued

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS (continued)

The provision for discontinued operations is comprised as follows:

	Provision (Post tax) \$'000	Impact on Core Earnings ¹ \$'000	Impact on NTA ² \$'000	Impact on Net Assets \$'000
After tax operating loss of John Cootes Furniture for the year ended 30 June 2018	2,238	(2,238)	(2,238)	(2,238)
Write-down of net assets and provision as at 30 June 2018	16,090	-	(9,620)	(16,090)
	18,328	(2,238)	(11,858)	(18,328)

Note 1: The after-tax operating loss of John Cootes Furniture for the year has been included in Core Earnings. If this amount had been excluded from Core Earnings, Core Earnings for the period would have been 14% higher.

Note 2: The impact of the provision for discontinued operations on net tangible assets has been to reduce net tangible assets as at 30 June 2018 by 7%

Core or Distributable earnings for the year were \$16.3 million or 17.5 cents per stapled security. A Final Distribution of 8.61 cents per stapled security has been declared for the six months ended 30 June 2018 (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:

Statutory financial results	Group 30 June 2018	Group 30 June 2017	EIF Group 30 June 2018	EIF Group 30 June 2017
Net profit after tax from continuing operations (\$'000)	8,417	11,626	1,962	38,774
Net profit after tax from continuing operations (\$'000) (EHAF, EMPR and Bluewater equity accounted)	14,397	11,400	4,281	33,590
Core Earnings (\$'000)	16,270	12,670	12,777	7,720
Distributions payable to security holders (\$'000)	14,642	11,403	11,415	6,948
Core Earnings per stapled security (cents)	17.49	14.20	13.77	8.65
Core Earnings per weighted average stapled security (cents)	17.84	14.49	14.01	8.83
Distributions (cents per stapled security / unit)	15.77	12.78	12.31	8.74
Net tangible assets (\$ per stapled security)	2.34	1.96	1.88	1.45
Net tangible assets (\$ per stapled security) (EHAF, EMPR and Bluewater equity accounted)	1.63	1.66	1.10	1.13
Gearing (net debt / total assets less cash) (%)	38.5	21.15	31.3	30.01
Gearing (net debt / total assets less cash) (%) (EHAF, EMPR and Bluewater equity accounted)	22.1	4.24	0.75	7.04

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 Earnings:

		Group 30 June 2018 \$'000	Group 30 June 2017 \$'000	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
Statutory Net profit / (loss) after tax		(9,911)	11,626	1,962	38,774
Adjustment to remove the impact of consolidation of EHAF, EMPR and Bluewater		9,870	(3,880)	5,277	(5,994)
Adjustment to include the impact of accounting for EHAF, EMPR and Bluewater using the equity method		(3,891)	3,654	(2,959)	810
Adjusted Net profit / (loss) after tax		(3,932)	11,400	4,280	33,590
Adjustment to exclude discontinued operations	5	18,328	-	-	-
Loss from John Cootes Furniture trading for the period after tax	5	(2,238)	-	-	-
Adjusted Group net profit after tax		12,158	11,400	4,280	33,590
<i>Adjustments for items included in statutory profit/(loss)</i>					
Increase in equity accounted investments to reflect distributions received / receivable	2	5,937	190	5,043	(696)
Adjustment on realisation of equity accounted investment		(77)	-	(77)	-
Building depreciation expense	3	134	324	-	-
Straight lining of rental expense		5	20	-	-
Gain on asset disposals	4	2,258	-	2,258	-
Holdback of Merrylands net profit after tax		(10,452)	-	-	-
Net cash received from Merrylands sale		4,547	-	-	-
Fair value adjustments on investment property		-	-	307	(25,567)
Amortisation amounts	6	1,941	826	966	393
Tax adjustments		(181)	(90)	-	-
Core Earnings	1	16,270	12,670	12,777	7,720

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 items, 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 period, the Group incurred total depreciation charges of \$1.355 million as per supplementary statements, however only the depreciation expense on buildings of \$0.134 million has been added back for the purposes of calculating Core Earnings.

Directors' Report

continued

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS (CONTINUED)

Note 4: In November 2017 the Group sold Ibis Styles Eaglehawk to Elanor Metro and Prime Regional Hotel Fund for \$20.0 million. This asset was accounted for by the Group on a fair value basis whereby revaluation increases arising from changes in the fair value of land and building are recognised in other comprehensive income and accumulated within equity as opposed to being reflected in the consolidated profit and loss of the Group.

Note 5: As a result of the Directors decision to exit the John Cootes Furniture business, and its subsequent recognition as a Discontinued Operation in the financial statements, certain adjustments including the impairment of goodwill and brands, have been recognised in net profit for the year to 30 June 2018. These adjustments have been added back, whilst the trading results for the period have been included for the purposes of calculating Core Earnings.

Note 6: During the period, the Group incurred non-cash profit and loss charges in respect of the amortisation of certain amounts including the equity component of the Group's Short Term Incentive (STI), Long Term Incentive (LTI) amounts, intangibles and borrowing costs. These amounts have been added back for the purposes of calculating Core Earnings.

REVIEW OF OPERATIONAL RESULTS

The Group is organised into four divisions by business type.

Funds Management manages third party owned investment funds and syndicates.

Hotels, Tourism and Leisure originates investment and funds management assets. The investment portfolio at balance date included Featherdale Wildlife Park and Ibis Styles Albany Hotel, along with co-investments in Elanor Hospitality and Accommodation Fund, Elanor Metro and Prime Regional Hotel Fund and Bell City Syndicates. Hotels, Tourism and Leisure also manages these syndicates.

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

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

Set out below is an adjusted presentation of the statutory financial results by segment, on the basis that the Group's interest in EHAF, EMPR and Bluewater are accounted for using the equity method rather than on a consolidated basis. Elanor considers that presenting the operating performance of the Group on this adjusted basis gives the most appropriate presentation of the Group consistent with management and reporting of the Group and to provide a comparable basis to the presentation of prior period results. The results provided on this basis are presented as the 'ENN Group'.

Directors' Report

continued

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

The performance of the ENN Group for the period ended 30 June 2018, 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
ENN Group Revenue and EBITDA (adjusted to reflect EHAF, EMPR and Bluewater accounted for using the equity method)	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Funds Management	13,708	14,176	10,634	11,338
Hotels, Tourism and Leisure	16,768	23,601	2,817	7,068
Real Estate	1,975	2,437	885	1,512
Special Situations Investments ¹	67,926	31,000	10,738	1,332
Total Segment Revenue and EBITDA	100,377	71,214	25,074	21,250
Unallocated corporate costs			(6,547)	(6,063)
Group EBITDA			18,527	15,187
Depreciation and amortisation			(1,723)	(1,865)
Group EBIT			16,804	13,322
Other Income			734	141
Interest income			1,163	270
Borrowing costs			(3,057)	(908)
Group net profit / (loss) before income tax			15,644	12,825
Income tax expense			(3,486)	(1,425)
Group net profit / (loss) after income tax¹			12,158	11,400

Note 1: The trading results for the John Cootes Furniture business are reflected in the segment results for the year to 30 June 2018.

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

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

Operating Performance for year ended 30 June 2018	ENN Group EBITDA	Remove Equity Accounted Result	Add Distributions received / receivable	EBITDA Contribution to Core Earnings
	\$'000	\$'000	\$'000	\$'000
Funds Management	10,634	-	-	10,634
Hotels, Tourism and Leisure	2,817	1,914	2,936	7,667
Real Estate	885	(1,975)	3,061	1,971
Special Situation Investments	10,738	-	-	10,738
Unallocated Corporate Costs	(6,547)	-	-	(6,547)
EBITDA	18,527	(61)	5,997	24,463

Directors' Report

continued

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Funds Management

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

Operating Performance	2018	2017
	\$'000	\$'000
Total Adjusted revenue	13,708	14,176
EBITDA Contribution to Core Earnings	10,634	11,338
Operating margin	77.6%	80.0%

Funds under Management	30 June	30 June
	2018	2017
	\$'m	\$'m
Opening funds under management	681.6	484.5
Increase in value of funds under management	20.9	24.7
Disposals / decrease in value of funds under management	(24.7)	(39.4)
New funds	404.8	211.8
Total	1,082.6	681.6

The Group has achieved significant growth in funds under management since July 2017, with the Group establishing four new funds being Elanor Metro and Prime Retail Hotel Fund (a multi-asset fund comprising 3 hotels), Bluewater Square Syndicate, Belconnen Markets Syndicate and the WorkZone West Syndicate. In addition, during the period, Elanor Commercial Property Fund acquired the Campus DXC property, and Elanor Retail Property Fund acquired the Gladstone Mall and Moranbah Fair shopping centre assets.

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

Hotels, Tourism and Leisure

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

Operating Performance	2018	2017
	\$'000	\$'000
Total Adjusted revenue	21,618	24,463
EBITDA Contribution to Core Earnings	7,667	7,930
Operating margin	35.5%	32.4%

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings, includes the results of Featherdale Wildlife Park and Ibis Styles Albany Hotel, and the results of Ibis Styles Eaglehawk Hotel, until 31 October 2017, when it was sold to EMPR.

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 \$2.9 million for the year ended 30 June 2018 (\$2.6 million for the comparative period).

Directors' Report

continued

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Hotels, Tourism and Leisure (continued)

The table below sets out the assessed value of each investment portfolio property at 30 June 2018.

Carrying Value of Properties	2018	2017
	\$'m	\$'m
Featherdale Wildlife Park	39.0	39.0
Ibis Styles Eaglehawk Hotel	-	20.0
Ibis Styles Albany Hotel	5.3	5.3
Total	44.3	64.3

The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 30 June 2018, using the equity method, is as follows:

Carrying Value of Co-Investments	2018	2017
	\$'m	\$'m
Elanor Hospitality and Accommodation Fund	23.9	19.4
Elanor Metro and Prime Regional Hotel Fund	18.3	-
Bell City Fund	11.7	11.8
193 Clarence Hotel Syndicate	-	1.1
Total	53.9	32.3

Real Estate

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

Operating Performance	2018	2017
	\$'000	\$'000
Total Adjusted revenue	3,061	1,765
EBITDA Contribution to Core Earnings	1,972	840
Operating margin	64.4%	47.6%

Real Estate EBITDA contribution to Core Earnings also includes distributions received / receivable from the Group's co-investment in funds managed by the Group of \$3.1 million for the year ended 30 June 2018 (\$1.8 million for the comparative period).

The carrying value of these investments as at 30 June 2018, using the equity method, is as follows:

Carrying Value of Co-Investments	2018	2017
	\$'m	\$'m
Elanor Retail Property Fund (ASX: ERF)	34.2	31.0
Bluewater Square Syndicate	9.3	-
Elanor Commercial Property Fund	0.7	0.5
Hunters Plaza Syndicate	1.2	-
Belconnen Markets Syndicate	0.2	-
Limestone Street Centre Syndicate	1.4	1.4
Total	47.0	32.9

Directors' Report

continued

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Special Situations Investments

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

On 6 June 2016, the Merrylands property was sold by the Group for \$36 million.

On 26 June 2018, following a strategic review of the deteriorating trading and financial performance of the John Cootes Furniture business, the Directors resolved to exit the business, either through a sale or a closure of the business. In accordance with accounting standards the John Cootes Furniture business has been classified as a Discontinued Operation and a provision for discontinued operations of \$18.3 million has been raised within these financial statements.

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

Operating Performance	2018 \$'000	2017 \$'000
Total Adjusted revenue	67,926	31,000
EBITDA Contribution to Core Earnings ¹	10,738	1,332
Operating margin	15.8%	4.3%

Note 1: These results include the before tax profit from the sale of the Merrylands property as well as the trading losses from the John Cootes Furniture business for the year to 30 June 2018.

Summary and Outlook

The Group's core strategy will remain focused on growing its funds management earnings and actively managing its investment portfolio. The Group has a number of funds management opportunities under consideration across all sectors of focus. The Group will continue to focus on increasing income from its managed funds, seeding new managed funds with Group owned investments, and co-investing 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, movements 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's capital structure.

Elanor is committed to growing its funds management business by acquiring quality assets based on the Group's investment philosophy and criteria. The Group has a strong pipeline of potential funds management opportunities. Furthermore, the Group is actively pursuing opportunities in new real estate sectors and continues to explore strategic opportunities to deliver its growth objectives.

5. Interests in the Group

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

	Consolidated Group 30 June 2018 '000	Consolidated Group 30 June 2017 '000
Stapled securities on issue at the beginning of the year	89,224	71,386
Stapled securities issued through Institutional Placement	-	16,216
Stapled securities issued for Security Purchase Plan	-	1,622
Stapled securities converted under long term incentive scheme	3,529	-
Stapled Securities issued under the short term incentive scheme	263	-
Stapled securities on issue at the end of the period	93,016	89,224

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 & 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 30 years' experience in the Australian and international investment 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 largest Australian owned 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: 8,806,226</p> <p>Qualifications: B.Bus (Econ & 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 Chairman of Credit Union Australia, and non-executive Director of the Australia Red Cross Blood Service, where he is a member of the Finance and Audit Committee and a member of the Risk Committee.</p> <p>Former listed directorships in the last three years:</p> <p>Quickstep Holdings Ltd</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, Boston Global Group, and Non-Executive Director of Northern Territory Infrastructure Development Fund. He is also 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: 2,378,159</p> <p>Qualifications: B.Ec</p>

Directors' Report

continued

7. Directors' relevant interests

	Stapled securities At 1 July 2017	Net Movement	Stapled securities at the date of this report
Paul Bedbrook	257,327	-	257,327
Glenn Willis ¹	1,452,050	304,176	1,756,226
Nigel Ampherlaw	164,654	-	164,654
William (Bill) Moss	4,678,159	(2,300,000)	2,378,159

Note 1: Glenn Willis has an entitlement to an additional 7,050,000 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	15	15	6	6	6	6
Glenn Willis	15	15	6	6	N/A	N/A
Nigel Ampherlaw	15	15	6	6	6	6
William (Bill) Moss	15	15	N/A	N/A	6	6

9. Remuneration Report (Audited)

The remuneration report for the year ended 30 June 2018 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. During the period Remuneration and Nomination Committee met 6 times.

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

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

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

Further information on the Remuneration and Nomination Committee's role and responsibilities can be viewed at www.elanorinvestors.com.

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 2018 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 Ampherlaw	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

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 13.96 million Securities were on issue at 30 June 2018.

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 of 2.0 million Securities.

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

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

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 2018:

	30 June 2018	30 June 2017	30 June 2016
Net profit before tax from continuing operations (\$'000)	12,661	12,394	5,070
Net profit before tax from continuing operations (\$'000) (EHAF, EMPR & Bluewater equity accounted)	14,397	12,825	7,422
Net profit after tax from continuing operations (\$'000)	8,417	11,626	4,143
Net profit / (loss) after tax (\$'000) from continuing operations (EHAF, EMPR & Bluewater equity accounted)	12,158	11,400	6,810
Core earnings (\$'000)	16,270	12,670	11,560
Security price at start of year	\$2.14	\$1.88	\$1.70
Security price at end of year	\$2.06	\$2.14	\$1.88
Interim distribution	7.16 cents	7.77 cents	7.31 cents
Final distribution	8.61 cents	5.01 cents	7.34 cents
Total distributions	15.77 cents	12.78 cents	14.65 cents
Basic earnings per security from continuing operations	9.04 cents	13.29 cents	5.86 cents
Basic earnings per security from continuing operations (EHAF, EMPR & Bluewater equity accounted)	13.33 cents	13.03 cents	9.64 cents

The financial performance measure driving STI payment outcomes is pre-tax return on equity (ROE). The required pre-tax return hurdle was not achieved for the financial year. Reported earnings before tax from continuing operations for the year were \$14.4 million or \$12.2 million after tax. This reflects a 13.33 cents basic earnings per security based on average equity employed for the period.

For the year ended 30 June 2018 the Group achieved Core Earnings of \$16.27 million, a 28.41% increase on the prior year. Total distributions per security in respect of the period were 15.77 cents.

The Group's closing trading price on 30 June 2018 was \$2.06 per security, a 3.7% decrease on the \$2.14 price at 1 July 2017.

In the context of the Group's strong growth in Core Earnings and distributions to security holders for the year ended 30 June 2018, the Board approved, on 26 June 2018, a discretionary bonus pool of \$1.4 million (incorporating cash and the value of deferred securities) to assist in the motivation and retention of key employees.

On 26 June 2018, the Board confirmed the vesting and removal of trading restrictions over the 2016 STI award securities, with effect on or about 20 August 2018.

On 11 July 2017, the end of the 2014 LTI vesting period, all vesting conditions were met and the Directors resolved to approve the vesting of the 2014 LTI awards on 18 August 2017.

The Remuneration and Nomination Committee retained a leading professional services firm to undertake a review of the proposed 2017 LTI Plan in June 2017 to consider the proposed design and quantum of the grant, with reference to market practice and Elanor's stated LTI Plan and business objectives. The Remuneration and Nomination Committee resolved to recommend the Board approve the Plan. No remuneration recommendations as defined under Division 1, Part 1.2.98(1) of the Corporations Act 2001, were made by the professional services firm.

On 28 August 2017, following vesting of the 2014 LTI Award securities, the Board approved the issue of 2017 LTI Awards, under similar terms and conditions to the 2014 LTI Awards, with the exception that the 2017 LTI Awards will vest in three equal annual tranches, commencing approximately two years after grant date. A total of 14 million 2017 LTI Awards were approved.

On 28 August 2017 the Board approved the issue of 2 million options under the Group's option plan to Glen Willis. These options have an exercise price of \$3.05, being a 43% premium to the issue price. The issue of options and 2017 LTI Awards to Glenn Willis was approved by security holders on 17 October 2017, at the Group's Annual General Meeting (AGM).

Directors' Report

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 ¹	Super	Long Service Leave		LTI Loan Security Payments ²	LTI Option Payments ²
	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Executive Officers											
G. Willis	2018	479,951	112,500	0	0	20,049	0	248,110	177,900	22,000	1,060,510
	2017	480,384	0	0	27,714	19,616	0	115,960	140,400	17,333	801,407
P. Siviour	2018	371,965	76,250	0	28,035	25,000	0	102,163	165,817	0	769,230
	2017	389,924	37,500	0	18,710	35,076	0	48,686	140,400	0	670,296
M. Ossovani ³	2018	404,951	0	0	0	20,049	0	0	140,400	0	565,400
	2017	405,385	0	0	161,777	19,616	0	45,556	140,400	0	772,734
S. Simmons	2018	379,752	76,250	0	20,248	25,000	0	72,973	165,817	0	740,040
	2017	394,924	37,500	0	37,420	30,076	0	11,596	140,400	0	651,916

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.

Note 3: Marianne Ossovani ceased to be a KMP of the Group on 30 June 2018

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 (%)
Executive Officers				
G. Willis	2018	47.15	52.85	100.00
	2017	64.63	35.37	100.00
P. Siviour	2018	55.25	44.75	100.00
	2017	65.23	34.77	100.00
M. Ossovani	2018	75.17	24.83	100.00
	2017	69.56	30.44	100.00
S. Simmons	2018	57.43	42.57	100.00
	2017	69.16	30.84	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 executive remuneration in June 2018, and resolved to increase the remuneration to the amounts shown in the tables below, with effect from 1 July 2018.

Table 3: Employment contracts of key management personnel

Executive	G. Willis	P. Siviour	S. Simmons
Position	Managing Director and Chief Executive Officer	Chief Operating Officer	Chief Financial Officer and Company Secretary
Term	No fixed term	No fixed term	No fixed term
Salary (including Superannuation)	\$600,000	\$512,500	\$500,000
Incentive remuneration	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
Benefits	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)

Termination	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.
Restraint	12 months from the time of Termination.	N/A	N/A

e) Non-Executive Director Remuneration Arrangements and Outcomes

The Elanor Board determines the remuneration structure for NED's based on recommendations from the Remuneration and Nomination Committee. The NED's individual fees are annually reviewed by the Remuneration and Nomination Committee taking into consideration the level of fees paid to NED's by companies of similar size and stature. The Remuneration and Nomination Committee undertook a review of the remuneration of NEDs in June 2018, and resolved to increase the amount of fees paid by approximately 14% in total, effective 1 July 2018. 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

		Salary (including Superannuation) \$	Committee Fees \$	Total (including Superannuation) \$
Non-Executive Directors				
P. Bedbrook	2018	150,000	10,000	160,000
	2017	150,000	10,000	160,000
N. Ampherlaw	2018	70,000	10,000	80,000
	2017	70,000	10,000	80,000
W. Moss	2018	70,000	10,000	80,000
	2017	70,000	10,000	80,000

During the year no options were issued to the NED's.

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	2018	0	0	0%	0	N/A	0%
	Options	2017	851,064	0	0%	0	N/A	25%
N. Ampherlaw	Options	2018	0	0	0%	0	N/A	0%
	Options	2017	1,063,830	0	0%	0	N/A	63%
W. Moss	Options	2018	0	0	0%	0	N/A	0%
	Options	2017	957,447	0	0%	0	N/A	56%

Directors' Report

continued

9. Remuneration Report (Audited) (continued)

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

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 items 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 Constitution of the Group, the Corporations Act, and the 3 year cycle of the rotation and election of Directors.

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

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

During the financial year								% of the actual compensation for the year consisting of awards
Name	Award Type	Year	Number Granted	Number Vested	% of Grant Vested	Number Forfeited	% of Grant Forfeited	
G. Willis	Loan	2018	4,250,000	0	0%	0	N/A	23%
	Securities	2017	0	0	0%	0	N/A	0%
		2016	0	0	0%	0	N/A	0%
		2015	2,800,000	2,800,000	100%	0	N/A	22%
P. Siviour	Loan	2018	1,750,000	0	0%	0	N/A	13%
	Securities	2017	0	0	0%	0	N/A	0%
		2016	0	0	0%	0	N/A	0%
		2015	1,100,000	1,100,000	100%	0	N/A	12%
M. Ossovani	Loan	2018	0	0	0%	0	N/A	0%
	Securities	2017	0	0	0%	0	N/A	0%
		2016	0	0	0%	0	N/A	0%
		2015	1,100,000	1,100,000	100%	0	N/A	12%
S. Simmons	Loan	2018	1,250,000	0	0%	0	N/A	10%
	Securities	2017	0	0	0%	0	N/A	0%
		2016	0	0	0%	0	N/A	0%
		2015	280,000	280,000	100%	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 or vested 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	2018	2,000,000	0	0%	0	N/A	2%
		2017	0	0	0%	0	N/A	0%
		2016	0	0	0%	0	N/A	0%
		2015	1,600,000	1,600,000	100%	0	N/A	3%

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

Directors' Report

continued

9. Remuneration Report (Audited) (continued)

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

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

Name	Year	Value of options granted at the grant date ¹	Value of options exercised at the exercise date ²
		\$	\$
G. Willis	2018	66,000	0
	2017	0	0
	2016	0	0
	2015	0	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 2018.

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 2017	Acquired ¹	Disposed	Closing Balance 30 June 2018
Non-Executive Directors				
P. Bedbrook	257,327	-	-	257,327
N. Ampherlaw	164,654	-	-	164,654
W. Moss AO	4,678,159	-	(2,300,000)	2,378,159
Executive Officers				
G. Willis	1,452,050	304,176	-	1,756,226
P. Siviour	584,214	1,138,151	(100,000)	1,622,365
M. Ossovani	150,608	1,100,000	(1,100,000)	150,608
S. Simmons	213,867	318,151	-	532,018

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

Options over Elanor Investors Group – Stapled Securities

Name	Opening Balance 1 July 2017	Acquired under the Group's incentive plans	Exercised or Disposed	Closing Balance 30 June 2018	Balance vested at Closing	Vested but not exercisable	Vested and exercisable	Options vested during the year
G. Willis	1,600,000	2,000,000	(1,600,000)	2,000,000	0	0	0	1,600,000

All options issued to Key Management Personnel were made in accordance with the provisions of the employee share option plan. During the financial year, 1.6 million options were net settled and disposed of by Key Management Personnel.

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 (continued)

Name	Opening Balance 1 July 2017	Issued under the Group's Salary sacrifice offer	Exercised or Disposed	Closing Balance 30 June 2018	Balance vested at Closing	Vested but not exercisable	Vested and exercisable	Options vested during the year
P. Bedbrook	851,064	0	0	851,064	0	0	0	0
N. Ampherlaw	1,063,830	0	0	1,063,83	0	0	0	0
W. Moss	957,447	0	0	957,447	0	0	0	0

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

g) Loans to Key Management Personnel

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

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

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

10. Company Secretary

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

11. Indemnification and insurance of officers and auditors

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

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

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

12. Environmental regulation

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

13. Significant changes in state of affairs

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

Directors' Report

continued

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 29 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 29 to the consolidated financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

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

16. Likely developments and expected results of operations

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

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

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

The interest in the Trust held by the Manager or its related entities as at 30 June 2018 and fees paid to and expenses reimbursed by its related entities during the financial year are disclosed in Note 25 to the consolidated financial statements.

18. Events occurring after reporting date

On 3 August 2018, the Responsible Entity completed the sale of the Bell City asset for \$157 million, and finalised settlement of the Business Interruption element of the insurance claim relating to the John Cootes Furniture warehouse fire in July 2015.

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

The Manager has engaged legal counsel and served a formal warranty claim notice on the vendor of the Bluewater Square shopping centre under the purchase agreement for that property. Preparations for the next step to pursue legal claims are well advanced, and are expected to be taken shortly.

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

Directors' Report

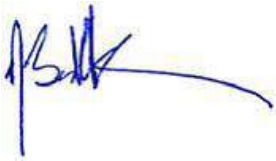
continued

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, 17 August 2018

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

17 August 2018

Dear Directors

Elanor Investors Limited and Elanor Investment Fund

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

As lead audit partner for the audit of the consolidated financial statements of Elanor Investors Limited and Elanor Investment Fund for the year ended 30 June 2018, 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

Consolidated Statements of Profit or Loss

for the year ended 30 June 2018

		Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
	Note				
Income					
Revenue from operating activities	2	65,846	62,968	–	–
Revenue from property inventory	12	36,000	–	–	–
Interest income		1,156	255	27	13
Rental income		4,623	103	17,128	12,270
Share of profit / (loss) from equity accounted investments		4,266	2,595	4,266	2,595
Realised gain on disposal of investment		531	141	531	141
Fair value gain on revaluation of assets / investment properties		–	1,255	–	28,342
Other income	3	252	307	109	–
Total income		112,674	67,624	22,061	43,361
Expenses					
Changes in inventories of finished goods		26,606	5,504	–	–
Salary and employee benefits		30,914	27,898	1,140	579
Property expenses		6,560	4,935	461	–
Operator management costs		3,344	2,285	2,013	–
Borrowing costs		6,733	2,423	4,493	2,311
Depreciation		7,568	6,077	–	–
Amortisation		640	571	201	333
Marketing and promotion		2,972	2,327	97	2
Repairs, maintenance and technology		1,484	1,039	126	–
Transaction, establishment costs and fair value decrement		9,311	–	11,271	–
Other expenses		3,881	3,512	295	1,362
Total expenses		100,013	56,571	20,099	4,587
Net (loss) / profit before income tax expense		12,661	11,053	1,962	38,774
Income tax (benefit) / expense	7	4,244	634	–	–
Net (loss) / profit for the period from continuing operations		8,417	10,419	1,962	38,774
Discontinued operations:					
Net (loss) / profit for the period from discontinued operations after tax	5	(18,328)	1,207	–	–
Net (loss) / profit for the period		(9,911)	11,626	1,962	38,774
Attributable to security holders of:					
- Parent Entity		(15,240)	2,424	5,020	35,286
- Non-controlling interest EIF		10,392	8,556	–	–
Net (loss) / profit attributable to ENN security holders		(4,848)	10,980	5,020	35,286
Attributable to security holders of:					
- External Non-controlling interest		(5,063)	646	(3,057)	3,488
Net (loss) / profit for the period		(9,911)	11,626	1,962	38,774
Net (loss) / profit attributable to equity holders of the parent entity relates to:					
Profit from continuing operations		3,088	1,217	5,020	35,286
(Loss) / Profit from discontinued operations		(18,328)	1,207	–	–
Net (loss) / profit for the period		(15,240)	2,424	5,020	35,286
Basic (loss) / earnings per stapled security from continuing operations (cents)	6	14.78	11.17		
Diluted (loss) / earnings per stapled security from continuing operations (cents)	6	14.60	10.83		
Basic earnings / (loss) of the parent entity from continuing operations (cents)	6	3.39	1.39		
Diluted earnings / (loss) of the parent entity from continuing operations (cents)	6	3.34	1.35		

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 2018

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
Net (loss) / profit for the period	(9,911)	11,626	1,962	38,774
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit and loss</i>				
(Loss) / gain on revaluation of cash flow hedge	(117)	535	(172)	410
<i>Items that may not be reclassified to profit and loss</i>				
Share of asset revaluation reserve from equity accounted investments	259	163	260	163
Gain on revaluation of property, plant and equipment	14,824	27,554	15,197	471
Income tax relating to these items	(13)	(51)	–	–
Other comprehensive income for the period, net of tax	14,953	28,201	15,285	1,044
Total comprehensive (loss) / income net of tax from continuing operations	23,370	38,620	17,247	39,818
Total comprehensive (loss) / income net of tax from discontinued operation:	(18,328)	1,207	–	–
Total comprehensive (loss) / income for the period, net of tax	5,042	39,827	17,247	39,818
Attributable to security holders of:				
- Parent entity	(15,156)	2,476	11,323	35,893
- Non-controlling interest - EIF	16,383	36,163	114	–
Total comprehensive (loss) / income for the period, net of tax, of ENN Security holders	1,227	38,639	11,437	35,893
Attributable to security holders of:				
- External Non-controlling interest	3,815	1,188	5,810	3,925
Total comprehensive (loss) / income for the period, net of tax	5,042	39,827	17,247	39,818

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 2018

		Consolidated Group	Consolidated Group	EIF Group	EIF Group
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Note	\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents		14,034	15,725	2,883	8,435
Receivables	20	51,346	8,218	6,849	6,687
Financial assets		15,707	–	–	–
Inventories	12	869	6,566	–	–
Other current assets		1,509	995	335	–
Current tax asset		2,763	772	–	–
Assets held for sale	5	12,722	–	–	–
Total current assets		98,950	32,276	10,066	15,122
Non-current assets					
Property, plant and equipment	9	222,877	162,549	–	–
Investment properties	10	52,202	–	248,291	135,144
Non-current inventories	12	–	15,137	–	–
Equity accounted investments	11	49,375	45,891	49,373	45,891
Goodwill and intangible assets	21	900	7,520	–	–
Deferred tax assets	7	4,265	965	–	–
Total non-current assets		329,619	232,062	297,664	181,035
Total assets		428,569	264,338	307,730	196,157
Current liabilities					
Payables	20	10,816	6,570	2,999	1,555
Derivative financial instruments	14	90	4	66	4
Interest bearing liabilities	13	46,691	550	34,630	–
Current provisions	20	1,952	1,505	–	–
Other current liabilities	20	749	1,619	170	9
Income tax payable		–	2,104	–	–
Liabilities directly associated with assets held for sale	5	20,728	–	–	–
Total current liabilities		81,026	12,352	37,865	1,568
Non-current liabilities					
Derivative financial instruments	14	354	329	354	244
Interest bearing liabilities	13,30	126,967	67,747	63,496	51,902
Non-current provisions	20	398	684	–	–
Other non-current liabilities	20	439	934	–	–
Deferred tax liabilities	7	421	–	–	–
Loan from the Company	30	–	–	30,891	12,868
Total non-current liabilities		128,579	69,694	94,741	65,014
Total liabilities		209,605	82,046	132,606	66,582
Net assets		218,964	182,292	175,124	129,575

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 2018

		Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
Equity					
<i>Equity Holders of Parent Entity</i>					
Contributed equity	15	57,994	55,768	67,338	64,503
Treasury shares	15	(179)	(691)	(347)	(749)
Reserves		13,648	13,849	8,354	2,274
Retained accumulated (losses) / profits		(23,277)	(7,228)	30,113	36,507
Parent entity interest		48,186	61,698	105,457	102,535
<i>Equity Holders of Non Controlling Interest</i>					
Contributed equity - Elanor Investment Fund	15	67,338	64,503	–	–
Treasury shares	15	(347)	(749)	–	–
Reserves		34,932	29,277	–	–
Retained accumulated (losses) / profits		(902)	234	–	–
Non-controlling interest		101,021	93,265	–	–
<i>Equity Holders of Non Controlling Interest - External</i>					
Contributed equity - External		70,749	30,329	67,023	28,398
Reserves		9,395	405	9,109	130
Retained accumulated (losses) / profits		(10,387)	(3,405)	(6,465)	(1,488)
External Non-controlling interest		69,757	27,329	69,667	27,040
Total equity attributable to stapled security					
- Parent Entity		48,186	61,698	105,457	102,535
- Non-controlling Interest - EIF		101,021	93,265	–	–
Total equity attributable to ENN security holders		149,207	154,963	105,457	102,535
Total equity attributable to stapled security holders:					
- Non-controlling interest - External		69,757	27,329	69,667	27,040
Total equity		218,964	182,292	175,124	129,575

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 2018

Note	Contributed equity	Treasury shares	Asset Revaluation Reserve	Cash flow Hedge Reserve	Security Based Payment Reserve (accumulated losses)	Retained profits/ losses	Parent Entity Total Equity	Non-controlling interest EIF	Total ENN Equity	External Non-controlling interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated Group											
Total equity at 1 July 2017	55,768	(691)	13,065	—	784	(7,228)	61,688	93,265	154,963	27,329	182,292
Profit / (loss) for the period	—	—	—	—	—	(15,240)	(15,240)	10,391	(4,849)	(5,063)	(9,911)
Other comprehensive income / (expense) for the period	—	—	65	18	—	113	196	5,879	6,075	8,878	14,953
Total comprehensive income / (expense) for the period	—	—	65	18	—	(15,127)	(15,044)	16,270	1,227	3,815	5,042
Transactions with owners in their capacity as owners:											
Contributions of equity, net of issue costs	2,226	512	—	—	—	—	2,738	3,236	5,974	40,420	46,395
Security-based payments	—	—	—	—	(284)	—	(284)	(224)	(508)	—	(508)
Distributions paid and payable	—	—	—	—	—	(923)	(923)	(11,527)	(12,450)	(1,807)	(14,257)
Total equity at 30 June 2018	57,994	(179)	13,130	18	500	(23,278)	48,185	101,021	149,206	69,757	218,964

Note	Contributed equity	Treasury shares	Asset Revaluation Reserve	Cash flow Hedge Reserve	Security Based Payment Reserve (accumulated losses)	Retained profits/ losses	Parent Entity Total Equity	Non-controlling interest EIF	Total ENN Equity	External Non-controlling interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated Group											
Total equity at 1 July 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
Total comprehensive income / (expense) for the period	—	—	—	53	—	2,423	2,476	36,163	38,639	1,188	39,827
Transactions with owners in their capacity as owners:											
Contributions of equity, net of issue costs	13,488	—	—	—	—	—	13,488	18,284	31,782	(211)	31,571
Security-based payments	—	—	—	—	385	—	385	582	967	—	967
Distributions paid and payable	—	—	—	—	—	(2,683)	(2,683)	(9,491)	(12,174)	(3,141)	(15,315)
Total equity at 30 June 2017	55,768	(691)	13,065	—	784	(7,228)	61,688	93,265	154,963	27,329	182,292

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

Consolidated Statements of Changes in Equity

for the year ended 30 June 2018

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
EIF Group										
Total equity at 1 July 2017	64,503	(749)	1,509	(104)	869	36,507	102,535	27,040	129,575	
Profit / (loss) for the period	-	-	-	-	-	5,020	5,020	(3,057)	1,962	
Other comprehensive income / (expense) for the period	-	-	-	-	-	-	-	(83)	(83)	
Share of reserves of Equity Accounted Investments	-	-	6,394	(90)	-	114	6,417	8,949	15,367	
Total comprehensive income / (expense) for the period	-	-	6,394	(90)	-	5,134	11,437	5,809	17,246	
Transactions with owners in their capacity as owners:										
Contributions of equity, net of issue costs	2,835	402	-	-	-	-	3,236	38,625	41,862	
Security-based payments	-	-	-	-	(225)	-	(225)	-	(225)	
Distributions paid and payable	-	-	-	-	-	(11,527)	(11,527)	(1,807)	(13,334)	
Total equity at 30 June 2018	67,338	(347)	7,903	(194)	644	30,114	105,457	69,667	175,124	

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
EIF Group										
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 Accounted Investments	-	-	163	-	-	-	163	-	163	
Total comprehensive income / (expense) for the period	-	-	361	246	-	35,286	35,893	3,925	39,818	
Transactions with owners in their capacity as owners:										
Contributions of equity, net of issues costs	18,294	-	-	-	-	-	18,294	(211)	18,083	
Security-based payments	-	-	-	-	579	-	579	-	579	
Distributions paid and payable	-	-	-	-	-	(9,491)	(9,491)	(3,141)	(12,632)	
Total equity at 30 June 2017	64,503	(749)	1,509	(104)	869	36,507	102,535	27,040	129,575	

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 2018

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
Cash flows from operating activities				
Receipts from customers	117,734	102,359	–	–
Payments to suppliers and employees	(105,661)	(88,180)	(3,565)	(1,770)
Interest received	879	276	27	13
Finance costs paid	(5,959)	(2,317)	(4,493)	(2,288)
Rent receipts from the Company	–	–	16,471	11,022
Receipts of funds for property costs from the Company	–	–	–	–
Income tax paid	(2,249)	631	–	–
Net cash flows from operating activities	4,744	12,769	8,440	6,977
Cash flows from investing activities				
Proceeds from the sale of assets held for sale				
Proceeds from the sale of subsidiaries and investment	1,591	–	1,591	–
Payments for asset acquisitions	(108,450)	–	(101,850)	–
Receipts for asset disposals	–	–	–	755
Financial assets acquired	(15,707)	–	–	–
Transaction costs for asset acquisitions	(7,619)	–	(7,619)	–
Payments for non-current inventory	–	(1,045)	–	–
Payments for property, plant and equipment	(4,730)	(3,976)	(826)	(715)
Loans to associates	(5,747)	(3,759)	2,144	(1,944)
Payments for equity accounted investments	(3,161)	(22,945)	(3,161)	(22,945)
Distributions received from equity accounted investments	3,144	1,923	3,144	1,923
Loans from Company	–	–	18,022	11,797
Net cash flows from investing activities	(140,679)	(29,802)	(88,555)	(11,129)
Cash flows from financing activities				
Net proceeds / (repayments) from borrowings	106,018	8,219	46,140	4,568
Proceeds from equity raisings	46,075	33,000	41,993	19,348
Costs associated with equity raisings	(271)	(1,338)	(236)	(781)
Distributions paid to security holders	(14,257)	(15,315)	(13,334)	(12,632)
Net cash flows from financing activities	137,565	24,566	74,563	10,503
Net increase / (decrease) in cash and cash equivalents	1,630	7,533	(5,552)	6,351
Cash and cash equivalents at the beginning of the period	15,725	8,192	8,435	2,084
Cash at the end of the period	17,355	15,725	2,883	8,432
Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position)	14,034	15,725	2,883	8,432
Cash and cash equivalents (included within assets held for sale)	3,321	–	–	–
	17,355	15,725	2,883	8,432

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

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 Elanor Investors Group's annual financial report has been presented 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 2018. 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 2018.

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

EHAF

EHAF comprises stapled securities in Elanor Hospitality and Accommodation Fund and EHAF Management Pty Limited. The Group holds 42.64% of the equity in EHAF. The Group's 42.64% ownership interest in EHAF gives the Group the same percentage of the voting rights in EHAF. EHAF is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

EMPR

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

Bluewater

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

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

RESULTS	
1. Segment information	48
2. Revenue from Operating Activities	50
3. Other Income and expenses	51
4. Distributions	51
5. Discontinued Operations	52
6. Earnings / (losses) per stapled security	54
7. Income tax	56
8. Cash flow information	59
OPERATING ASSETS	60
9. Property, plant and equipment	60
10. Investment Properties	65
11. Equity accounted investments	66
12. Inventories	70
FINANCE AND CAPITAL STRUCTURE	71
13. Interest bearing liabilities	71
14. Derivative financial instruments	73
15. Contributed equity	75
16. Reserves	76
17. Financial risk management	77
GROUP STRUCTURE	82
18. Parent entity	82
19. Subsidiaries and Controlled entities	83
OTHER ITEMS	85
20. Other financial assets and liabilities	85
21. Intangible assets	87
22. Net tangible assets	89
23. Commitments	89
24. Share-based payments	90
25. Related parties	92
26. Significant Events	93
27. Events occurring after reporting date	94
28. Summary of other significant accounting policies	94
29. Auditor's remuneration	96
30. Non-Parent Disclosure	97

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

Results

This section focuses on the operating results and financial performance of the Group. It includes disclosures of segment 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 2018, the Funds Management division has approximately \$1,082.6 million of investments under management, being the managed investments.

HOTELS, TOURISM AND LEISURE

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

REAL ESTATE

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

SPECIAL SITUATION INVESTMENTS

Special Situations Investments comprises the property associated with John Cootes Furniture business at Merrylands, NSW. The Merrylands property was sold on 6 June 2018 for \$36 million.

On 26 June 2018, following a strategic review of the deteriorating trading and financial performance of the John Cootes Furniture business, the Directors resolved to exit the business, either through a sale or a closure of the business. In accordance with Accounting Standards, the John Cootes Furniture business has been classified as a Discontinued Operation within these financial statements. Accordingly, the financial results of the special situations investments segment are presented for the year ending 30 June 2018 without the John Cootes Furniture business. For further information, refer to Note 5.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

1. Segment information (continued)

The table below shows segment results from continuing operations

Consolidated Group – 30 June 2018

	Funds Management	Hotels, Tourism & Leisure	Real Estate	Special Situations Investments	Unallocated Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from trading activities	9,719	41,591	4,525	98	–	55,933
Revenue from wildlife parks	–	14,536	–	–	–	14,536
Revenue from sale of property inventory	–	–	–	36,000	–	36,000
Share of profit of equity accounted investments	–	(110)	4,376	–	–	4,266
Operating expense	(2,572)	(40,660)	(3,430)	(22,083)	(6,765)	(75,510)
Divisional EBITDA	7,147	15,357	5,471	14,015	(6,765)	35,225
Depreciation and amortisation	(150)	(7,210)	–	(12)	(346)	(7,718)
Divisional EBIT from continuing operations	6,997	8,147	5,471	14,003	(7,111)	27,507
Fair value adjustment on revaluation of investment property	–	(3,398)	(5,912)	–	–	(9,310)
Realised gain on disposal of investment	–	531	–	–	–	531
Interest income	50	25	7	–	1,074	1,156
Amortisation of Borrowing costs	–	–	–	–	(490)	(490)
Borrowing costs	–	–	–	–	(6,733)	(6,733)
Net tax benefit / (expense)	–	–	–	–	(4,244)	(4,244)
Profit / (loss) for the year	7,047	5,305	(434)	14,003	(17,504)	8,417
Total assets	11,504	231,518	53,822	36,990	82,013	415,847
Total liabilities	207	91,204	32,026	2,419	63,021	188,877

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	–	105	–	49,389
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)	(332)	(6,672)	(47,142)
Divisional EBITDA	10,355	13,558	1,512	(228)	(6,672)	18,525
Depreciation and amortisation	(150)	(5,713)	–	(13)	(351)	(6,227)
Divisional EBIT from continuing operations	10,205	7,845	1,512	(240)	(7,023)	12,299
Fair value gain on revaluation of assets / investment properties	–	–	–	–	1,255	1,255
Other income	–	–	–	–	141	141
Interest income	102	9	–	–	144	255
Amortisation of borrowing costs	–	–	–	–	(421)	(421)
Borrowing costs	–	–	–	–	(2,475)	(2,475)
Net tax benefit / (expense)	–	–	–	–	(634)	(634)
Profit / (loss) for the year	10,307	7,854	1,512	(240)	(9,013)	10,419
Total assets	6,200	174,699	32,952	35,621	14,866	264,338
Total liabilities	–	51,530	–	5,574	24,942	82,046

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

2. Revenue from Operating Activities

OVERVIEW

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

Revenue from continuing operations:

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Revenue from Hotels	41,591	36,700
Revenue from Wildlife Park	14,536	13,684
Revenue from Funds Management	9,719	12,584
Total Revenue from Continuing operations	65,846	62,968

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.

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 Consolidated Financial Statements

for the year ended 30 June 2018

3. Other Income and Expenses

OVERVIEW

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

Other income

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Other Income - Insurance	252	307
Total Other Income	252	307

ACCOUNTING POLICY

Income and Expenses

Income and expenses are brought to account on an accruals 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 Investors Group aims to distribute 90% of Core Earnings, reflecting the Director's view of underlying earnings from ongoing operating activities for the period.

ENN Group

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

	Distribution cents per stapled security 30 June 2018	Distribution cents per stapled security 30 June 2017	Total Amount 30 June 2018 \$'000	Total Amount 30 June 2017 \$'000
Interim distribution ¹	7.16	7.77	6,637	6,933
Final distribution ²	8.61	5.01	8,005	4,470

1. The interim distribution of 7.16 cents per stapled security was declared on 21 February 2018 and paid on 2 March 2018.

2. The final distribution of 8.61 cents per stapled security was declared on 17 August 2018. Please refer to the Directors' Report for the calculation of Core Earnings and the Distribution.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

5. Discontinued Operations

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

a) Analysis of Profit or Loss for the year from Discontinued Operations

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

Profit or Loss for the year from Discontinued Operations

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
John Cootes Furniture Business		
Revenue from sale of goods	31,865	30,917
Expenses	(35,454)	(29,576)
Impairment and expenses relating to discontinuing the operations ¹	(22,985)	–
(Loss) / Profit before Income Tax	(26,574)	1,341
Net tax benefit / (expense)	8,246	(134)
Profit / (loss) for the year from discontinued operations	(18,328)	1,207

Note 1: Includes impairment of related intangibles, write off of plant and equipment, expected store lease termination costs and other expenses relating to discontinuing the operations of the business.

Cash flows from/(used in) discontinued operations

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
John Cootes Furniture Business		
Net cash outflow from operating activities	(4,174)	1,087
Net cash inflow / (outflow) from investing activities	(1,864)	(1,053)
Net cash outflow / (inflow) from financing activities	(550)	(36)
	(6,588)	(2)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

5. Discontinued Operations (continued)

b) Assets held for sale

Assets relating to the John Cootes Furniture business held for sale are included in the following table:

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
John Cootes Furniture Business		
Cash & cash equivalent	3,321	–
Property, plant and equipment	517	–
Inventory	8,176	–
Other assets	708	–
Total assets classified as held for sale	12,722	–

c) Total liabilities directly associated with assets held for sale

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
John Cootes Furniture Business		
Restructuring, onerous contracts, store exit costs & other	20,728	–
Other	–	–
Total liabilities directly associated with assets held	20,728	–

ACCOUNTING POLICY

Discontinued Operations

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

Critical Accounting Estimates

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

6. 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 2018	Consolidated Group 30 June 2017
Basic (cents)		
Continuing operations	14.78	11.17
Discontinued operations	(20.10)	1.38
Diluted (cents)		
Continuing operations	14.60	10.83
Discontinued operations	(20.10)	1.34
Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000)		
Continuing operations	13,480	9,773
Discontinued operations	(18,328)	1,207
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security		
Continuing operations	91,179	87,465
Discontinued operations	91,179	87,465
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security		
Continuing operations	92,351	90,273
Discontinued operations	92,351	90,273

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 Consolidated Financial Statements

for the year ended 30 June 2018

6. Earnings / (losses) per stapled security (continued)

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

	ENN Parent 30 June 2018	ENN Parent 30 June 2017
Basic (cents)		
Continuing operations	3.39	1.39
Discontinued operations	(20.10)	1.38
Diluted (cents)		
Continuing operations	3.34	1.35
Discontinued operations	(20.10)	1.34
Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000)		
Continuing operations	3,088	1,217
Discontinued operations	(18,328)	1,207
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security		
Continuing operations	91,179	87,465
Discontinued operations	91,179	87,465
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security		
Continuing operations	92,351	90,273
Discontinued operations	92,351	90,273

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.

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 Consolidated Financial Statements

for the year ended 30 June 2018

7. 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 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Current tax expense	(1,618)	1,232
Deferred tax expense	(2,384)	(464)
Income tax (benefit) / expense	(4,002)	768

Income tax expense is attributable to:

Profit from continuing operations (as reported in the Consolidated Statement of Profit or Loss)	4,244	634
Profit/(Loss) from discontinued operations (refer to Note 5)	(8,246)	134
Income tax (benefit) / expense	(4,002)	768

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

(Loss) / profit before income tax expense - continuing operations	12,661	11,053
Profit/(Loss) before income tax expense – discontinued operations (refer to Note 5)	(26,574)	1,341
Profit/(Loss) before income tax expense	(13,913)	12,394
Less: Profit from the Trust (which is not taxable)	(1,962)	(38,774)
Prima facie profit / (loss)	(15,875)	(26,380)
Tax at the Australian tax rate of 30%	(4,763)	(7,914)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Entertainment	22	18
Non-deductible depreciation and amortisation	845	–
Fair value adjustments to investment property in the Trust	(588)	8,777
Non-deductible expenses	69	48
Impact of consolidations	352	–
Insurance proceeds on plant and equipment	63	88
Reversal of tax provision ¹	–	(335)
Other	(2)	86
Income tax (benefit) / expense	(4,002)	768

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".

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

7. Income tax (continued)

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

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

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

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

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.

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

(c) Deferred taxes

OVERVIEW

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

7. Income tax (continued)

(c) Deferred taxes (continued)

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
(a) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee entitlements	447	530
Audit accrual	39	25
Asset acquisitions and blackhole expenses	1,346	541
Lease incentive	135	418
Writeoff of tangible and intangible assets	6,895	–
Other	514	1,086
Total Deferred tax assets	9,376	2,600
<i>Movements:</i>		
Opening balance at beginning of year	2,600	2,079
Tax group consolidation adjustments	536	269
Debited to the Consolidated Statements of Profit or Loss	(73)	233
Transfer DTA to assets held for sale	(488)	–
Impairment of tangible and intangible assets	6,895	–
Credited to Equity	(94)	19
Closing balance at the end of the year	9,376	2,600
Deferred tax expected to be recovered within 12 months	447	705
Deferred tax expected to be recovered after more than 12 months	8,929	1,895
(b) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Employee incentive plans	64	110
Business acquisitions	–	–
Other	5,470	1,525
Total Deferred tax liabilities	5,534	1,635
<i>Movements:</i>		
Opening balance at beginning of year	1,635	1,607
Other non profit or loss movement	98	29
Tax group consolidation adjustments	426	12
Transfer DTL to liabilities held for sale	(277)	–
Credited to the Consolidated Statements of Profit or Loss	3,653	(13)
Closing balance at the end of the year	5,535	1,635
Deferred tax expected to be settled within 12 months	64	165
Deferred tax expected to be settled after more than 12 months	5,470	1,470
Net Deferred tax position	3,841	965
(c) Deferred tax asset / liability per tax group		
Deferred tax asset / (liability) of the ENN tax group	3,727	857
Deferred tax asset / (liability) of the EHAF tax group	539	108
Deferred tax asset / (liability) of the EMPR tax group	(424)	–
Net Deferred tax position	3,842	965

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

8. Cash flow information

OVERVIEW

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

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

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Profit / (Loss) for the period	(9,911)	11,626
Depreciation of non-current assets	7,936	6,317
Amortisation	640	571
Fair value adjustment on revaluation of investment property	–	(1,255)
Net unrealised revenue from Equity Investments	(4,266)	(2,595)
Net realised Gain on Sale of Investment	(531)	(141)
Other non cash items	(99)	1,020
Transaction and fair value decrement	9,311	–
Impairment and expenses relating to discontinuing operations	22,984	–
Straight line lease expense and lease incentive income	533	480
Employee costs funded directly through equity	1,537	–
Net cash provided by operating activities before changes in assets and liabilities	28,134	16,023
Movement in working capital:		
Decrease / (increase) in trade and other receivables	(34,864)	(2,592)
Decrease / (increase) in stock	(2,480)	(1,198)
Increase / (decrease) in other current assets	(695)	29
Decrease / (increase) in deferred tax	(2,154)	(464)
Increase / (decrease) in current tax liability	(4,096)	1,232
Increase / (decrease) in trade and other payables	5,195	499
Increase / (decrease) in other liabilities	14,833	330
Increase / (decrease) in other provision	871	(1,090)
Net cash from operating activities	4,744	12,769

(b) Reconciliation of liabilities arising from financial activities

	30 June 2017 \$'000	Cash flows \$'000	Acquisitions \$'000	Amortisation of borrowing costs \$'000	30 June 2018 \$'000
Bank loan - term debt	68,297	(20,459)	67,900	(605)	115,133
Unsecured Notes	–	58,577	–	(52)	58,525
Total liabilities from financing activities	68,297	38,118	67,900	(657)	173,658

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

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.

9. 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 2018 \$'000
Carrying amount at the beginning of the period for continuing operations	69,501	74,052	30,554	728	174,835
Transferred to assets held for sale	–	–	(2,115)	–	(2,115)
Acquisitions	4,244	45,244	6,504	–	55,992
Additions	–	–	4,730	–	4,730
Revaluation (decrements) / increments	–	10,692	22	–	10,714
Disposals	(1,888)	(49)	–	–	(1,937)
Carrying amount at the end of the period	71,857	129,939	39,695	728	242,219
Accumulated depreciation at the beginning of the period for continuing operations	–	(4,638)	(7,482)	(166)	(12,286)
Transferred to assets held for sale	–	–	676	–	676
Depreciation	–	(2,673)	(5,003)	(56)	(7,732)
Accumulated depreciation at the end of the period	–	(7,311)	(11,809)	(222)	(19,342)
Total carrying value at the end of the period	71,857	122,628	27,886	506	222,877

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of 30 June 2017 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
Revaluation (decrements) / increments	24,609	4,434	(285)	–	28,758
Disposals	–	–	(16)	–	(16)
Carrying amount at the end of the period	69,501	74,052	30,554	728	174,835
Accumulated depreciation at the beginning of the period	–	(2,398)	(3,461)	(110)	(5,969)
Depreciation	–	(2,240)	(4,021)	(56)	(6,317)
Accumulated depreciation at the end of the period	–	(4,638)	(7,482)	(166)	(12,286)
Total carrying value at the end of the period	69,501	69,414	23,072	562	162,549

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

9. 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 2018	30 June 2017
			\$'000	\$'000
Cradle Mountain Lodge	Independent	June 2018	45,200	38,015
Eaglehawk Hotel	Internal	June 2018	20,000	20,000
Wollongong Hotel	Independent	June 2018	13,800	9,000
Albany Hotel	Internal	June 2018	5,226	5,254
Featherdale Wildlife Park	Internal	June 2018	39,000	39,000
Port Macquarie Hotel	Independent	June 2018	12,000	9,350
Tall Trees Hotel	Independent	June 2018	14,250	14,200
Pavillion Wagga Wagga Hotel	Independent	June 2018	7,250	11,500
Parklands Resort Mudgee	Independent	June 2018	11,400	11,400
Narrabundah Hotel	Internal	June 2018	27,500	–
Byron Bay Hotel	Internal	June 2018	25,680	–
Other			1,571	4,830
Total			222,877	162,549

As at 30 June 2018, 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 2018	30 June 2017
	\$'000	\$'000
Freehold land	33,591	31,235
Buildings	108,941	66,419
Plant and equipment	30,207	23,976
Livestock	506	562
Total	173,245	122,192

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

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

Land and Buildings

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

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

Furniture, fittings and equipment

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

Livestock

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

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 Consolidated Financial Statements

for the year ended 30 June 2018

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

Property Assets

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

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

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

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

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

Capitalisation method

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

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 Consolidated Financial Statements

for the year ended 30 June 2018

9. 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 June 2018	Book Value	Capitalisation	Discount
	30 June 2018 \$'000	Rate %	Rate %
Assets measured at fair value			
Property, plant and equipment	222,877	7.80-13.50	9.00-16.00
Total assets	222,877		

Consolidated Group June 2017	Book Value	Capitalisation	Discount
	30 June 2017 \$'000	Rate %	Rate %
Assets measured at fair value			
Property, plant and equipment	162,549	9.00-23.00	9.00-13.00
Total assets	162,549		

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 Consolidated Financial Statements

for the year ended 30 June 2018

10. Investment Properties

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

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Carrying amount at the beginning of the period	–	–
Total costs on acquisition	59,364	–
Additions	184	–
Revaluation (decrements) / increments	(7,346)	–
Carrying amount at the end of the period	52,202	–

The following table represents the total fair value of investment properties at 30 June 2018:

Property	Valuation	Date	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Bluewater Square	Internal	June 2018	52,202	–
Total			52,202	–

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

10. Investment Properties (continued)

Valuation, technique and inputs

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

Fair value measurement

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

	Book Value		Discount Rate
	30 June 2018	Capitalisation Rate	
Consolidated Group	\$'000	%	%
Assets measured at fair value			
Investment properties	52,202	6.3-6.8	7.0-7.5
Total assets	52,202		

11. Equity accounted investments

OVERVIEW

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

The Group's equity accounted investments are as follows:

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

11. 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.

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 17.89% 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 Elanor Retail Property Fund and Bell City. 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.

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

11. Equity accounted investments (continued)

Details of Material Associates (continued)

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

	ERF Period ended 30 June 2018 \$'000	Bell City Period ended 30 June 2018 \$'000
Net assets of the associate	193,155	68,526
Proportion of the Group's ownership interest	17.89%	17.64%
Carrying amount of the Group's interest	34,177	11,668

30 June 2017

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.

	ERF 30 June 2017 \$'000	Bell City 30 June 2017 \$'000
Financial Position		
Current assets	7,155	2,790
Non - current assets	260,750	151,673
Total Assets	267,905	154,463
Current liabilities	3,075	2,783
Non - current liabilities	81,975	86,201
Total Liabilities	85,050	88,984
Contributed Equity	156,537	68,700
Reserves	(1,234)	8,400
Retained profits / (accumulated losses)	27,552	(11,621)
Total Equity	182,855	65,479

	ERF Period ended 30 June 2017 \$'000	Bell City Period ended 30 June 2017 \$'000
Financial performance		
Profit / (loss) for the period	11,732	1,060
Other comprehensive income for the period	368	923
Total comprehensive income for the period	12,100	1,983
Distributions received from the associate during the period	1,579	854

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

11. 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 30 June 2017 \$'000	Bell City 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

Aggregate information of associates that are not individually material

	Period ended 30 June 2018 \$'000	Period ended 30 June 2017 \$'000
Profit / (loss) for the period	8,049	(642)
Other comprehensive income for the period	(1,253)	1,675
Total comprehensive income for the period	6,796	1,033
Aggregate carrying amount of the Group's interests in these associates	3,529	3,083

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 17.89% 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 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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

11. Equity accounted investments (continued)

Investment in associates and joint ventures (continued)

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

12. Inventories

OVERVIEW

Inventories are assets held for sale or consumables held in the ordinary course of operations.

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Current		
Goods held for resale ²	869	6,566
Total current	869	6,566
Non-current		
Property Inventory ¹	–	15,137
Total Non-current	–	15,137

Note 1: The Merrylands property was sold by the Group on 6 June 2018 for \$36 million.

Note 2: At 30 June 2018, \$8.2 million of inventory from the John Cootes Furniture business was transferred to Assets held for sale in the Consolidated Statements of Financial Position. See Note 5.

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 Consolidated Financial Statements

for the year ended 30 June 2018

Finance and Capital Structure

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

13. Interest bearing liabilities

OVERVIEW

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

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Current		
Bank loan - term debt	46,801	550
Bank loan - Borrowing Costs less amortisation	(110)	–
Total current	46,691	550
Non-current		
Unsecured Notes	60,000	–
Unsecured Notes - Borrowing Costs less amortisation	(1,476)	–
Bank loan - term debt	68,939	67,945
Bank loan - Borrowing Costs less amortisation	(496)	(198)
Total non-current	126,967	67,747
Total interest bearing liabilities	173,658	68,297

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.

Unsecured Fixed Rate Notes

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

13. Interest bearing liabilities (continued)

CREDIT FACILITIES

As at 30 June 2018, the Group had unrestricted access to the following credit facilities:

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
ENN Group		
Facility - ENN	18,538	27,500
Total amount used	(1,038)	(21,770)
Total amount unused - ENN	17,500	5,730
EHAF Group		
Facility - EHAF	46,725	46,725
Total amount used	(46,725)	(46,725)
Total amount unused - EHAF	-	-
EMPR Group		
Facility - EMPR	36,600	-
Total amount used	(36,600)	-
Total amount unused - EMPR	-	-
Bluewater		
Facility - Bluewater	31,750	-
Total amount used	(31,300)	-
Total amount unused - Bluewater	450	-
Total amount unused - Consolidated Group	17,950	5,730

CONSOLIDATED GROUP

Included in the above numbers, the ENN Group has access to a \$18.5 million facility, upon which both the Company and the Trust can draw. The drawn amount at 30 June 2018 is \$1.0 million. The facility will mature on 11 July 2020. At 30 June 2018 the amount of drawn facilities is hedged to 0%. As a result of the sale of the Merrylands property on 3 August 2018, the facility available to the ENN Group has been reduced to \$9.7 million.

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 2018 is \$46.7 million which will mature on 21 March 2019. At 30 June 2018, the amount of drawn facilities is hedged to 100%.

Included in the above numbers, the EMPR Group has access to a \$36.6 million facility, upon which both the company and trust can draw. The drawn amount at 30 June 2018 is \$36.6 million which will mature on 5 November 2021. At 30 June 2018, the amount of drawn facilities is hedged to 100%.

Included in the above numbers, Bluewater has access to a \$31.8 million facility. The drawn amount at 30 June 2018 is \$31.3 million which will mature on 30 October 2021. At 30 June 2018, the amount of drawn facilities is hedged to 100%.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

13. Interest bearing liabilities (continued)

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 2018, including the impact of the interest rate swaps, is 4.63% 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.

14. 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 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Current liabilities		
Interest rate swaps	90	4
	90	4
Non-current liabilities		
Interest rate swaps	354	329
	354	329
Total Derivative financial instruments	444	333

ACCOUNTING POLICY

Interest rate swaps

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

The interest rate swap agreements allow the Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

15. Contributed equity

OVERVIEW

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

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

Contributed equity for the period ended 30 June 2018

No. of securities/shares	Details	Date of income entitlement	Total Equity 30 June 2018 \$'000	Parent Entity 30 June 2018 \$'000	EIF 30 June 2018 \$'000
89,224,342	Opening balance	1 Jul 2017	120,271	55,768	64,503
247,887	Securities issued	1 Sep 2017	538	190	348
80,000	2014 LTI Securities converted	24 Nov 2017	100	48	52
3,120,000	2014 LTI Securities converted	14 Dec 2017	3,797	1,761	2,036
80,000	2014 LTI Securities converted	29 May 2018	100	48	52
263,274	2018 STI Securities granted	27 Jun 2018	526	179	347
93,015,503	Securities on issue	30 Jun 2018	125,332	57,994	67,338

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

No. of securities/shares	Details	Date of income entitlement	Total Equity 30 June 2018 \$'000	Parent Entity 30 June 2018 \$'000	EIF 30 June 2018 \$'000
741,453	Opening balance	1 Jul 2017	1,440	691	749
(741,453)	2016 STI Securities vested	26 Jun 2018	(1,440)	(691)	(749)
263,274	2018 STI Securities issued	27 Jun 2018	526	179	347
263,274	Treasury securities on issue	30 Jun 2018	526	179	347

Contributed equity for the period ended 30 June 2017

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

15. 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.

16. 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 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Asset revaluation reserve		
Opening balance	42,125	14,460
Revaluation	14,822	27,502
Transfer to retained profits - realised items	-	-
Equity Accounted Investment Revaluation Reserve	260	163
Closing balance	57,207	42,125
Cash flow hedge reserve		
Opening balance	(250)	(785)
Revaluation	(129)	535
Transfer to retained profits - realised items	-	-
Closing balance	(379)	(250)
Stapled security-based payment reserve		
Opening balance	1,656	689
Loan Securities and Option expense	67	347
Short term incentive scheme expense	(575)	620
Closing balance	1,148	1,656
Total reserves	57,975	43,531

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 Consolidated Financial Statements

for the year ended 30 June 2018

17. 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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

17. Financial risk management (continued)

a) Market risk (continued)

(i) Interest rate risk (continued)

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

Consolidated Group 30 June 2018	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	
Assets					
Cash and cash equivalents	14,034	–	–	–	14,034
Financial Assets	–	–	15,707	–	15,707
Total Assets	14,034	–	15,707	–	29,741
Weighted average interest rate					3.00%
Liabilities					
Interest bearing loans	1,303	46,802	127,900	–	176,005
Derivative financial instruments	–	90	354	–	444
Total Liabilities	1,303	46,892	128,254	–	176,449
Weighted average interest rate					4.63%

Consolidated Group 30 June 2017	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	
Assets					
Cash and cash equivalents	15,725	–	–	–	15,725
Total Assets	15,725	–	–	–	15,725
Weighted average interest rate					4.39%
Liabilities					
Interest bearing loans	11,447	–	57,048	–	68,495
Derivative financial instruments	333	–	–	–	333
Total Liabilities	11,780	–	57,048	–	68,828
Weighted average interest rate					4.39%

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

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	–
Total increase / (decrease)	84,553	43	(3)	(43)	3

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

17. 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 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Cash and cash equivalents	14,034	15,725
Financial assets	15,707	–
Trade and other receivables	51,346	8,218
Total	81,086	23,943

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

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

Impairment losses

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

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Current	46,170	2,061
Past due 31-61 days	993	4,753
Past due 61+ days	4,183	1,404
Total	51,346	8,218

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

17. 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 2018

	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
Derivative financial liabilities						
Derivatives	90	354	–	–	–	444
Non derivative financial liabilities						
Payables	33,390	1,192	–	–	–	34,582
Interest bearing loans	48,776	–	154,468	–	–	203,244
Current tax liabilities	1,373	5,773	–	–	–	7,146
Total	83,539	6,965	154,468	–	–	244,972

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
Derivative financial liabilities						
Derivatives	4	329	–	–	–	333
Non derivative financial liabilities						
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
Total	12,352	52,434	23,918	–	–	88,704

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

17. 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 15.

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 Consolidated Financial Statements

for the year ended 30 June 2018

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.

18. 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 ¹ 30 June 2018 \$'000	Elanor Investors Limited ¹ 30 June 2017 \$'000	Elanor Investment Fund ² 30 June 2018 \$'000	Elanor Investment Fund ² 30 June 2017 \$'000
Financial Position				
Current assets	42,735	16,199	18,197	13,649
Non - current assets	75,022	56,251	101,754	96,287
Total Assets	117,757	72,450	119,951	109,936
Current liabilities	9,671	16,113	10,472	8,399
Non - current liabilities	58,594	3,795	33,201	32,868
Total Liabilities	68,265	19,908	43,673	41,267
Contributed equity	57,797	55,061	67,006	63,770
Reserves	152	437	7,455	656
Retained profits / (accumulated losses)	(8,457)	(2,956)	1,817	4,243
Total Equity	49,492	52,542	76,278	68,669
Financial performance				
Profit / (loss) for the period	(4,578)	1,880	5,982	8,310
Other comprehensive income for the period	(347)	(347)	6,810	(212)
Total comprehensive income for the period	(4,925)	1,533	12,792	8,098

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 (2017: 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 (2017: none).

(d) Contingent liabilities

At balance date Elanor Investors Limited and Elanor Investment Fund had no contingent liabilities (2017: none).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

18. 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.

19. 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
			2018	2017
Elanor Asset Services Pty Limited ¹	Asset services	Australia	100%	100%
Elanor Funds Management Limited ¹	Responsible entity	Australia	100%	100%
Elanor Operations Pty Limited ¹	Operational services	Australia	100%	100%
Elanor Investment Nominees Pty Limited ¹	Trustee services	Australia	100%	100%
Elanor Waverly Property Nominees Pty Limited ¹	Trustee services	Australia	100%	0%
Elanor Investment Holdings Pty Limited ¹	Holding company	Australia	100%	100%
Elanor Management Pty Limited ¹	Holding company	Australia	100%	100%
Featherdale Management Pty Limited ¹	Wildlife park operator	Australia	100%	100%
JCF Management Pty Limited ¹	Furniture retailer	Australia	100%	100%
Wiltex Wholesale Pty Limited ¹	Landholder	Australia	100%	100%
Albany Hotel Management Pty Limited ¹	Hotel operator	Australia	100%	100%
Cradle Mountain Lodge Pty Limited ²	Hotel operator	Australia	42%	42%
Wollongong Hotel Management Pty Limited ²	Hotel operator	Australia	42%	42%
Port Macquarie Hotel Management Pty Limited ²	Hotel operator	Australia	42%	42%
Tall Trees Hotel Management Pty Limited ²	Hotel operator	Australia	42%	42%
Pavilion Wagga Wagga Hotel Management Pty Limited ²	Hotel operator	Australia	42%	42%
Parklands Resort Hotel Management Pty Limited ²	Hotel operator	Australia	42%	42%
EHAF Management Pty Limited ²	Holding company	Australia	42%	42%
Eaglehawk Hotel Management Pty Limited ³	Hotel operator	Australia	44%	100%
Narrabundah Hotel Management Pty Limited ³	Hotel operator	Australia	44%	0%
Byron Bay Hotel Management Pty Limited ³	Hotel operator	Australia	44%	0%
EMPR Management Pty Limited ³	Holding company	Australia	44%	0%

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

19. Subsidiaries and Controlled entities (continued)

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

Elanor Investment Fund

Name of Subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power by the Group	
			30 June 2018	30 June 2017
Elanor Investment Trust	Co-investment in Managed Funds	Australia	100%	100%
Featherdale Wildlife Park Syndicate	Wildlife Park landholder	Australia	100%	100%
Albany Hotel Syndicate	Hotel landholder	Australia	100%	100%
Wollongong Hotel Syndicate	Hotel landholder	Australia	42%	42%
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%
Narrabundah Property Trust	Hotel landholder	Australia	44%	0%
Byron Bay Hotel Property Trust	Hotel landholder	Australia	44%	0%
Elanor Metro and Prime Retail Fund (Formerly known as Eaglehawk Syndicate)	Hotel landholder	Australia	44%	100%
Bluewater Square Syndicate	Shopping centre	Australia	42%	0%

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

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.

20. 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 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Current		
Trade receivables ¹	41,328	3,813
Other receivables	10,018	4,405
Total receivables	51,346	8,218

Note 1: \$34.2 million relates to a receivable from the sale of the Merrylands property at 30 June 2018

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 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Trade creditors	1,344	2,157
Accrued expenses	8,258	3,390
GST payable	1,214	1,023
Total payables	10,816	6,570

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 Consolidated Financial Statements

for the year ended 30 June 2018

20. Other financial assets and liabilities (continued)

(c) Provisions

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Current		
Provision for annual leave	1,040	993
Provision for long service leave	86	89
Provision for short term incentives	826	423
Total current	1,952	1,505
Non-current		
Provision for annual leave	155	182
Provision for long service leave	243	502
Total non-current	398	684
Total provisions	2,349	2,189

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 Consolidated Financial Statements

for the year ended 30 June 2018

20. Other financial assets and liabilities (continued)

(d) Other liabilities

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Current		
Advance deposits	673	1,097
Lease incentive liability	66	512
Other	10	10
Total Other current liabilities	749	1,619
Non-current		
Lease incentive liability	439	934
Total Other non-current liabilities	439	934

21. Intangible assets

OVERVIEW

Management Rights

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

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 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Management Rights	1,500	1,500
Accumulated amortisation	(600)	(450)
Total Management Rights	900	1,050
Brands	1,660	1,660
Accumulated impairment charge ¹	(1,660)	–
Total Brands	–	1,660
Goodwill at cost	4,810	4,810
Accumulated impairment charge ¹	(4,810)	–
Total Goodwill	–	4,810
Total intangible assets	900	7,520

Note 1: \$6.5 million impairment relates to discontinued operations (refer to Note 5).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

21. 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 licenses 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.

The Directors have assessed the carrying value of the brands relating to the Group's investment in the John Cootes Furniture business, and following the Directors assessment of the financial results and prospects of the business, have determined that the brand value should be impaired to nil.

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.

The Directors have assessed the carrying value of the goodwill relating to the Group's investment in the John Cootes Furniture business, and following the Directors assessment of the financial results and prospects of the business, have determined that the carrying value of the goodwill should be impaired to nil.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

22. Net tangible assets

OVERVIEW

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

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Net tangible assets are calculated as follows:		
Total assets	428,569	264,338
Less: Intangible assets	(900)	(7,520)
Less: Total liabilities	(209,606)	(82,046)
Net tangible assets	218,063	174,772
Total number of stapled securities on issue	93,016	89,224
Net tangible asset backing per stapled security	2.34	1.96

23. 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 5 years and are classified as operating leases. The minimum lease payments are as follows:

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Within one year	896	5,328
Later than one year but not later than 5 years	1,009	19,847
Later than 5 years	–	4,648
Total lease payable commitments	1,905	29,823

(c) Lease commitments: the Group as lessor

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

	Consolidated Group 30 June 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Within one year	4,297	4,099
Later than one year but not later than 5 years	11,700	12,361
Later than 5 years	6,675	8,309
Total lease receivable commitments	22,672	24,769

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

24. Share-based payments

OVERVIEW

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

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

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

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

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

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

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

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

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

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

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 ¹	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
Loan Securities	5,750,000	28/08/2017	30/06/2021	Service & non-market	\$2.13	\$0.17
Loan Securities	4,250,000	17/10/2017	30/06/2021	Service & non-market	\$2.18	\$0.17
Loan Securities	1,000,000	8/12/2017	30/06/2021	Service & non-market	\$2.15	\$0.15

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

24. Share-based payments (continued)

Options

Award Type	Number Granted	Grant Date	Vesting Date	Vesting Conditions ¹	Exercise Price	Fair Value at Grant Date
Options Tranche 1	1,600,000	11/07/2014	10/07/2017	Service & non-market	\$1.80	\$0.03
Options Tranche 2	2,000,000	28/08/2017	28/08/2020	Service & non-market	\$3.05	\$0.03

Subsequent to balance date, on 11 July 2018, 1.6 million Options Tranche 1 lapsed, unexercised.

Award Type	Number Granted	Grant Date	Vesting Date	Vesting Conditions ¹	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 ¹	Security Price at Grant Date	Fair Value at Grant Date
FY18 STI	263,274	27/06/2018	27/06/2020	Service	\$1.99	\$1.99

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 \$867,038.

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 Consolidated Financial Statements

for the year ended 30 June 2018

25. Related parties

OVERVIEW

Related parties are persons or entities that are related to the Group as defined by AASB 124 Related Party Disclosures. This note provides information about transactions with related parties during the period.

Elanor Investors Group

Responsible Entity fees

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 2018, 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 2018 was nil. (2017: 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 2018 \$'000	Consolidated Group 30 June 2017 \$'000
Elanor Retail Property Fund	2,625	3,498
Elanor Commercial Property Fund	1,301	1,099
Griffin Plaza Syndicate	–	55
Super A Mart Auburn Syndicate	–	1,814
John Cootes Diversified Property Syndicate	–	576
193 Clarence Hotel Syndicate	716	343
Bell City Syndicates	1,796	1,447
Auburn Central Syndicate	–	2,292
Limestone Syndicate	458	465
Hunters Plaza Syndicate	514	995
Belconnen Markets Syndicate	807	–
Workzone West Syndicate	1,502	–
Total	9,719	12,584

Merrylands Property

On the sale of the Merrylands Property, Moss Capital of which Glenn Willis and William (Bill) Moss AO are directors and shareholders, are entitled to a performance fee of 20% of the amount by which the IRR on the Merrylands Property exceeds 15%, plus GST. Following the sale of the Merrylands property on 6 June 2018, a provision for this performance fee of approximately \$1.9 million has been recognised in the financial results for the period.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

25. Related parties (continued)

Key Management Personnel (KMP)

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 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:

	Group 30 June 2018 \$'000	Group 30 June 2017 \$'000
Short term benefits	2,249	2,160
Post-employment benefits	111	120
Share-based payment	445	375
Total	2,805	2,655

26. Significant Events

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

On 6 November 2017 the Group established a new multi asset managed fund, the Elanor Metro and Prime Regional Hotel Fund (EMPR). The Fund comprises portfolio of 3 Australian Hotels (Ibis Styles Canberra Eaglehawk, Byron Bay Hotel and Apartments, and Ibis Styles Canberra). Consistent with its strategy of aligning interests with investors, at 30 June 2018 the Group holds a co-investment of approximately 44% of the Fund's equity.

In addition, the Group established Bluewater Square Syndicate in October 2017 which acquired the Bluewater Square retail shopping centre. Consistent with its strategy of aligning interests with investors, at 30 June 2018 the Group holds a co-investment of approximately 42% of the Fund's equity.

Proceedings on behalf of Bluewater Square Syndicate

The Manager has engaged legal counsel and served a formal warranty claim notice on the vendor of the Bluewater Square shopping centre under the purchase agreement for that property. Preparations for the next step to pursue legal claims are well advanced, and are expected to be taken shortly.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

27. Events occurring after reporting date

On 3 August 2018, the Responsible Entity completed the sale of the Bell City asset for \$157 million, and finalised settlement of the Business Interruption element of the insurance claim relating to the John Cootes Furniture warehouse fire in July 2015.

Subsequent to the period end, a distribution of 8.61 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$8.0 million will be paid on or before 4 September 2018 in respect of the six months ended 30 June 2018.

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 2018.

28. 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 financial statements were authorised for issue by the Directors on 17 August 2018.

The significant policies which have been adopted in the preparation of these consolidated financial statements and 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:

- Discontinued Operations (Note: 5)
- Depreciation (Note: 9)
- Valuation (Note: 9 & 10)
- Provisions (Note: 20)

(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

(d) New accounting standards and interpretations

In the current year, the Group has applied all new and revised accounting standards and amendments that are mandatorily effective during the period.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

28. Summary of other significant accounting policies(continued)

(d) New accounting standards and interpretations (continued)

New standards and interpretations not yet adopted

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the financial year ended 30 June 2018 but are available for early adoption. They have not been applied in preparing this financial report. The Group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Description	Impact on the Group's financial statements
AASB 9 <i>Financial Instruments</i> (Applicable 1 January 2018)	AASB 9 addresses the classification, measurement and de-recognition of financial assets and liabilities and introduces new rules for hedge accounting and impairment of financial assets.	Adoption of the new standard is not expected to have a material impact on the Group's financial statements. The Group will adopt the standard in the financial year beginning 1 July 2018.
AASB 15 <i>Revenue from Contracts with Customers</i> (Applicable 1 January 2018)	AASB 15 introduces a five-step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts.	The Group's main sources of income are rental income, revenue from hotels, wildlife parks, sale of furniture and funds management fees. These sources of income are within the scope of the new revenue standard. An assessment has been performed on the Group's existing revenue streams which includes rental income, revenue from hotels, wildlife park, sale of furniture and funds management fees. Based upon the assessment, it is expected that AASB 15 will only have an impact on the sale of the Merrylands property. The sale price of \$36 million generating a net profit after tax of approximately \$10.5 million will be recognised in the financial statement for the year ending 30 June 2019. The Group will adopt the standard in the financial year beginning 1 July 2018.
AASB 16 <i>Leases</i> (Applicable 1 January 2019 – early adoption allowed if AASB 15 is adopted at the same time)	AASB 16 introduces new requirements in relation to lease classification and recognition, measurement and presentation and disclosure of leases for lessees and lessors. For lessees a (right-of-use) asset and a lease liability will be recognised on the balance sheet in respect of all leases subject to limited exceptions. The accounting for lessors will not significantly change.	The Group is party to long-term non-cancellable property leases which are expected to have a material impact when recognised in the statement of financial position. The expected impact on the Group as at the date of adoption of 1 July 2019 is to record lease liabilities and right of use assets of \$2.8-\$3.4 million, excluding leases of discontinued operations which are not expected to be in place at the date of adoption of the standard. The group will adopt the standard in the financial year beginning 1 July 2019.

Several other amendments to standards and interpretations will apply on or after 1 July 2018, and have not yet been applied, however they are not expected to impact the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

29. 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 2018 \$	Consolidated Group 30 June 2017 \$
Audit services:		
Auditors of the Elanor Investors Group		
Deloitte Touche Tohmatsu Australia:		
Audit and review of financial reports	246,085	187,400
	246,085	187,400
Other services:		
Auditors of the Elanor Investors Group		
Deloitte Touche Tohmatsu Australia:		
Taxation advisory services	178,249	98,200
Taxation compliance services	126,000	70,000
Cyber maturity assessment	55,000	–
Transaction services	40,000	16,100
	399,249	184,300
Total - Deloitte Touche Tohmatsu Australia	645,334	371,700
Auditors of the Elanor Investors Group		
Pitcher Partners:		
Compliance Plan Audit	15,150	8,650
Total - Pitcher Partners	15,150	8,650

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. 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 2018	Distribution cents per stapled security 30 June 2017	Total Amount 30 June 2018 \$'000	Total Amount 30 June 2017 \$'000
Interim distribution ¹	7.16	4.76	6,637	4,250
Final distribution ²	5.15	3.98	4,778	3,547

1. The interim distribution of 7.16 cents per stapled security was declared on 21 February 2018 and paid on 2 March 2018.

2. The final distribution of 5.15 cents per stapled security was declared on 17 August 2018. 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 2018	EIF Group 30 June 2017
Basic (cents)	2.15	44.33
Diluted (cents)	2.12	40.68
Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security (\$'000)	1,962	38,773
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	91,179	87,465
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security	92,383	90,273

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 Consolidated Financial Statements

for the year ended 30 June 2018

30. 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 2018 \$'000	EIF Group 30 June 2017 \$'000
Carrying amount at the beginning of the period	135,144	106,087
Total costs on acquisition	109,469	–
Additions	839	715
Revaluation (decrements) / increments	2,840	28,342
Carrying amount at the end of the period	248,291	135,144

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:

Property	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
Cradle Mountain Lodge	41,940	36,265
Albany Hotel	5,067	4,992
Featherdale Wildlife Park	33,590	34,309
Eaglehawk Hotel	17,854	16,709
Wollongong Hotel	13,821	8,477
Port Macquarie Hotel	11,235	8,129
Tall Trees Hotel	10,514	9,288
Pavilion Wagga Wagga Hotel	5,296	8,691
Parklands Resort	8,895	8,284
Narrabundah Hotel	22,047	–
Byron Bay Hotel	25,832	–
Bluewater Square	52,202	–
Total	248,291	135,144

Refer to Note 10 Property, plant and equipment for further details.

ACCOUNTING POLICY

Fair value of Investment Properties

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. Non-Parent Disclosure (continued)

(f) Investment Property (continued)

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		Discount Rate
	30 June 2018	Capitalisation Rate	
	\$'000	%	%
Assets measured at fair value			
Investment properties	248,291	8.75-15.00	9.00-17.50
Total assets	248,291		

EIF Group	Book Value		Discount Rate
	30 June 2017	Capitalisation Rate	
	\$'000	%	%
Assets measured at fair value			
Investment properties	135,144	8.75-15.50	9.00-18.50
Total assets	135,144		

(g) Equity accounted investments

The Trust's equity accounted investments are as follows:

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. Non-Parent Disclosure (continued)

(g) Equity accounted investments (continued)

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

The following information represents the aggregated financial position and financial performance of 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 2018

	ERF 30 June 2018 \$'000	Bell City 30 June 2018 \$'000
Financial Position		
Current assets	8,361	6,313
Non - current assets	317,833	153,197
Total Assets	326,194	159,510
Current liabilities	57,113	19,521
Non - current liabilities	75,926	71,463
Total Liabilities	133,039	90,984
Contributed Equity	156,537	68,700
Reserves	(720)	15,565
Retained profits / (accumulated losses)	37,338	(15,739)
Total Equity	193,155	68,526

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. Non-Parent Disclosure (continued)

(g) Equity accounted investments (continued)

	ERF Period ended 30 June 2018 \$'000	Bell City Period ended 30 June 2018 \$'000
Financial performance		
Profit / (loss) for the period	22,956	407
Other comprehensive income for the period	385	2,733
Total comprehensive income for the period	23,341	3,140
Distributions received from the associate during the period	2,236	818

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

	ERF Period ended 30 June 2018 \$'000	Bell City Period ended 30 June 2018 \$'000
Net assets of the associate	193,155	68,526
Proportion of the Group's ownership interest	17.89%	17.64%
Carrying amount of the Group's interest	34,177	11,668

30 June 2017

	ERF 30 June 2017 \$'000	Bell City 30 June 2017 \$'000
Financial Position		
Current assets	7,155	2,790
Non - current assets	260,750	151,673
Total Assets	267,905	154,463
Current liabilities	3,075	2,783
Non - current liabilities	81,975	86,201
Total Liabilities	85,050	88,984
Contributed Equity	156,537	68,700
Reserves	(1,234)	8,400
Retained profits / (accumulated losses)	27,552	(11,621)
Total Equity	182,855	65,479

	ERF Period ended 30 June 2017 \$'000	Bell City Period ended 30 June 2017 \$'000
Financial performance		
Profit / (loss) for the period	11,732	1,060
Other comprehensive income for the period	368	923
Total comprehensive income for the period	12,100	1,983
Distributions received from the associate during the period	1,579	854

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. 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 30 June 2017 \$'000	Bell City 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

Aggregate information of associates that are not individually material

	Period ended 30 June 2018 \$'000	Period ended 30 June 2017 \$'000
Profit / (loss) for the period	8,049	(642)
Other comprehensive income for the period	(1,253)	1,675
Total comprehensive income for the period	6,796	1,033
Aggregate carrying amount of the Group's interests in these associates	3,529	3,083

(h) Interest bearing liabilities

	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
Current		
Bank loan - term debt	34,712	-
Borrowing Costs less amortisation	(82)	-
Loan from the Company	-	-
Total current	34,630	-
Non-current		
Bank loan - term debt	63,988	51,963
Bank loan - Borrowing Costs less amortisation	(492)	(61)
Loan from the Company	30,891	12,868
Total non-current	94,387	64,770
Total interest bearing liabilities	129,017	64,770

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 2018, the outstanding payable to the Company was \$30.9 million.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. Non-Parent Disclosure (continued)

(h) Interest bearing liabilities (continued)

Credit facilities

As at 30 June 2018, the EIF Group had unrestricted access to the following credit facilities:

	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
EIF		
Facility - EIF	17,538	26,500
Total amount used	(1,038)	(14,681)
Total amount unused - EIF	16,500	11,819
EHAF Group		
Facility - EHAF	46,725	46,725
Total amount used	(46,725)	(46,725)
Total amount unused - EHAF	-	-
EMPR Group		
Facility - EMPR	36,600	-
Total amount used	(36,600)	-
Total amount unused - EMPR	-	-
Bluewater		
Facility - Bluewater	31,750	-
Total amount used	(31,300)	-
Total amount unused - Bluewater	450	-

Included in the above numbers, EIF has access to a \$17.5 million facility, upon which both the Company and the Trust can draw. The drawn amount at 30 June 2018 is \$1.0 million which will mature on 11 July 2020. At 30 June 2018 the amount of drawn facilities is hedged to 0%. As a result of the sale of Merrylands on 3 August 2018, the facility available has been reduced to \$9.7 million.

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 2018 is \$46.7 million which will mature on 21 March 2019. At 30 June 2018, the amount of drawn facilities is hedged to 100%.

Included in the above numbers, the EMPR Group has access to a \$36.6 million facility, upon which both the Company and Trust can draw. The drawn amount at 30 June 2018 is \$36.6 million which will mature on 5 November 2021. At 30 June 2018, the amount of drawn facilities is hedged to 100%.

Included in the above numbers, Bluewater has access to a \$31.8 million facility. The drawn amount at 30 June 2018 is \$31.3 million which will mature on 30 October 2021. At 30 June 2018, the amount of drawn facilities is hedged to 100%.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. 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 2018 \$'000	EIF Group 30 June 2017 \$'000
Current liabilities		
Interest rate swaps	66	4
	66	4
Non-current liabilities		
Interest rate swaps	354	244
	354	244
Total Derivative financial instruments	420	248

(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 2018 \$'000	EIF Group 30 June 2017 \$'000
Asset revaluation reserve		
Opening balance	1,783	1,149
Revaluation	15,197	471
Transfer to retained profits - realised items	-	-
Equity Accounted Investment Revaluation Reserve	259	163
Closing balance	17,239	1,783
Cash flow hedge reserve		
Opening balance	(248)	(659)
Revaluation	(172)	411
Transfer to retained profits - realised items	-	-
Closing balance	(420)	(248)
Stapled security-based payment reserve		
Opening balance	869	289
Loan Securities and Option expense	92	187
Short term incentive scheme expense	(317)	393
Closing balance	644	869
Total reserves	17,463	2,404

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 Consolidated Financial Statements

for the year ended 30 June 2018

30. 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 2018	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
Assets					
Cash and cash equivalents	2,883	–	–	–	2,883
Total Assets	2,883	–	–	–	2,883
Weighted average interest rate					1.70%
Liabilities					
Interest bearing loans	1,038	34,712	62,950	–	98,700
Derivative financial instruments	–	66	354	–	420
Total Liabilities	1,038	34,778	63,304	–	99,120
Weighted average interest rate					4.63%

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
Assets					
Cash and cash equivalents	8,435	–	–	–	8,435
Total Assets	8,435	–	–	–	8,435
Liabilities					
Interest bearing loans	20,118	–	44,712	–	64,830
Derivative financial instruments	248	–	–	–	248
Total Liabilities	20,366	–	44,712	–	65,078
Weighted average interest rate					4.39%

(ii) Interest Rate Sensitivity

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

EIF Group 30 June 2017	Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit \$'000	Equity \$'000	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	–
Total increase / (decrease)	73,513	(117)	(2)	117	2

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. Non-Parent Disclosure (continued)

(k) Financial Risk Management (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 2018 \$'000	EIF Group 30 June 2017 \$'000
Cash and cash equivalents	2,883	8,435
Trade and other receivables	6,849	6,687
Total	9,732	15,122

Impairment losses

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

	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
Current	6,849	1,817
Past due 31-61 days	–	2,567
Past due 61+ days	–	2,303
Total	6,849	6,687

(3) Liquidity risk

EIF Group
30 June 2018

	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
Derivative financial liabilities						
Derivatives	66	354	–	–	–	419
Non derivative financial liabilities						
Payables	3,169	–	–	–	–	3,169
Interest bearing loans	34,712	–	63,988	32,167	–	130,868
Current tax liabilities	321	–	–	–	–	321
Total	38,269	354	63,988	32,167	–	134,778

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. Non-Parent Disclosure (continued)

(k) Financial Risk Management (continued)

(3) Liquidity risk (continued)

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
Derivative financial liabilities						
Derivatives	4	244	–	–	–	248
Non derivative financial liabilities						
Payables	1,298	–	–	–	–	1,298
Interest bearing loans	–	36,236	19,522	16,823	–	72,581
Current tax liabilities	266	–	–	–	–	266
Total	1,568	36,480	19,522	16,823	–	74,393

(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 2018 \$'000	EIF Group 30 June 2017 \$'000
Current		
Trade receivables	6,834	4,262
Other receivables	15	2,425
Total receivables	6,849	6,687

Payables

	EIF Group 30 June 2018 \$'000	EIF Group 30 June 2017 \$'000
Trade creditors	2,242	1,156
Related party payables	–	–
Accrued expenses	436	133
GST payable	321	266
Tax payable	–	–
Total payables	2,999	1,555

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

30. 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 2018 \$'000	EIF Group 30 June 2017 \$'000
Profit / (Loss) for the period	1,962	38,774
Depreciation of non-current assets	–	–
Amortisation	201	333
Fair value adjustment on revaluation of investment property	–	(28,342)
Net unrealised revenue from Equity Investments	(4,266)	(2,595)
Net realised Gain on Sale of Investment	(531)	(141)
Other non cash items	(99)	578
Transaction and IPO costs through profit and loss	11,271	–
Straight line lease expense and lease incentive income	–	–
Employee costs funded directly through equity	956	–
Net cash provided by operating activities before changes in assets and liabilities	9,494	8,607
Movement in working capital:		
Decrease / (increase) in trade and other receivables	(2,056)	(2,475)
Decrease / (increase) in stock	–	–
Increase / (decrease) in other current assets	(335)	–
Decrease / (increase) in deferred tax	–	–
Increase / (decrease) in trade and other payables	1,176	845
Increase / (decrease) in other liabilities	161	–
Increase / (decrease) in other provision	–	–
Net cash from operating activities	8,440	6,977

Directors' Declaration to Stapled Security Holders

In the opinion of the Directors of Elanor Investors Limited and Elanor Funds Management Limited as responsible entity for the Elanor Investment Fund:

- a) the financial statements and notes set out on pages 38-108 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 2018 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
17 August 2018

Independent Auditor's Report



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of:

- Elanor Investors Group (the "Group" or "Elanor") which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity Elanor Investors Group, being the consolidated stapled entity ("Elanor Investors Group"). The consolidated stapled entity comprises Elanor Investors Limited and the entities it controlled at the year's end or from time to time during the year, including Elanor Investment Fund and the entities it controlled at year's end or from time to time during the financial year end;
- Elanor Investment Fund which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity Elanor Investment Fund, being the consolidated entity ("EIF Group"). The consolidated entity comprises Elanor Investment Fund and the entities it controlled at the year's end or from time to time during the year;
- Audit the Remuneration Report of Elanor Investors Limited included in the Director's Report of Elanor Investors Group for the year ended 30 June 2018;

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

- (i) giving a true and fair view of the Elanor Investors Group and EIF Group's financial position as at 30 June 2018 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

Independent Auditor's Report

continued

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Elanor Investors Limited and Elanor Funds Management Limited (the "Responsible Entity"), as responsible entity of Elanor Investment Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Property, plant, and equipment and investment property valuation</p> <p>As at 30 June 2018, Elanor Investors Group recognised property plant and equipment valued at \$222.9 million as disclosed in Note 9 and investment property valued at \$52.2 million as disclosed in Note 10.</p> <p>Note 9 outlines two valuation methodologies used by Elanor Investors Group. The capitalisation of net income method applies a capitalisation rate to normalised market net operating income. The discounted cash flow method uses a cash flow forecast and terminal value calculation discounted to present value.</p> <p>The valuation process requires significant judgment in the following key areas:</p> <ul style="list-style-type: none"> • Discount rate, • Capitalisation rate, • Terminal value, • NOI, • Revenue per Available Room ("RevPAR"), Average Daily Room Rate ("ADR"), Occupancy % (hotel specific) <p>Accordingly, internal and external valuers apply professional judgement concerning market conditions and factors impacting individual properties.</p> <p>The internal and external valuations are reviewed by management who recommend each property's valuation to the Audit and Risk Committee and the Board in accordance with Elanor Investors Group's valuation protocol.</p>	<p>Our procedures included but, were not limited to:</p> <ul style="list-style-type: none"> • Assessing management's process over property valuations and the oversight applied by the directors; • Assessing the independence, competence and objectivity of the external and internal valuers; • Performing an analytical review and risk assessment of the portfolio, analysing the key inputs and assumptions; • 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; • Holding discussions with management to obtain an understanding of portfolio movements and their identification of any additional property specific matters; and • Testing on a sample basis of properties, both externally and internally valued, the following: <ul style="list-style-type: none"> ○ Testing management methodology; ○ The integrity of the information in the valuation by agreeing key inputs such as net operating income to underlying records and source evidence; ○ Assessing the forecasts used in the valuations with reference to current financial results such as revenues and expenses, capital expenditure requirements, vacancy rates and lease renewals; and ○ The mathematical accuracy of the models. <p>We also assessed the appropriateness of the related disclosures included in Note 9 and Note 10 to the consolidated financial statements.</p>

Independent Auditor's Report

continued

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Accounting treatment for new investments and changes to existing investments</p> <p>Elanor Investors Group's capital management strategy involves the holding of a number of investments in funds which are managed by Elanor Funds Management Limited, a subsidiary of Elanor Investors Group.</p> <p>The accounting treatment for each type of investment is dependent on the Group's relationship with these investments. The determination for an individual investment is the result of a critical accounting judgement applied to many factors, principally including consideration of the extent of its voting stake, the relationship with other stakeholders, the constitutional arrangements for the trust or fund, its manager and responsible entity or trustee, and the extent to which Elanor Investors Group's economic exposure increases when management fees are paid.</p> <p>As disclosed in Note 11, investments that are determined to be controlled are treated as subsidiaries and are consolidated into Elanor Investors Group. Investments over which it is determined that Elanor Investors Group is deemed to have significant influence are classified as associates and are equity accounted.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Assessing management's processes for their review and determination of the accounting for its investments and evaluating management's position papers; 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; Assessing the impact of the existence of preferential voting rights held by Elanor Investors Group and the rights to remove the manager; and Assessing the exposure of Elanor Investors Group to variable return via ownership interests in the investments, the management fee arrangements such as ongoing management fees, service fees and performance fees. <p>We also assessed the appropriateness of the disclosures included in Note 11 to the consolidated financial statements.</p>
<p>John Cootes Furniture exit</p> <p>As disclosed in Note 5, during the financial year a decision was made to exit the John Cootes Furniture ("JCF") business, which has consequently been classified as a discontinued operation for the year ended 30 June 2018.</p> <p>The JCF exit has a number of interrelated components, each of which required consideration, including:</p> <ul style="list-style-type: none"> Disposal of the JCF business; Recoverability of JCF inventory; Impairment of intangible assets related to brands and goodwill; Potential closure of all stores and warehouses and settlement of trading and employee liabilities; Accounting for property costs, including re-measurement of potential onerous leases and exit costs to be settled by the Group; and Taxation implications relating to the JCF business exit. <p>The accounting for these interrelated components are complex and there are significant judgements and estimates required in determining the carrying value of the remaining assets and liabilities held at 30 June 2018.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the accounting in respect of the potential sale of JCF; Evaluating and challenging the estimates and judgements within management's assessment of the assets and liabilities, including onerous lease provisions and residual liabilities to be retained by the Group. This included reviewing contracts and lease agreements, and assessing the recorded amounts against historical trends from previously negotiated settlements, as well as assessing the discount rate applied to the calculation of the onerous lease provision; Agreeing the aggregate carrying value of the assets reflected in the consolidated financial statements; Assessing the taxation implications and the accounting consequences of the JCF exit transactions; and Assessing the appropriateness of the impairment of goodwill and intangibles in line with the treatment of the JCF business as a discontinued operation. <p>We also assessed the appropriateness of the disclosures included in Note 5 to the consolidated financial statements.</p>

Independent Auditor's Report

continued

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report

continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 34 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Elanor Investors Limited, for the year ended 30 June 2018, 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, 17 August 2018

Corporate Governance

The Board of Directors of Elanor Investors Group (Group) have approved the Group's Corporate Governance Statement as at 30 June 2018. 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

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 securityholder 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 2018)

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 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	19,221,024	20.66
2	J P Morgan Nominees Australia Limited	9,823,961	10.56
3	Citicorp Nominees Pty Limited	9,268,750	9.96
4	Pershing Australia Nominees Pty Ltd <Ynominee A/C>	4,442,378	4.78
5	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	4,267,556	4.59
6	Armada Investments Pty Ltd	3,295,605	3.54
7	National Nominees Limited	2,805,580	3.02
8	Aust Executor Trustees Ltd <Gffd>	1,175,425	1.26
9	Mr Paul Siviour	1,150,608	1.24
10	BNP Paribas Noms Pty Ltd <Drp>	881,359	0.95
11	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	754,193	0.81
12	Citano Pty Ltd <G N Willis Super Fund A/C>	533,839	0.57
13	Farallon Capital Pty Ltd <Nunn Investment A/C>	500,000	0.54
14	Mr Symon Simmons	430,608	0.46
15	Mr Glenn Willis	398,495	0.43
16	Moat Investments Pty Ltd <Moat Investment A/C>	377,006	0.41
17	National Nominees Limited <Db A/C>	350,298	0.38
18	Top 4 Pty Ltd <The Foundation Inv S/F A/C>	346,553	0.37
19	Citylight Asset Pty Ltd <Graham Super Fund A/C>	311,378	0.33
20	Cpu Share Plans Pty Ltd <ENN DSI Control A/C>	286,444	0.31
Total		60,621,060	65.17
Balance of Register		32,394,443	34.83
Grand Total		93,015,503	100.00

Security Holder Analysis

(as at 24 August 2018) continued

Range Report

Range	No. of Securities	%	No. of Holders	%
100,001 and over	67,758,321	72.85	62	3.68
10,001 to 100,000	21,148,767	22.74	783	46.41
5,001 to 10,000	2,847,762	3.06	346	20.51
1,001 to 5,000	1,192,568	1.28	345	20.45
1 to 1,000	68,085	0.07	151	8.95
Total	93,015,503	100.00	1,687	100.00

The total number of security holders with an unmarketable parcel of securities was 57.

Substantial Security Holders

Security Holder	No. of Securities	%
Perpetual Limited	13,551,684	14.57
Auscap Asset Management Limited	8,080,000	8.69

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

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 Ampherlaw
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



Cradle Mountain Lodge, Cradle Mountain, TAS



Elanor 

Level 38, 259 George Street
Sydney NSW 2000
T: +61 2 9239 8400

www.elanorinvestors.com