



Annual Report **2015**



## FINANCIAL CALENDAR

12 November 2015	Meeting of securityholders
December 2015	Estimated interim distribution announcement and securities trade ex-distribution
February 2016	Interim results announcement
March 2016	Interim distribution payment
June 2016	Estimated final distribution announcement and securities trade ex-distribution
August 2016	Full-year results announcement
September 2016	Final distribution payment
September 2016	Annual tax statement

## MEETING OF SECURITYHOLDERS

The meeting of securityholders will be held at 10.00am (Sydney time) at Computershare, Level 4, 60 Carrington Street, Sydney, NSW 2000, on 12 November 2015.



# Contents

Highlights	2
Chairman's Message	3
CEO's Message	5
Annual Financial Report	7
Remuneration Report	79
Corporate Governance Statement	88
Securityholder Analysis	97
Corporate Directory	IBC

## 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

INCREASE ON  
IPO FORECAST OR POSITION

## OUR 2015 PERFORMANCE HIGHLIGHTS

(For period 11 July 2014 to 30 June 2015)

**14.1¢**  
Core Earnings  
(per Security)

**+8.2%**

**11.9¢**  
Distributions  
(per Security)

**+1.7%**

**\$1.70**  
Security Price at  
30 June 2015

**+36.0%**

## GROWING OUR FUNDS UNDER MANAGEMENT

**\$346<sub>m</sub>**  
at 30 June 2015

**+\$259<sub>m</sub>**

## STRONG BALANCE SHEET

**\$1.38**  
Net Asset Value  
(per Security)

**+24.3%**



# *Chairman's Message*



# Chairman's Message

Paul Bedbrook  
Independent Chairman

On behalf of the Board, I am pleased to present Elanor Investors Group's Annual Report, including its Financial Statements, for the period ended 30 June 2015.

## ACHIEVEMENTS

The period from listing on 11 July 2014 to 30 June 2015 represents our inaugural reporting period. It has been a successful year, in terms of both achieving solid financial results for our securityholders and significantly growing our funds under management. Key outcomes and achievements are highlighted below.

### Financial Results

- Core earnings were 14.1 cents per stapled security. This exceeded our PDS and Prospectus forecast of 13.0 cents by 8.2%.
- Distributions for the period ended 30 June 2015 of 11.9 cents per stapled security exceeded our PDS and Prospectus forecast of 11.7 cents by 1.7%.
- Net asset value per security at financial year end was \$1.38, a 24.3% increase from listing.

### Funds under Management

- We have increased funds under management by \$259 million to \$346 million since listing in July 2014.
- New syndicates were established during the year to acquire Auburn Central shopping centre in Auburn for \$68 million, the Bell City complex in Melbourne for \$143 million and City Hotel in Clarence Street, Sydney for \$21 million.

### Acquisitions and Co-investments

- Albany Hotel was acquired for \$5 million and in keeping with our strategy of co-investing alongside our capital partners, co-investments were made in the Bell City Syndicates (\$12 million, 17%), 193 Clarence Hotel Syndicate (\$1.1 million, 10%) and Auburn Central Syndicate (\$0.6 million, 2%).

### Capital Management

- ENN undertook an equity raising of \$13.6 million in December 2014 via an institutional placement of \$12.6 million and a security purchase plan of \$1.0 million. These funds, net of raising costs, were used to fund the co-investment in the Bell City Syndicates.
- During the year we have maintained conservative gearing levels in line with PDS and Prospectus guidance.

## GOVERNANCE AND STAKEHOLDER COMMUNICATIONS

The Board continues to focus on the Group's corporate governance structure and processes, aligning with the strategic focus and activities of the Group.

Communication with the market has been a focus following the release of our financial results. This will remain a focus as the Group continues to grow.

## ACKNOWLEDGEMENTS

I wish to thank my fellow Board members, our executive management team and our staff, both at Group level and at each of our investments, for their hard work, dedication and enthusiasm.

Finally, thank you to all ENN securityholders for their continued support and confidence.

Yours sincerely,



Paul Bedbrook  
Chairman, Elanor Investors Group



A photograph of a swimming pool with lounge chairs and tropical trees reflected in the water. The scene is set outdoors with a clear blue sky and lush greenery. The water in the pool is calm, creating a clear reflection of the trees and chairs. The overall atmosphere is serene and relaxing.

# *CEO's Message*



# CEO's Message

Glenn Willis  
Managing Director and Chief Executive Officer

I am pleased to present Elanor Investors Group's annual report for its first reporting period.

We have exceeded our PDS and Prospectus forecasts for all key financial objectives. Our core earnings per security of 14.1 cents exceeded our PDS and Prospectus forecast by 8.2%. Distributions per security were 11.9 cents for the period. Particularly pleasing has been the growth in funds under management since listing by \$259 million to \$346 million as at 30 June 2015.

## STRATEGY

The key strategic objective of the Group is to grow funds under management by identifying and originating investments that deliver strong performance for both Elanor funds management capital partners and securityholders. We seek to co-invest with our capital partners in funds managed by Elanor for both strategic and alignment purposes. We also originate and hold investments on balance sheet for future co-investment by external capital partners.

## FUNDS MANAGEMENT

Our key strategic objective is to grow funds under management. During the year we established new syndicates that acquired a Melbourne hotel, budget accommodation and serviced office complex (Bell City Syndicates), a Sydney CBD hotel (193 Clarence Hotel Syndicate) and a Sydney sub-regional shopping centre (Auburn Central Syndicate). Each of these assets are strongly cash generative and provided opportunities for both operational improvement and capital uplift. ENN has co-invested alongside our capital partners in each of these syndicates.

In August 2015 we exchanged an unconditional contract with a publicly listed REIT for the sale of the Griffin Plaza shopping centre in Griffith, NSW, for \$23.5 million. This transaction highlights our ability to produce strong returns for our managed fund investors, with an IRR on Griffin Plaza Syndicate of 26%. As a result of this strong return, ENN will receive a performance fee upon the completion of the sale of the investment.

We are well positioned for further growth, and whilst prevailing market conditions for "value" investors are more challenging, our pipeline is encouraging.

## INVESTMENT PORTFOLIO

Our investment portfolio consists of assets that provide opportunities for future co-investment by external capital partners and co-investments in syndicates managed by the Group.

Since listing, our investment portfolio has increased by \$32 million from \$86 million to \$118 million. This primarily reflects an \$11 million valuation uplift across our Hotel, Tourism and Leisure portfolio, co-investments during the period of \$14 million and the acquisition of Albany Hotel for \$5 million in November 2014.

Our investment portfolio includes approximately 26,000 square metres of land located at Merrylands, NSW, the majority of which was acquired as part of the John Cootes Furniture acquisition. We continue to be encouraged by the residential and mixed use real estate development potential of this site. Considerable work has been undertaken to assess the most appropriate options for the site to maximise value for ENN securityholders. We anticipate being able to report further progress in relation to this asset during the current financial year.

## CAPITAL MANAGEMENT

In December 2014 we strengthened our balance sheet with the issue of 9.8 million stapled securities at a issue price of \$1.38 under a Placement and Security Purchase Plan. The equity raised was used to fund our \$12 million co-investment in the Bell City Syndicates.

Gearing remains conservative at 18.8%. Our intention is to remain conservatively geared while maintaining borrowing capacity to take advantage of asset valuation cycles.

## OUTLOOK

We continue to be focussed on growing funds under management – our key strategic priority. Co-investment with our capital partners in new funds management opportunities remains a priority for the Group. During the current year we will continue to evaluate the opportunity to provide co-investment opportunities to external capital partners in certain investment portfolio assets.

Based on the current operating performance of our assets and pipeline of potential funds management opportunities, we anticipate continued growth in core earnings and distributions in the current financial year.

Kind Regards,



Glenn Willis  
Managing Director and Chief Executive Officer



# *Annual Financial Report*



# Annual Financial Report



Elanor Investors Group  
elanorinvestors.com

## **Elanor Investors Group**

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

## **Annual Financial Report for the year ended 30 June 2015**



# ELANOR INVESTORS GROUP

## TABLE OF CONTENTS

Directors Report to Stapled Security Holders	10
Auditors Independence Declaration	24
Consolidated Statements of Profit or Loss	25
Consolidated Statements of Comprehensive Income	26
Consolidated Statements of Financial Position	27
Consolidated Statements of Changes in Equity	28
Consolidated Statements of Cash Flows	29
Notes to the financial statements	
1 Summary of significant accounting policies	30
2 Revenue from operating activities	41
3 Income tax expense	41
4 Distributions	42
5 Auditor's Remuneration	42
6 Earnings / (losses) per stapled security	43
7 Cash and cash equivalents	43
8 Trade and other receivables	43
9 Derivative financial instruments	44
10 Deferred taxes	44
11 Property, plant and equipment	45
12 Investment properties	47
13 Inventories	49
14 Equity accounted investments	49
15 Goodwill and intangible assets	51
16 Provisions	53
17 Other current liabilities	53
18 Payables	53
19 Interest bearing liabilities	54
20 Contributed equity	55
21 Reserves	56
22 Retained profits / (accumulated losses)	56
23 Business combinations	57
24 Financial risk management	59
25 Fair value measurement	63
26 Net tangible assets	68
27 Segment information	69
28 Contingent liabilities and commitments	69
29 Related party disclosures	70
30 Share-based payments	71
31 Events occurring after reporting date	73
32 Notes to the consolidated statement of cash flows	73
33 Commitments	74
34 Parent entity	74
35 Subsidiaries	75
Directors' declaration to stapled security holders	76
Independent auditor's report to members of Elanor Investors Group	77

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

#### Directors' report

The Director's of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Investment Fund and the Directors of Elanor Investors Limited (Company) present their report together with the consolidated annual financial report of Elanor Investors Group (Group or Consolidated Group) and the consolidated annual financial report of the Elanor Investment Fund (EIF Group) for the full year ended 2015 (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 26, 135 King 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), 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. 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 the Company during the period and up to the date of this report:

Paul Bedbrook (Chairman)  
Glenn Willis (Managing Director and Chief Executive Officer)  
Nigel Ampherlaw (Director)  
William Moss (Director)

#### 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 2015 comprise:

Distribution	Year Ended 30 June 2015
Interim Distribution	
Amount paid (cents per stapled security)	5.20
Payment Date	27 February 2015
Final Distribution	
Amount payable (cents per stapled)	6.70
Payment Date	11 September 2015



## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

#### 3. Distributions (continued)

A provision for the Final Distribution has not been recognised in the consolidated financial statements at 30 June 2015 as the distribution had not been declared at the reporting date. The Final Distribution will bring distributions in respect of the year ended 30 June 2015 to 11.90 cents per stapled security.

#### 4. Operating and financial review

##### Overview and strategy

The key strategic objective of Elanor is to grow funds under management by identifying and originating investments that deliver strong performance for both Elanor security holders and Elanor 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 sectors focus is in hotels, tourism and leisure and real estate. In addition, special situations investments incorporate assets that are high yielding and exhibit strong real estate backing that may fall outside of the sectors in which the Group currently focuses.

During the year Elanor increased assets under management from \$86.9 million to \$346.4 million. Co-investments of \$14.0 million were made in new funds under management and Ibis Styles Albany Hotel was purchased for \$5.0 million.

The Group strengthened its balance sheet during the year by an institutional placement and security purchase plan that raised \$13.2 million net of issue costs.

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

##### 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
Manning Mall Syndicate	Taree, NSW	Sub-regional shopping centre	38.0
Griffin Plaza Syndicate	Griffith, NSW	Neighbourhood shopping centre	18.2
Super A Mart Auburn Syndicate	Auburn NSW	Retail warehouse	21.1
John Cootes Diversified Property Fund	Penrith, Yennora and Tuggerah, NSW	Two retail showrooms and one warehouse	12.4
<b>Additions since Initial Public Offering</b>			
193 Clarence Hotel Syndicate	Sydney, NSW	Hotel	23.4
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	159.3
Auburn Central Syndicate	Auburn NSW	Sub-regional shopping centre	74.0
<b>Total Managed Funds</b>			<b>346.4</b>

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

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

##### Investment Portfolio

Asset	Location	Operating Business	Valuation \$'m
<b>Hotels Tourism and Leisure</b>			
Peppers Cradle Mountain Lodge	Cradle Mountain National Park, TAS	Hotel	37.0
Featherdale Wildlife Park	Sydney, NSW	Wildlife Park	15.0
Hotel Ibis Styles Canberra Eaglehawk	Canberra, ACT	Hotel	17.7
Mantra Wollongong Hotel	Wollongong, NSW	Hotel	8.5
<b>Additions since Initial Public Offering</b>			
Hotel Ibis Styles Albany	Albany, WA	Hotel	5.3
<b>Special Situations Investments</b>			<b>Costs \$'m</b>
John Cootes Furniture	Operates from 4 sites; Merrylands, Penrith, Yennora and Tuggerah (all NSW)	Furniture retailer associated with John Cootes	7.0
Merrylands Property	Merrylands, NSW		13.7
<b>Additions since Initial Public Offering</b>			<b>Equity Accounted \$'m</b>
<b>Managed Fund Co -Investments</b>			
193 Clarence Hotel Syndicate	Sydney, NSW		1.2
Bell City Syndicates (4)	Preston, VIC		12.2
Auburn Central Syndicate			0.6
<b>Total Investment Portfolio</b>			<b>118.2</b>

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

Note 2: 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 associated and accounted for using the equity method.

##### **Review of financial results**

The Group recorded a statutory profit after tax of \$2.7 million for the year ended 30 June 2015, after \$4.8 million of transaction and establishment costs associated with the establishment and listing of ENN in July 2014.

Core or Distributable earnings were \$9.3 million or 13.23 cents per stapled security and 14.07 cents per weighted average stapled security on issue during the year. A Final Distribution of 6.70 cents per stapled security has been declared for the six months ended 30 June 2015 (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.



## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

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

##### Review of financial results (continued)

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

	Consolidated Group 30 June 2015	EIF Group 30 June 2015
Net profit/(loss) after tax (\$'000)	2,720	15,061
Core Earnings (\$'000)	9,344	7,116
Distributions payable to security holders (\$'000)	8,409	6,404
Core Earnings per stapled security (cents)	13.23	10.07
Core Earnings per weighted average stapled security (cents)	14.07	10.72
Distributions (cents per unit)	11.90	9.07
Net tangible assets (\$ per stapled security)	1.27	0.82

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

		Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Net profit/(loss) after tax (statutory)</b>		<b>2,720</b>	<b>15,061</b>
<i>Adjustments for items included in statutory profit/(loss)</i>			
Transaction, establishment costs and fair value decrements	5	4,843	1,297
Building depreciation expense	4	1,063	-
Fair value adjustments on investment property		-	(9,703)
Increase in equity accounted investments to reflect distributions received/receivable	3	461	461
Amortisation of intangibles		150	-
Tax adjustments	2	107	-
<b>Core Earnings</b>	<b>1</b>	<b>9,344</b>	<b>7,116</b>

Note 1: Core Earnings has been determined in accordance with ASIC RG230 and represents the Directors view of underlying earnings from ongoing operating activities for the period, being net profit / (loss) after tax, adjusting for one-off realised items (being formation or other transaction costs that occur infrequently or are outside the course of ongoing business activities), non-cash items (being fair value movements, depreciation charges on the buildings held by the Trust and amortisation of intangibles) and restating share of profit from equity accounted investments to reflect distributions received / receivable in respect of those investments and for a one-off tax charge not related to the reporting period.

Note 2: Income tax expense for the period has been adjusted for a one-off item relating to the write-off of a deferred tax asset of a subsidiary at acquisition.

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

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

##### Review of financial results (continued)

Note 3: Share of profit from equity accounted investments includes depreciation and amortisation that were added back in the determination of distributable earnings from 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 distributions received / receivable by the Group from those investments in Elanor managed funds.

Note 4: During the period the Group incurred total depreciation charges of \$2.303 million, however only the depreciation expense on buildings of \$1.063 million has been added back for the purposes of calculating Core Earnings.

Note 5: Transaction and establishment costs incurred by the Group through profit and loss relate to the establishment and listing of the Group in July 2014, and are adjusted for subsequent revaluation increments during the period through profit and loss. These costs are:

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Stamp duty and registration costs	1,356	783
Acquisition costs including advisers and consultants fees	2,232	1,569
Listing related costs	2,528	1,324
Revaluation adjustments	(1,273)	(2,379)
<b>Transaction and establishment costs</b>	<b>4,843</b>	<b>1,297</b>

##### Review of operational results

The Group is organised into four divisions by business type.

Funds Management manages third party owned investment funds and syndicates.

Hotel, Tourism and Leisure originates investment and fund management assets. The current investment portfolio includes Peppers Cradle Mountain Lodge, Featherdale Wildlife Park, Ibis Styles Canberra Eaglehawk Hotel, Mantra Wollongong Hotel and Ibis Styles Albany Hotel along with co-investment in 193 Clarence Hotel syndicate and four Bell City syndicates. Hotel, Tourism and Leisure also manages these syndicates.

Real Estate originates investment and fund management assets. The current investment portfolio comprises an investment in Auburn Central syndicate. Real Estate manages Manning Mall, Griffin Plaza, Super A Mart Auburn, John Cootes Diversified Property and Auburn Central syndicates.

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

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

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

##### Review of operational results (continued)

The performance of the Group, as represented by the aggregate results of its operations for the period, was as follows:

	Consolidated Group Segment Revenues 30 June 2015 \$'000	Consolidated Group Segment EBITDA 30 June 2015 \$'000
Funds Management	4,902	4,478
Hotels, Tourism and Leisure	32,871	9,068
Real Estate	6	6
Special Situations Investments	19,653	1,843
Other	748	-
<b>Total Segment Revenue and EBITDA</b>	<b>58,180</b>	<b>15,395</b>
Unallocated Corporate Costs		(3,405)
<b>Group EBITDA</b>		<b>11,990</b>
Depreciation and amortisation		(2,453)
<b>Group EBIT</b>		<b>9,537</b>
Borrowing Costs		(1,397)
<b>Group EBT and Extraordinary Items</b>		<b>8,140</b>
Transaction and establishment costs		(4,843)
<b>Group Net profit / (loss) before income tax</b>		<b>3,297</b>
Income tax benefit		(577)
<b>Group Net profit / (loss) after income tax</b>		<b>2,720</b>
<b>Core Earnings</b>		<b>9,344</b>

For further information on the segment performance, please see Note 27 to the consolidated financial statements.

##### Funds Management

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

	<b>2015</b>
Operating Performance	<b>\$'000</b>
Total Revenue	4,902
EBITDA	4,478
Operating margin	91.4%
	<b>2015</b>
Funds under Management	<b>\$'m</b>
Funds under Management at listing	86.7
Increase in value of funds under management at listing	3.0
New funds	256.7
<b>Total</b>	<b>346.4</b>



## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

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

##### Review of operational results (continued)

The level of growth in funds under management during the year has been positive. The Group established three new syndicates or syndicate groups during the year being 193 Clarence Hotel (Sydney CBD hotel), Bell City (hotel, budget accommodation and commercial complex in Preston, VIC) and Auburn Central (sub-regional shopping centre in Auburn, NSW).

During the year the Group strengthened its internal asset management and investment management capabilities 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.

##### Hotel, Tourism and Leisure

The performance of the Hotels, Tourism and Leisure business is summarised as follows:

	2015 \$'000
Total Revenue	32,871
EBITDA	9,068
Operating margin	27.6%

Hotel, Tourism and Leisure contains a portfolio of hotel and leisure properties including Peppers Cradle Mountain Lodge, Featherdale Wildlife Park, Ibis Styles Canberra Eaglehawk Hotel, Mantra Wollongong Hotel and Ibis Styles Albany Hotel. Ibis Styles Albany Hotel was acquired during the year.

The Directors have determined to obtain external valuations for most of the property portfolio as at 30 June 2015. The table below sets out the assessed value of each property at 30 June 2015 compared to the assessed value at the date of listing, or subsequent date of acquisition. This shows that the Group's Hotel, Tourism and Leisure properties have increased in value during the year by \$11.4m to \$83.5m.

	Listing or subsequent value \$'m	2015 \$'m
Valuation of Properties		
Peppers Cradle Mountain Lodge	29.0	37.0
Featherdale Wildlife Park	13.0	15.0
Ibis Styles Canberra Eaglehawk Hotel	17.7	17.7
Mantra Wollongong	7.1	8.5
Ibis Styles Albany Hotel	5.3	5.3
<b>Total</b>	<b>72.1</b>	<b>83.5</b>

The Hotels, Tourism and Leisure business also includes equity accounted investments reflecting the Group's co-investment with its capital partners in 193 Clarence Hotel syndicate (October 2014) and Bell City syndicates (December 2014). The equity accounted share of profit of these investments was \$0.1 million with distributions received or receivable for the year totalling \$0.6 million.

##### Real Estate

Real Estate comprises an equity accounted investment in the Auburn Central syndicate. This investment was made in May 2015.

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

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

##### *Review of operational results (continued)*

##### *Special Situations Investments*

	2015 \$'m
Total Revenue	19,653
EBITDA	1,843
Operating margin	9.4%

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

During the first half of the year the John Cootes Furniture business experienced some challenges related to the transitioning of the business. In the later part of the year new stores were opened in Bathurst, Campbelltown and Taree. Trading at each of these locations has been promising and they are expected to make a positive contribution to the future performance of the business.

On 27 July 2015 the John Cootes Furniture warehouse in Orchardleigh Street, Yennora sustained major damage as a result of a fire. The entire contents of the building, primarily stock and plant and equipment of the John Cootes Furniture business were destroyed and the building was unable to be recovered. The warehouse building is owned by the John Cootes Diversified Property Syndicate, a managed investment scheme managed by the Group. The property is fully insured, and the required business interruption insurances are also in place. The Group is actively working with the insurers in relation to the claims, however, the financial impact of the fire is yet to be determined. The insurers have provided a progress payment of \$2.5 million in respect of the loss of stock, plant & equipment and business interruption. Operationally, the John Cootes Furniture business has obtained temporary warehouse facilities, and significant re-ordering of stock has also occurred.

Substantial work has been carried out in exploring the significant development potential for the Merrylands site. This work is continuing.

##### **Summary and Outlook**

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

Risks to the Group in the coming year primarily comprise potential earnings variability associated with general economic and market conditions including inbound tourism and domestic retail spending, the availability of capital for funds management opportunities, and any movement in property valuations. 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, and through the active management of the Group's capital structure.

Based on the current operating performance of the investment portfolio and the pipeline of potential funds management opportunities, the Group anticipates continued growth in Core Earnings in the year ahead.

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

#### 5. Value of assets

	Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Value of total assets	135,650	91,100
Value of net assets	97,437	57,884

#### 6. Interests in the Group

During the year the Group conducted an institutional placement of 15% (9.12 million) of securities on issue and issued a securities purchase plan (0.725 million securities). The net proceeds, after capitalised issue costs, of \$13.2 million were primarily utilised to fund the Group's \$12.0 million co-investment in the Bell City syndicates. The remainder of the proceeds were used to retire debt.

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

	Group 30 June 2015 \$'000
Stapled securities on issue at the beginning of the period	60,800
Stapled securities issued for business acquisitions through Institutional Placement	9,120
Stapled securities issued for Security Purchase Plan	725
<b>Stapled securities on issue at the end of the period</b>	<b>70,645</b>

#### 7. Directors

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

Name	Particulars
Paul Bedbrook	<p>Independent Non-Executive Chairman</p> <p>Paul was appointed a Director of both the Company and the Manager in June 2014. Paul has had a career of over 30 years in financial services, originally as an analyst, fund manager and then the GM &amp; Chief Investment Officer for Mercantile Mutual Investment Management Ltd (ING owned) from 1987 to 1995. Paul was an executive for 26 years with the Dutch global banking, insurance and investment group, ING, retiring in 2010. Paul's career included the roles of: President and CEO of ING Direct Bank, Canada (2000 – 2003) 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. He is also Chairman of Disability Sports Australia.</p> <p>Former listed directorships in the last three years: None</p> <p>Interest in stapled securities: 254,847</p> <p>Qualifications: B.Sc, F FIN, FAICD</p>



## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

<b>7. Directors (Continued)</b>	
Glenn Willis	<p>Managing Director and Chief Executive Officer</p> <p>Glenn was appointed a Director of both the Company and the Manager in June 2014. Glenn has extensive industry knowledge with over 25 years' experience in the Australian and international capital markets.</p> <p>Glenn was most recently co-founder and Chief Executive Officer of Moss Capital. Prior to Moss Capital, Glenn co-founded Grange Securities and led the team in his role as Managing Director and CEO. Grange Securities was a pre-eminent Australian owned investment bank with businesses in fixed income, equities, corporate finance and funds management. Grange Securities grew to be Australia's major independent fixed income house.</p> <p>After 12 years of growth, Grange Securities, a business with approximately 150 personnel, was acquired by Lehman Brothers International in 2007, as the platform for Lehman's Australian investment banking and funds management operations. Glenn was appointed Managing Director and Country Head in March 2007. In 2008, Glenn was appointed executive Vice Chairman of Lehman Brothers Australia.</p> <p>Glenn previously held senior positions at Fay Richwhite and Challenge Bank.</p> <p>Former listed directorships in the last three years: None</p> <p>Interest in stapled securities: 5,600,002</p> <p>Qualifications: B.Bus (Econ &amp; Fin)</p>
Nigel Ampherlaw	<p>Independent Non-Executive Director Chairman, Audit Risk and Compliance Committee</p> <p>Nigel was appointed a Director of both the Company and the Manager in June 2014. Nigel was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held a number of senior client Lead Partner roles. Nigel has extensive experience in risk management, technology, consulting and auditing in Australia and the Asia-Pacific region.</p> <p>Nigel's current Directorships include a non-executive Director with Credit Union Australia, where he is Chair of the Audit Committee and a member of the Risk and Remuneration Committees, non executive director of Quickstep Holdings Ltd where he is Chair of the Audit and Risk Committee and non-executive Director of the Australia Red Cross Blood Service, where he is a member of the Finance and Audit Committee and a member of the Risk Committee. Nigel has also been a member of the Grameen Foundation Australia charity board since 2012.</p> <p>Former listed directorships in the last three years: None</p> <p>Interest in stapled securities: 159,694</p> <p>Qualifications: B.Com, FCA, MAICD</p>

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

<b>7. Directors (Continued)</b>	
William (Bill) Moss AO	<p>Non-Executive Director Chairman, Remuneration and Nominations Committee</p> <p>Bill was appointed a Director of both the Company and the Manger in June 2014. Bill is an Australian businessman and philanthropist with expertise in real estate, banking, funds and asset management.</p> <p>Bill spent 23 years as a senior executive and Executive Director with Macquarie Group, the pre-eminent Australian investment bank, where Bill managed the Global Banking and Real Estate businesses. Bill founded, grew and led Macquarie Real Estate Group to a point where it managed over \$23 billion worth of investments around the world.</p> <p>Bill is Chairman of Moss Capital and Chairman and Founder of The FSHD Global Research Foundation.</p> <p>Bill is a commentator on the Australian finance and banking sectors, the global economy and the ongoing need for Australia to do more to advance the interests of the country's disabled and disadvantaged.</p> <p>In 2015, Bill was awarded one of Australia's highest honours, Office of the Order of Australia (AO), for services to the banking, charity, and finance sectors.</p> <p>Former listed directorships in the last three years:</p> <p>Energy Action Limited – Non Executive Director (Resigned 30 June 2012) Exalt Resources Limited – Non Executive Director (Resigned 2 September 2013)</p> <p>Interest in stapled securities: 4,620,051</p> <p>Qualifications: B.Ec</p>

#### 8. Directors' relevant interests

Name	Number of stapled securities at 1 July 2014	Net movement	Number of stapled securities at the date of this report
Paul Bedbrook	0	254,847	254,847
Glenn Willis	0	1,200,002	1,200,002 <sup>(1)</sup>
Nigel Ampherlaw	0	159,694	159,694
William (Bill) Moss AO	0	4,620,051	4,620,051

1. Glenn Willis has an entitlement to an additional 4,400,000 securities under equity based executive incentive plans.

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

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

#### 9 Meetings of Directors

The attendance at meetings of Directors of the Manager and the Company during the year is set out in the

Name	Elanor Board (Responsible Entity & the Company)		Audit, Risk & Compliance Committee		Remuneration and Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended
Paul Bedbrook	11	11	4	4	1	1
Glenn Willis	11	11	4	4		
Nigel Ampherlaw	11	10	4	4	1	1
William (Bill) Moss AO	11	11			1	1

#### 10. Company Secretary

Symon Simmons held the position of company secretary of the Manager 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 period.

#### 14. Auditor's independence declaration

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



## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

#### 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 5 to the 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 5 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Risk and Compliance 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. 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 2015 and fees paid to and expenses reimbursed by its related entities during the financial year are disclosed in Note 29 to the consolidated financial statements.

#### 17. Events occurring after reporting date

On 27 July 2015 the John Cootes Furniture warehouse in Orchardleigh Street, Yennora sustained major damage as a result of a fire. The entire contents of the building, primarily stock and plant and equipment of the John Cootes Furniture business were destroyed and the building was unable to be recovered. The warehouse building is owned by the John Cootes Diversified Property Syndicate, a managed investment scheme managed by the Group. The property is fully insured and appropriate business interruption policies are in place. The Group is actively working with the insurers in relation to the claims, however, the financial impact of the fire is yet to be determined. The insurers have provided a progress payment of \$2.5 million in respect of the loss of stock, plant & equipment and business interruption. Operationally, the John Cootes Furniture business has obtained temporary warehouse facilities, and significant re-ordering of stock has also occurred.

Subsequent to 30 June 2015, a distribution of 6.70 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$4.7 million will be paid on or before 11 September 2015 in respect of the half year ended 30 June 2015.

Since the end of the financial year, the Directors of the Manager and the Company are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial report that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of the Group's affairs in future financial periods.

#### 18. 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.

## ELANOR INVESTORS GROUP

### DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE YEAR ENDED 30 JUNE 2015

#### 19. Proceedings on behalf of the Group

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

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

The Group and the EIF Group are registered entities of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, 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



Paul Bedbrook  
Chairman

Sydney, 27 August 2015

Glenn Willis  
CEO and Managing Director



Glenn Willis  
CEO and Managing Director



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](http://www.deloitte.com.au)

The Directors  
Elanor Investors Limited and  
Elanor Funds Management Limited  
(as responsible entity for Elanor Investment Fund)  
Level 26, 135 King Street  
Sydney NSW 2000

27 August 2015

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 financial statements of Elanor Investors Limited and Elanor Investment Fund for the year ended 30 June 2015, 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

A handwritten signature in black ink, appearing to read "AG Collinson", with a stylized flourish underneath.

AG Collinson  
Partner  
Chartered Accountants

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



# ELANOR INVESTORS GROUP

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
	Note		
<b>Income</b>			
Revenue from operating activities	2	55,936	-
Interest income		165	27
Rental income		57	8,132
Share of profit / (loss) from equity accounted investments		93	93
Fair value gain on revaluation of investment properties	12	-	9,703
Other income		1,929	-
<b>Total income</b>		<b>58,180</b>	<b>17,955</b>
<b>Expenses</b>			
Changes in inventories of finished goods		12,959	-
Salary and employee benefits		20,191	174
Property expenses		4,486	-
Operator management fees		1,787	-
Borrowing costs		1,259	1,144
Depreciation		2,303	-
Amortisation		289	113
Marketing and promotion		2,859	-
Repairs, maintenance and technology		705	-
Transaction, establishment costs and fair value decrements		4,843	1,297
Other expenses		3,202	166
<b>Total expenses</b>		<b>54,883</b>	<b>2,894</b>
<b>Net profit/(loss) before income tax expense</b>		<b>3,297</b>	<b>15,061</b>
Income tax expense/(benefit)	3	577	-
<b>Net profit/(loss) for the year</b>		<b>2,720</b>	<b>15,061</b>
<b>Attributable to security holders of:</b>			
- Elanor Investors Limited		(2,637)	-
- Elanor Investment Fund (non-controlling interest)		5,357	15,061
<b>Net profit/(loss) for the year</b>		<b>2,720</b>	<b>15,061</b>
Basic earnings / (loss) per stapled security (cents)		4.10	22.68
Diluted earnings / (loss) per stapled security (cents)		3.74	20.69

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

**ELANOR INVESTORS GROUP**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015**

		Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
	Note		
<b>Net profit/(loss) for the year</b>		<b>2,720</b>	<b>15,061</b>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Gain/(loss) on revaluation of cash flow hedge	21	(172)	(172)
<i>Items that may not be reclassified to profit and loss</i>			
Share of asset revaluation reserve from equity accounted investments	21	450	450
Gain/(loss) on revaluation of property, plant and equipment	21	10,805	-
Income tax relating to these items		-	-
Other comprehensive income/(loss) for the year, net of tax		11,083	278
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<b>13,803</b>	<b>15,339</b>
<b>Attributable to security holders of:</b>			
- Elanor Investors Limited		8,168	-
- Elanor Investment Fund (non-controlling interest)		5,635	15,339
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<b>13,803</b>	<b>15,339</b>

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

# ELANOR INVESTORS GROUP

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

		Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
	Note		
<b>Current assets</b>			
Cash and cash equivalents	7	7,488	3,437
Receivables	8	3,355	753
Inventories	13	3,765	-
Other current assets		439	-
<b>Total current assets</b>		<b>15,047</b>	<b>4,190</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	86,048	-
Investment properties	12	-	72,908
Non-current inventories	13	11,781	-
Equity accounted investments	14	14,002	14,002
Goodwill and intangible assets	15	7,820	-
Deferred tax assets	10	952	-
<b>Total non-current assets</b>		<b>120,603</b>	<b>86,910</b>
<b>Total assets</b>		<b>135,650</b>	<b>91,100</b>
<b>Current liabilities</b>			
Payables	18	4,250	577
Derivative financial instruments	9	86	86
Interest bearing liabilities	19	8,541	8,541
Current provisions	16	824	37
Other current liabilities	17	1,148	-
Income tax payable		199	-
Loan from the Company	19	-	4,052
<b>Total current liabilities</b>		<b>15,048</b>	<b>13,293</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	9	86	86
Interest bearing liabilities	19	22,178	19,837
Non-current provisions	16	901	-
<b>Total non-current liabilities</b>		<b>23,165</b>	<b>19,923</b>
<b>Total liabilities</b>		<b>38,213</b>	<b>33,216</b>
<b>Net assets</b>		<b>97,437</b>	<b>57,884</b>
<b>Equity</b>			
<i>Equity Holders of Elanor Investors Limited</i>			
Contributed equity	20	41,589	-
Reserves	21	10,929	-
Retained profits/(accumulated losses)	22	(3,261)	-
<b>Parent entity interest</b>		<b>49,257</b>	<b>-</b>
<i>Equity Holders of Elanor Investment Fund</i>			
Contributed equity	20	45,460	45,460
Reserves	21	414	414
Retained profits/(accumulated losses)	22	2,306	12,010
<b>Non-controlling interest</b>		<b>48,180</b>	<b>57,884</b>
<b>Total equity attributable to stapled security holders:</b>			
- Elanor Investors Limited		49,257	-
- Elanor Investment Fund		48,180	57,884
<b>Total equity</b>		<b>97,437</b>	<b>57,884</b>

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

## ELANOR INVESTORS GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2015

	Note	Contributed equity	Asset Revaluation Reserve	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained profits/ (accumulated losses)	Parent Entity Total Equity	Non- controlling interests	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated Group</b>									
Total equity at 1 July 2014		-	-	-	-	-	-	-	-
Profit / (loss) for the period		-	-	-	-	(2,637)	(2,637)	5,357	2,720
Other comprehensive income / (expense) for the period		-	10,805	-	-	-	10,805	278	11,083
<b>Total comprehensive income / (expense) for the period</b>		-	<b>10,805</b>	-	-	<b>(2,637)</b>	<b>8,168</b>	<b>5,635</b>	<b>13,803</b>
<b>Transactions with owners in their capacity as owners:</b>									
Contributions of equity, net of issue costs	20	41,589	-	-	-	-	41,589	45,460	87,049
Security-based payments	21	-	-	-	124	-	124	136	260
Distributions paid and payable	4	-	-	-	-	(624)	(624)	(3,051)	(3,675)
<b>Total equity at 30 June 2015</b>		<b>41,589</b>	<b>10,805</b>	-	<b>124</b>	<b>(3,261)</b>	<b>49,257</b>	<b>48,180</b>	<b>97,437</b>
<b>EIF Group</b>									
Total equity at 1 July 2014		-	-	-	-	-	-	-	-
Profit / (loss) for the period		-	-	-	-	15,061	15,061	-	15,061
Other comprehensive income / (expense) for the period		-	-	(172)	-	-	(172)	-	(172)
Share of reserves of Equity Accounted Investments		-	450	-	-	-	450	-	450
<b>Total comprehensive income / (expense) for the period</b>		-	<b>450</b>	<b>(172)</b>	-	<b>15,061</b>	<b>15,339</b>	-	<b>15,339</b>
<b>Transactions with owners in their capacity as owners:</b>									
Contributions of equity, net of issues costs	20	45,460	-	-	-	-	45,460	-	45,460
Security-based payments	21	-	-	-	136	-	136	-	136
Distributions paid and payable	4	-	-	-	-	(3,051)	(3,051)	-	(3,051)
<b>Total equity at 30 June 2015</b>		<b>45,460</b>	<b>450</b>	<b>(172)</b>	<b>136</b>	<b>12,010</b>	<b>57,884</b>	-	<b>57,884</b>

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



# ELANOR INVESTORS GROUP

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		61,931	-
Payments to suppliers and employees		(54,379)	(162)
Interest received		160	26
Finance costs paid		(1,130)	(1,144)
Rent receipts from the Company		-	8,073
<b>Net cash flows from operating activities</b>	32	<b>6,582</b>	<b>6,793</b>
<b>Cash flows from investing activities</b>			
Payments for business and asset acquisitions		(90,808)	(63,178)
Payments for property, plant and equipment		(2,725)	-
Payment for management rights		(1,650)	-
Loans to associates		(177)	(121)
Payments for equity accounted investments		(13,752)	(13,752)
Distributions received from equity accounted investments		293	293
Loans from Company		-	4,052
<b>Net cash flows from investing activities</b>		<b>(108,819)</b>	<b>(72,706)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings		30,581	28,265
Proceeds from equity raisings		89,586	46,955
Costs associated with equity raisings		(6,767)	(2,819)
Distributions paid to unit holders		(3,675)	(3,051)
<b>Net cash flows from financing activities</b>		<b>109,725</b>	<b>69,350</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>7,488</b>	<b>3,437</b>
Cash and cash equivalents at the beginning of the period		-	-
<b>Cash at the end of the period</b>		<b>7,488</b>	<b>3,437</b>

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

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies

Elanor Investors Group (Group or Consolidated Group) is a 'stapled' entity comprising of Elanor Investment Fund (Trust) and its controlled entities (EIF Group), and Elanor Investors Limited (EIL or Company) and its controlled entities (EIL 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).

The financial year is defined as from 1 July 2014 to 30 June 2015, however operations commenced on 11 July 2014 when the Group listed on the ASX.

The significant policies which have been adopted in the preparation of these consolidated financial statements for the period ended 30 June 2015 are set out below.

The financial statements were authorised for issue by the Directors on 27 August 2015.

#### (a) Basis of preparation

As permitted by Class Order 05/642 issued by the Australian Securities and Investments Commission (ASIC), this report is a combined report that presents the consolidated financial statements and accompanying notes of both Elanor Investors Group and the Elanor Investment Fund (EIF Group).

The financial report of Elanor Investors Group comprises the consolidated financial report of Elanor Investors Limited and its controlled entities, including Elanor Investment Fund and its controlled entities.

The financial report of the EIF Group comprises the consolidated financial report of Elanor Investment Fund and its controlled entities.

These financial statements are to be read in conjunction with public announcements made by the Group during the reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, property, plant and equipment and derivative financial instruments held at fair value.

#### *Statement of Compliance*

The annual financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, the Trust Constitution and Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ('IFRS').

For the purposes of preparing the financial statements, the Consolidated Group and the EIF Group are for-profit entities. The financial report is presented in Australian dollars.

#### *Critical accounting judgement and estimates*

The preparation of financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates, and management to exercise its judgement in the process of applying the Group's accounting policies. The critical accounting estimates made include the estimation of the fair value of the Group's assets and assumptions related to deferred tax assets and liabilities, impairment testing of goodwill, Director valuations for some property, plant and equipment and investment properties. Judgement was made in the determination of control with respect to equity accounted investments and subsidiaries. No other key assumptions concerning the future, or other estimates of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next reporting period.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

##### *Going concern*

##### *Consolidated Group*

The Group's current liabilities exceeded its current assets by \$1,000 as at 30 June 2015. In addition, the Group is in advanced discussions to extend its facility of \$8.6m, which matures on 30 September 2015. Please refer to Note 19 for further details. Therefore management has continued to prepare the financial statements on a going concern basis.

##### *EIF Group*

The directors of Elanor Funds Management Limited, in its capacity as Responsible Entity of EIF Group, have received a letter of loan subordination from the Company indicating that it confirms its intention to not require repayment of the loan owed by EIF Group of \$4.1m to enable EIF Group to continue as a going concern and meet its financial obligations as and when they fall due, for at least 12 months from the date of signing of the Group's financial statements for the year ended 30 June 2015. EIF Group's current liabilities exceeded its current assets by \$9.1m as at 30 June 2015. In addition, the Group is in advanced discussions to extend its facility of \$8.6m, which matures on 30 September 2015. Please refer to Note 19 for further details.

#### (b) New accounting standards and interpretations not yet effective

Certain new standards and amendments and interpretations to existing standards have been published that are mandatory for the Group and the EIF Group for accounting periods beginning on or after 30 June 2015, which the Group and the EIF Group have not yet adopted. Based on a review of these standards, the majority of the standards yet to be adopted are not expected to have significant impact on the financial statements of the Group or the EIF Group. The Group's and the EIF Group's assessment of the impact of those new and amended standards and interpretations which may be relevant are set out below:

AASB 15 Revenue from Contracts with Customers; AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15; AASB 9 Financial Instruments; AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014); and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 and AASB 2014-5 apply to annual reporting periods beginning on or after 1 January 2017. Early application is permitted for annual reporting periods beginning on or after 1 January 2015 but before 1 January 2017. The Group is yet to assess its full impact. The Group does not intend to adopt AASB15 before its operative date, which means it would be first applied in the annual reporting period ending 30 June 2018.

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and may affect the Group's accounting for its financial assets. The standard is not applicable until periods beginning on or after 1 January 2018 but is available for early adoption. The Group is yet to assess its full impact. The Group does not intend to adopt AASB 9 before its operative date, which means it would be first applied in the annual reporting period ending 30 June 2019.

#### (c) 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 2015. 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 Financial Statements also include a separate column representing the Financial Statements of Elanor Investment Fund, incorporating the assets and liabilities of Elanor Investment Fund and all of its subsidiaries, as at 30 June 2015.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

Subsidiaries are all entities over which the Group has control. Control is defined as having rights to variable returns from involvement in the investee and having the ability to affect those returns through its power over the investee.

Where an entity began or ceased to be a controlled entity during the reporting period, the assets, liabilities and results are consolidated only from the date control commenced or up to the date control ceased.

In preparing the consolidated Financial Statements, all intra-group transactions and balances, including unrealised profits arising thereon, have been eliminated in full.

#### (d) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value and comprises the assets transferred, the liabilities incurred and the equity interests issued. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.



## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

##### (e) 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.

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

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

When a company 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.

##### (f) Revenue recognition

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 from sale of food and beverage items is recognised when the risks and rewards of ownership have passed to the buyer.

###### Sale of furniture and other goods

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

###### Funds management fee revenue

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

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

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

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

Where revenue is received from the sale of properties, it is recognised when the significant risks and rewards have transferred to the buyer. This will normally take place on unconditional exchange of contracts except where payment on completion is expected to occur significantly after exchange. For conditional exchanges, sales are recognised when the conditions are satisfied.

##### (g) Expenses

Expenses are brought to account on an accruals basis.

##### (h) Finance costs

Finance costs include interest payable on bank overdrafts and short-term and long-term borrowings, payments on derivatives and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Finance costs are expensed as incurred using the effective interest rate method, except to the extent that they are directly attributable to the acquisition of a qualifying asset. In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale.

##### (i) 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.

##### (j) 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.

##### (k) Receivables

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.

##### (l) Inventories

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.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

##### (m) Investment property

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

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes 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 Directors' and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

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

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

##### (n) Property, plant and equipment

###### Land and Buildings

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

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

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

###### Furniture, fittings and equipment

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

###### Livestock

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

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

##### Depreciation

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

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

#### (o) Intangible assets

##### Funds management rights

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

##### Brands

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

##### 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.

#### (p) 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.

#### (q) Payables

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 Securityholders 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.



## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

##### (r) Provisions

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.

##### (s) 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.

##### (t) Interest bearing liabilities

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.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

##### (u) Derivative and other financial instruments

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

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.

##### (v) 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.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

##### (w) Income tax

###### Trust

Under current tax legislation, the Trust is not liable for income tax, provided the Security holders are presently entitled to the taxable income of the Trust including realised capital gains each financial year.

###### Company and other taxable entities

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.

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 temporary 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.

The Company 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.

##### (x) Contributed equity

Ordinary units and shares are classified as equity and recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary securities are recognised directly in equity as a reduction, net of tax, of the proceeds received.

##### (y) Earnings per stapled security

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 dilutive potential stapled securities divided by the weighted average number of stapled securities and dilutive stapled securities.

##### (z) Segment reporting

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.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. Summary of significant accounting policies (continued)

##### (aa) Comparatives

The Trust was registered as a managed investment scheme on 21 May 2014 and the Company was incorporated on 1 May 2014. Units in the Trust and shares in the Company were stapled together and listed on the Australian Securities Exchange on 11 July 2014. The Group did not trade prior to 11 July 2014, and therefore there are no comparatives presented for the year ended 30 June 2015.

##### (ab) Use of estimates and judgement

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

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

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

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

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

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

##### 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.

##### Goodwill

Management judgement is required in reviewing and impairment testing goodwill balances carried by the Group, which involves estimates of key assumption including cash flow projection, growth rates and discount rates.

##### Deferred Tax Assets

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



# ELANOR INVESTORS GROUP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 2. Revenue from operating activities

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Revenue from hotels	21,955	-
Revenue from wildlife parks	10,166	-
Revenue from sale of furniture	18,927	-
Funds management fee income	4,888	-
<b>Revenue from operating activities</b>	<b>55,936</b>	<b>-</b>

### 3. Income tax expense

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>(a) Income tax expense</b>		
Current tax expense	199	-
Deferred tax expense	378	-
	<b>577</b>	<b>-</b>

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

Profit / (loss) from continuing operations before income tax expense:	3,297	15,061
Less: Profit / (loss) from the Trust (which is not taxable)	15,061	15,061
Prima facie profit / (loss)	(11,764)	-
Tax at the Australian tax rate of 30%	(3,529)	-
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	11	-
Non-deductible depreciation and amortisation	364	-
Fair value adjustments to investment property in the Trust	3,242	-
Non-deductible costs on acquisitions	489	-
<b>Income tax expense / (benefit)<sup>1</sup></b>	<b>577</b>	<b>-</b>

<sup>1</sup> A component of the deferred tax balances have been recognised in equity, in relation to capitalised equity raising costs. Refer to Note 20 for further details.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 4. Distributions

##### (a) Consolidated Group

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

	Distribution cents per stapled security	Total amount \$'000
Interim distribution <sup>(1)</sup>	5.20	3,675
Final distribution <sup>(2)</sup>	6.70	4,734

(1) The interim distribution of 5.20 cents per stapled security was declared on 24 February 2015 and paid on 27 February 2015.

(2) The final distribution of 6.70 cents per stapled security was not declared prior to 30 June 2015. Please refer to the Directors' Report for the calculation of Core Earnings and the Distribution.

##### (b) EIF Group

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

	Distribution cents per unit	Total amount \$'000
Interim distribution <sup>(1)</sup>	4.32	3,051
Final distribution <sup>(2)</sup>	4.75	3,353

(1) The interim distribution of 4.32 cents per stapled security was declared on 24 February 2015 and paid on 27 February 2015.

(2) The final distribution of 4.75 cents per stapled security was not declared prior to 30 June 2015. Please refer to the Directors' Report for the calculation of Core Earnings and the Distribution.

#### 5. Auditor's remuneration

	Consolidated Group 30 June 2015 \$
<b>Audit services:</b>	
Auditors of the Elanor Investors Group	
Deloitte Touche Tohmatsu Australia:	
Audit and review of financial reports	105,000
Australian financial services license audit	5,000
	110,000
<b>Other services:</b>	
Auditors of the Elanor Investors Group	
Deloitte Touche Tohmatsu Australia:	
Taxation advisory services	27,740
Taxation compliance services	35,000
Transaction services	248,500
	311,240
<b>Total</b>	<b>421,240</b>

All Audit fees for the Consolidated Group are borne by Elanor Investors Limited.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

	Consolidated Group 30 June 2015	EIF Group 30 June 2015
The earnings / (losses) per stapled security measure shown below is based upon the profit/(loss) attributable to Securityholders:		
Basic (cents)	4.10	22.68
Diluted (cents)	3.74	20.69
Profit/(loss) attributable to Securityholders used in calculating basic and diluted earnings per stapled security (\$'000)	2,720	15,061
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	66,402	66,402
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security <sup>1</sup>	72,802	72,802

1. The weighted average number of stapled securities and options granted used as 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.

#### EIL Group 30 June 2015

The earnings / (losses) per stapled security measure shown below is based upon the profit/(loss) attributable to Securityholders for Elanor Investors Limited:

Basic (cents)	(3.97)
Diluted (cents)	(3.97)
Profit/(loss) attributable to Securityholders used in calculating basic and diluted earnings per stapled security (\$'000)	(2,637)
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	66,402
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security	66,402

#### 7. Cash and cash equivalents

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Cash at bank	7,488	3,437
	<b>7,488</b>	<b>3,437</b>

#### 8. Trade and other receivables

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Current</b>		
Trade Receivables	3,188	753
Other Receivables	167	-
	<b>3,355</b>	<b>753</b>

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 9. Derivative financial instruments

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Current liabilities</b>		
Interest rate swaps	86	86
	<b>86</b>	<b>86</b>
<b>Non-current liabilities</b>		
Interest rate swaps	86	86
	<b>86</b>	<b>86</b>
<b>Total Derivative financial instruments</b>	<b>172</b>	<b>172</b>

#### Interest rate swaps

The Group has entered into an interest rate swap agreement with a notional principal amount totalling \$10 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.

#### 10. Deferred taxes

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>(a) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Employee entitlements	495	-
Audit accrual	34	-
Business acquisitions blackhole expenses	835	-
Other	73	-
	<b>1,437</b>	<b>-</b>
<i>Movements:</i>		
Opening balance at beginning of year	-	-
Business combinations	1,443	-
Debited to the Consolidated Statements of Profit or Loss	(445)	-
Credited to Equity	439	-
<b>Closing balance at the end of the year</b>	<b>1,437</b>	<b>-</b>
Deferred tax expected to be recovered within 12 months	574	-
Deferred tax expected to be recovered after more than 12 months	863	-
<b>(b) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Business acquisitions	285	-
Other	200	-
	<b>485</b>	<b>-</b>
<i>Movements:</i>		
Opening balance at beginning of year	-	-
Business combinations	552	-
Credited to the Consolidated Statements of Profit or Loss	(67)	-
<b>Closing balance at the end of the year</b>	<b>485</b>	<b>-</b>
Deferred tax expected to be settled within 12 months	239	-
Deferred tax expected to be settled after more than 12 months	246	-

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 11. Property, plant and equipment

##### Consolidated Group

Property	Note	Total Cost on Acquisition	Additions	Accumulated Depreciation	Fair Value Decrement during the period	Cumulative revaluation increments/ (decrements)	Consolidated Fair Value
		\$'000	\$'000	30 June 2015 \$'000		30 June 2015 \$'000	30 June 2015 \$'000
Cradle Mountain Lodge	(1)	28,796	485	(1,117)	-	8,836	37,000
Eaglehawk Hotel	(2)	19,224	437	(665)	(1,254)	-	17,742
Wollongong Hotel	(3)	8,195	133	(294)	-	466	8,500
Albany Hotel	(4)	5,320	17	(43)	(44)	-	5,250
Featherdale Wildlife Park	(5)	13,447	180	(91)	(39)	1,503	15,000
Other		3,149	482	(93)	(982)	-	2,556
<b>Total</b>		<b>78,131</b>	<b>1,734</b>	<b>(2,303)</b>	<b>(2,319)</b>	<b>10,805</b>	<b>86,048</b>

(1) At 30 June 2015, the Directors assessed the fair value of the property, plant and equipment of the Cradle Mountain Lodge to be \$37m, supported by an independent valuation performed as at 30 June 2015 by Colliers of \$37m.

(2) At 30 June 2015, the Directors assessed the fair value of the property, plant and equipment of the Eaglehawk Hotel to be \$17.7m, supported by an independent valuation performed as at 30 June 2015 by LandMark White of \$17.7m.

(3) At 30 June 2015, the Directors assessed the fair value of the property, plant and equipment of the Wollongong Hotel to be \$8.5m, supported by an independent valuation performed as at 30 June 2015 by Colliers of \$8.5m.

(4) At 30 June 2015, the Directors assessed the fair value of the property, plant and equipment of the Albany Hotel to be \$5.3m, supported by an independent valuation performed as at 30 June 2015 by Opteon Property Group of \$5.3m.

(5) At 30 June 2015, the Directors assessed the fair value of the property, plant and equipment of the Featherdale Wildlife Park to be \$15m.

Refer to Note 25 for information on the valuation techniques used to derive the fair value of the property, plant and equipment.

## ELANOR INVESTORS GROUP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015

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

## Gross Carrying amount

A reconciliation of the gross 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 2015 \$'000
Carrying amount at the beginning of the period					
Total cost on acquisition	27,069	41,776	8,558	728	78,131
Fair value decrement	(899)	(1,420)	-	-	(2,319)
Additions	-	-	1,734	-	1,734
Revaluation increments	10,805	-	-	-	10,805
<b>Carrying amount at the end of the period</b>	<b>36,975</b>	<b>40,356</b>	<b>10,292</b>	<b>728</b>	<b>88,351</b>

## Accumulated depreciation

A reconciliation of the accumulated depreciation 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 2015 \$'000
Accumulated depreciation at the beginning of the period	-	(1,078)	(1,171)	(54)	-
Depreciation	-	(1,078)	(1,171)	(54)	(2,303)
<b>Accumulated depreciation at the end of the period</b>	<b>-</b>	<b>(1,078)</b>	<b>(1,171)</b>	<b>(54)</b>	<b>(2,303)</b>
<b>Total carrying value at the end of the period</b>	<b>36,975</b>	<b>39,278</b>	<b>9,121</b>	<b>674</b>	<b>86,048</b>



## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

	Consolidated Group 30 June 2015 \$'000
Freehold land	26,170
Buildings	39,278
Plant and equipment	9,121
Livestock	674
<b>Total</b>	<b>75,243</b>

#### 12. Investment properties

##### EIF Group

Property	Note	Total Cost on Acquisition \$'000	Additions \$'000	Fair Value (decrements) /increments \$'000	Consolidated Fair Value \$'000
					30 June 2015 \$'000
Cradle Mountain Lodge	(1)	25,529	-	8,836	34,365
Eaglehawk Hotel	(1)	15,826	-	(1,050)	14,776
Wollongong Hotel	(1)	6,651	-	466	7,117
Albany Hotel	(1)	5,070	-	(13)	5,057
Featherdale Wildlife Park	(1)	10,129	-	1,464	11,593
<b>Total</b>		<b>63,205</b>	<b>-</b>	<b>9,703</b>	<b>72,908</b>

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. Investment properties (continued)

##### Notes

(1) These values relate to land and buildings held by the Trust only. Refer to Note 11 - Property, plant and equipment for the full valuation.

Refer to Note 25 for information on the valuation techniques used to derive the fair value of the investment properties.

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

	EIF Group 30 June 2015 \$'000
Carrying amount at the beginning of the period	
Total costs on acquisition	63,205
Additions	-
Revaluation increments	9,703
<b>Carrying amount at the end of the period</b>	<b>72,908</b>

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 13. Inventories

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Current</b>		
Goods held for resale	3,765	-
<b>Total current</b>	<b>3,765</b>	<b>-</b>
<b>Non-current</b>		
Property Inventory	11,781	-
<b>Total Non-current</b>	<b>11,781</b>	<b>-</b>

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$13m.

Inventory is carried at the lower of cost or net realisable value. The directors have assessed the carrying value of the Property Inventory, and have not recognised any impairment during the period. This assessment is supported by an independent valuation performed on 30 June 2015, by Urbis of \$16.3m. Please refer to Note 31 for further details on the furniture inventory subsequent to year end.

#### 14. Equity accounted investments

	Principal activity	Percentage Ownership	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
193 Clarence Hotel Fund	Accommodation	10.00%	1,160	1,160
Bell City Fund	Accommodation	17.47%	12,222	12,222
Auburn Central Fund	Shopping Centre	1.85%	620	620
<b>Total equity accounted investments</b>			<b>14,002</b>	<b>14,002</b>

All of the above associates are accounted for using the equity method in these consolidated financial statements.

#### Details of Material Associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with accounting standards, adjusted by the Group for equity accounting purposes.

#### **Bell City Fund**

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

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

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

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 14. Equity accounted investments (continued)

##### Bell City Fund (continued)

	30 June 2015
<b>Financial Position</b>	<b>\$'000</b>
Current assets	6,175
Non - current assets	153,193
<b>Total Assets</b>	<b>159,368</b>
Current liabilities	3,919
Non - current liabilities	85,477
<b>Total Liabilities</b>	<b>89,396</b>
Contributed Equity	67,278
Reserves	2,326
Retained profits / (accumulated losses)	368
<b>Total Equity</b>	<b>69,972</b>

	Period ended 30 June 2015
<b>Financial performance</b>	<b>\$'000</b>
Profit / (loss) for the period	368
Other comprehensive income for the period	2,326
<b>Total comprehensive income for the period</b>	<b>2,694</b>

Distributions received from the associate during the period	248
---	-----

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

	30 June 2015
	<b>\$'000</b>
Net assets of the associate	69,972
Proportion of the Group's ownership interest in the Bell City Fund	17.47%
Carrying amount of the Group's interest in the Bell City Fund	12,222

Aggregate information of associates that are not individually material	Period ended 30 June 2015
	<b>\$'000</b>
Profit / (loss) for the period	554
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<b>554</b>

Aggregate carrying amount of the Group's interests in these associates	1,780
--	-------

# ELANOR INVESTORS GROUP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 15. Goodwill and intangible assets

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Management Rights	1,500	-
Accumulated amortisation	(150)	-
<b>Total Management Rights</b>	<b>1,350</b>	<b>-</b>
Brands	1,660	-
Accumulated impairment charge	-	-
<b>Total Brands</b>	<b>1,660</b>	<b>-</b>
Goodwill at cost	4,810	-
Accumulated impairment charge	-	-
<b>Total Goodwill</b>	<b>4,810</b>	<b>-</b>
<b>Total intangible assets</b>	<b>7,820</b>	<b>-</b>

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Management Rights</b>		
Opening net book amount	-	-
Additions from business combinations	1,500	-
Amortisation	(150)	-
Closing net book amount	1,350	-
<b>Brands</b>		
Opening net book amount	-	-
Additions from business combinations	1,660	-
Accumulated impairment charge	-	-
Closing net book amount	1,660	-
<b>Goodwill</b>		
Opening net book amount	-	-
Additions from business combinations	4,810	-
Accumulated impairment charge	-	-
Closing net book amount	4,810	-
<b>Total intangible assets</b>	<b>7,820</b>	<b>-</b>

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 15. Goodwill and intangible assets (continued)

##### Management Rights

Management Rights represent the acquisition of funds management rights and associated licences from Moss Capital Pty Limited at IPO for \$1.5m. 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.

##### Impairment test for brands

Brands are allocated to the Group's cash-generating units (CGU's) identified. All of the brands carried at 30 June 2015 are attributable to the Group's investment in the John Cootes Furniture business.

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

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

The period over which management has projected the CGU cash flows is based upon a 10 year operating forecast. The average growth rates used (6%) and royalty rates (1.65%) are consistent with forecasts included in industry reports. The discount rates used (18.25%) are pre-tax and reflect specific risks relating to the relevant CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on the 2016 financial year budget. Cash flows beyond the budget period are extrapolated using the growth rates stated above. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

##### Goodwill

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

##### Impairment test for goodwill

Goodwill is allocated to the CGU's identified. All of the goodwill carried at 30 June 2015 is attributable to the Group's investment in the John Cootes Furniture business.

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

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

The period over which management has projected the CGU cash flows is based upon a 5 year operating forecast. The average growth rates used (6%) are consistent with forecasts included in industry reports. The discount rates used (18.25%) are pre-tax and reflect specific risks relating to the relevant CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on the 2016 financial year budget. Cash flows beyond the budget period are extrapolated using the growth rates stated above. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.



## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 15. Goodwill and intangible assets (continued)

##### Sensitivity

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

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

#### 16. Provisions

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Current</b>		
Provision for annual leave	615	-
Provision for long service leave	138	-
Provision for ESOP	71	37
<b>Total current</b>	<b>824</b>	<b>37</b>
<b>Non-current</b>		
Provision for annual leave	248	-
Provision for long service leave	653	-
<b>Total non-current</b>	<b>901</b>	<b>-</b>
<b>Total provisions</b>	<b>1,725</b>	<b>37</b>

#### 17. Other current liabilities

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Advance deposits	1,148	-
	<b>1,148</b>	<b>-</b>

#### 18. Payables

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Trade Creditors	1,265	-
Related party payables	-	171
Accrued Expenses	2,148	236
GST Payable	570	170
Tax payable	267	-
<b>Total payables</b>	<b>4,250</b>	<b>577</b>

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 19. Interest bearing liabilities

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Current</b>		
Bank loan - term debt	8,559	8,559
Borrowing Costs less amortisation	(18)	(18)
Loan from the Company <sup>(1)</sup>	-	4,052
<b>Total current</b>	<b>8,541</b>	<b>12,593</b>
<b>Non-current</b>		
Bank loan - term debt	22,396	20,000
Borrowing Costs less amortisation	(218)	(163)
<b>Total non-current</b>	<b>22,178</b>	<b>19,837</b>
<b>Total interest bearing liabilities</b>	<b>30,719</b>	<b>32,430</b>

(1) The Loan from the Company to the Trust was created as a result of the Company loaning an amount of the proceeds of the Placement in December 2014 to the Trust for the acquisition of its share of the Bell City Fund. The loan is at call, with the current interest rate at 4.34% p.a.

The term debt is secured by registered mortgages over all freehold property and registered security interests over all present and after acquired property of key Group companies. The terms of the debt also impose certain covenants on the Group including Loan to Value ratio and Interest Cover covenants. The Group is currently meeting all its covenants.

#### Credit facilities

As at 30 June 2015, the Group had unrestricted access to the following credit facilities:

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
A\$ trade credit facility	500	-
Amount used	(396)	-
<b>Amount unused</b>	<b>104</b>	<b>-</b>
Working Capital facility	5,000	5,000
Amount used	(2,000)	(2,000)
<b>Amount unused</b>	<b>3,000</b>	<b>3,000</b>
Term debt facility	28,559	28,559
Amount used	(28,559)	(28,559)
<b>Amount unused</b>	<b>-</b>	<b>-</b>
Total facility	34,059	33,559
Total amount used	(30,955)	(30,559)
<b>Total amount unused</b>	<b>3,104</b>	<b>3,000</b>

#### Consolidated Group

The Group has access to a \$34.1m facility, upon which both the Company and the Trust can draw. The drawn amount at 30 June 2015 of \$8.6m of the AUD facility will mature on 30 September 2015 and \$25m will mature on 11 July 2017. At 30 June 2015, the amount of drawn facilities is hedged to 32%.

All of the facilities have a variable interest rate. As detailed in Note 24, 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 2015, including the impact of the interest rate swaps, is 4.12% per annum.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 19. Interest bearing liabilities (continued)

##### EIF Group

The EIF Group has access to a \$33.6m facility, upon which both the Company and the Trust can draw. The drawn amount at 30 June 2015 of \$8.6m of the AUD facility will mature on 30 September 2015 and \$25m will mature on 11 July 2017. At 30 June 2015, the amount of drawn facilities is hedged to 33%.

All of the facilities have a variable interest rate. As detailed in Note 24, 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 2015, including the impact of the interest rate swaps, is 4.12% per annum.

#### 20. Contributed equity

20. Contributed equity				Total Equity 30 June 2015 \$'000	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
No. of Details securities/ shares	Date of income entitlement	Note				
60,800,000	Initial Public Offering (IPO)	10 Jul 2014	(i)	76,000	36,489	39,511
	Issue costs paid (net of tax)			(2,146)	(888)	(1,258)
9,120,000	Placement	9 Dec 2014	(ii)	12,586	5,690	6,896
	Issue costs paid (net of tax)			(346)	(127)	(219)
724,752	Security Purchase Plan	30 Dec 2014	(ii)	1,000	452	548
	Issue costs paid (net of tax)			(45)	(27)	(18)
<b>70,644,752</b>	<b>Securities/shares on issue</b>	<b>30 Jun 2015</b>		<b>87,049</b>	<b>41,589</b>	<b>45,460</b>

##### (i) Initial Public Offering (IPO)

On 10 July 2014, the Group completed an Initial Public Offering (IPO) of securities on the Australian Securities Exchange, whereby all of the share capital of Elanor Investors Limited and all of the units in the Elanor Investment Fund were stapled together and commenced trading. At allotment, 60,800,000 stapled securities were issued to the public, at a price of \$1.25 per stapled security, raising \$76m, before issue costs.

##### (ii) Placement and Security Purchase Plan

On 9 December 2014 and 30 December 2014 the Group issued stapled securities under a Placement and a Security Purchase Plan respectively to fund the acquisition of a co-investment in the Bell City Fund.

Securities issued under the Placement and the Share Purchase Plan rank equally with existing securities.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 21. Reserves

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Asset revaluation reserve</b>		
Opening balance	-	-
Revaluation	10,805	-
Transfer to retained profits - realised items	-	-
Equity Accounted Investment Revaluation Reserve	450	450
Closing balance	11,255	450
<b>Cash flow hedge reserve</b>		
Opening balance	-	-
Revaluation	(172)	(172)
Transfer to retained profits - realised items	-	-
Closing balance	(172)	(172)
<b>Stapled security-based payment reserve</b>		
Opening balance	-	-
Loan Securities and Option expense	260	136
Closing balance	260	136
<b>Total reserves</b>	<b>11,343</b>	<b>414</b>

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

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

At IPO, as part of the Group's Deferred Short Term Incentive (DSTI) and Long Term Incentive (LTIP) remuneration plans, the Group issued 6.4 million unquoted Loan Security Awards and 1.6 million Options to certain management and other personnel within the Group as part of their remuneration arrangements. Please refer to Note 30 for more information. Upon vesting, the Group issues stapled securities to those personnel.

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

#### 22. Retained profits / (Accumulated losses)

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Opening balance	-	-
Profit / (loss) for the period	2,720	15,061
Available for distribution	2,720	15,061
Transfer from asset revaluation reserve	-	-
Distributions paid	(3,675)	(3,051)
<b>Closing balance</b>	<b>(955)</b>	<b>12,010</b>

The final distribution of 6.70 cents per stapled security for the year ended 30 June 2015 totalling \$4.7m had not been declared at year end. This will be paid on or before 11 September 2015.

Distributions paid exceeded profit for the year as a result of the first year IPO costs. Distributions are paid out of Core Earnings as calculated in the Directors' report.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 23. Business combinations

##### Current Period

##### Acquisitions of businesses and assets

During the reporting period, a number of business and asset acquisitions were completed by the Group. As a part of the Group's IPO on 11 July 2014, an initial portfolio of businesses and assets was acquired and valued at approximately \$87m.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Cradle Mountain Lodge						Featherdale Wildlife Park		John Cootes Furniture		Wiltex Wholesale		Total
<b>Date of Acquisition:</b>	10 Jul 2014	10 Jul 2014	10 Jul 2014	10 Jul 2014	12 Dec 2014	10 Jul 2014	10 Jul 2014	11 Jul 2014	11 Jul 2014	11 Jul 2014			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Purchase consideration:</b>													
Cash paid	28,297	17,672	7,248	7,248	5,349	13,796	6,710	13,008					92,080
<b>Total purchase consideration</b>	<b>28,297</b>	<b>17,672</b>	<b>7,248</b>	<b>7,248</b>	<b>5,349</b>	<b>13,796</b>	<b>6,710</b>	<b>13,008</b>					<b>92,080</b>
Fair value of net identifiable assets acquired	28,297	17,672	7,248	7,248	5,349	13,796	1,900	13,008					87,270
<b>Goodwill</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,810</b>	<b>-</b>					<b>4,810</b>

The goodwill is attributable to the John Cootes Furniture business' strong market position and profitable trading history. None of the goodwill is expected to be deductible for tax purposes.

# Annual Financial Report continued

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 23. Business combinations (continued)

	Cradle Mountain Lodge \$'000	Eaglehawk Hotel \$'000	Wollongong Hotel \$'000	Albany Hotel \$'000	Featherdale Wildlife Park \$'000	John Cootes Furniture \$'000	Wiltex Wholesale \$'000	Total \$'000
Separately identifiable intangibles	-	-	-	-	-	1,660	-	1,660
Inventory	298	-	-	-	134	2,062	10,965	13,459
Property, plant and equipment	28,796	19,224	8,195	5,320	13,407	199	1,965	77,106
Net deferred tax assets/(liabilities)	18 (122)	61	(1)	31	219	502	61	891
Payables	(330)	(35)	-	-	(362)	(856)	-	(1,340)
Employee benefits provision	845	228	370	(12)	(328)	(710)	-	(1,415)
Other current assets	(1,170)	(289)	(318)	(162)	1,312	-	148	3,176
Other current liabilities					(555)	(956)	(132)	(3,612)
<b>Net identifiable assets acquired</b>	<b>28,335</b>	<b>19,189</b>	<b>8,246</b>	<b>5,450</b>	<b>13,797</b>	<b>1,901</b>	<b>13,007</b>	<b>89,925</b>
<b>Outflow of cash to acquire business</b>								
Cash consideration	28,297	17,672	7,248	5,349	13,796	6,710	13,008	92,080
Less: Balance acquired	378	-	162	-	540	-	-	1,080
<b>Net outflow of cash</b>	<b>27,919</b>	<b>17,672</b>	<b>7,086</b>	<b>5,349</b>	<b>13,256</b>	<b>6,710</b>	<b>13,008</b>	<b>91,000</b>
<b>Acquisition-related costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>772</b>	<b>213</b>	<b>1,024</b>

These costs have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the year, and included in the statement of cash flows.

#### Revenue and profit contribution

The operating results of the acquired businesses are disclosed as part of the total results of the operating segments of the Consolidated Group, refer to note 27 for disclosure of segment information.



## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 24. Financial risk management

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

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

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

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

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

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

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

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

##### a) Market risk

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

##### (i) Interest rate risk

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

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

	Floating interest rate	Fixed interest Maturity < 1 yr	Fixed interest Maturity 1 - 5 yrs	Fixed interest Maturity > 5 yrs	Total
Consolidated Group 30 June 2015	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					-
Cash and cash equivalents	7,488	-	-	-	7,488
<b>Total Assets</b>	<b>7,488</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,488</b>
Weighted average interest rate					4.12%
<b>Liabilities</b>					
Interest bearing loans	20,955	-	10,000	-	30,955
Derivative financial instruments	172	-	-	-	172
<b>Total Liabilities</b>	<b>21,127</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>31,127</b>
Weighted average interest rate					4.12%

ELANOR INVESTORS GROUP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015

24. Financial risk management (continued)

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

EIF Group 30 June 2015	Floating interest rate \$'000	Fixed interest Maturity < 1 yr \$'000	Fixed interest Maturity 1 - 5 yrs \$'000	Fixed interest Maturity > 5 yrs \$'000	Total \$'000
<b>Assets</b>					-
Cash and cash equivalents	3,437	-	-	-	3,437
<b>Total Assets</b>	<b>3,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,437</b>
Weighted average interest rate					4.12%
<b>Liabilities</b>					
Interest bearing loans	22,611	-	10,000	-	32,611
Derivative financial instruments	172	-	-	-	172
<b>Total Liabilities</b>	<b>22,783</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>32,783</b>
Weighted average interest rate					4.12%

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 2015	Carrying Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and cash equivalents	7,488	75	-	(75)	-
Derivative financial instruments	172	-	10	-	(10)
Interest bearing loans	30,955	(210)	-	210	-
<b>Total increase / (decrease)</b>	<b>38,615</b>	<b>(135)</b>	<b>10</b>	<b>135</b>	<b>(10)</b>

EIF Group 30 June 2015	Carrying Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and cash equivalents	3,437	34	-	(34)	-
Derivative financial instruments	172	-	10	-	(10)
Interest bearing loans	32,611	(226)	-	226	-
<b>Total increase / (decrease)</b>	<b>36,220</b>	<b>(192)</b>	<b>10</b>	<b>192</b>	<b>(10)</b>

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 24. 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:

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Cash and other cash equivalents	7,488	3,437
Trade and other receivables	3,355	753
<b>Total</b>	<b>10,843</b>	<b>4,190</b>

Where entities have a right of set-off and intend to settle on a net basis under netting arrangements, this set-off has been recognised in the consolidated financial statements on a net basis. Details of the Group's contingent liabilities are disclosed in Note 28.

Trade and other receivables consist of GST, distributions and other receivables. At balance date 38% of the Group's receivables were due from Australian tax authorities in respect of GST.

The EIF Group is exposed to credit risk with respect to the letter of loan subordination from the Company (see Note 1(a)), in respect of the Company's non-requirement of the repayment of the loan.

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

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

##### Impairment losses

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

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Current	431	753
Past due 31-60 days	2,167	-
Past due 61+ days	757	-
<b>Total</b>	<b>3,355</b>	<b>753</b>

## ELANOR INVESTORS GROUP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015

## 24. 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 2015

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000	Carrying amount \$'000
<b>Derivative financial liabilities</b>						
Derivatives	86	86	-	-	-	172
<b>Non derivative financial liabilities</b>						
Payables	5,385	901	-	-	-	6,286
Interest bearing loans	9,835	923	23,319	-	-	34,077
Current tax liabilities	837	485	-	-	-	1,322
<b>Total</b>	<b>16,143</b>	<b>2,395</b>	<b>23,319</b>	<b>-</b>	<b>-</b>	<b>41,857</b>

EIF Group  
30 June 2015

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000	Carrying amount \$'000
<b>Derivative financial liabilities</b>						
Derivatives	86	86	-	-	-	172
<b>Non derivative financial liabilities</b>						
Payables	236	-	-	-	-	236
Interest bearing loans	13,955	824	20,824	-	-	35,603
Current tax liabilities	170	-	-	-	-	170
<b>Total</b>	<b>14,447</b>	<b>910</b>	<b>20,824</b>	<b>-</b>	<b>-</b>	<b>36,181</b>

## 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 Securityholders and to maintain an optimal capital structure. The capital structure of the Group consists of equity as listed in Note 20.

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.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 24. Financial risk management (continued)

##### *Australian Financial Services Licence*

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 Licence.

#### 25. Fair value measurement

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

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

##### (a) Fair value hierarchy

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

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

ELANOR INVESTORS GROUP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015

25. Fair value measurement (continued)

The following table presents the Consolidated Group's assets and liabilities measured and recognised at fair value at 30 June 2015 on a recurring basis:

Consolidated Group June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets measured at fair value</b>				
Investment properties	-	-	-	-
Property, plant and equipment	-	-	86,048	86,048
Derivatives	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>86,048</b>	<b>86,048</b>
<b>Liabilities measured at fair value</b>				
Derivatives	-	(172)	-	(172)
<b>Total liabilities</b>	<b>-</b>	<b>(172)</b>	<b>-</b>	<b>(172)</b>

The following table presents the EIF Group's assets and liabilities measured and recognised at fair value at 30 June 2015 on a recurring basis:

EIF Group June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets measured at fair value</b>				
Investment properties	-	-	72,908	72,908
Property, plant and equipment	-	-	-	-
Derivatives	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>72,908</b>	<b>72,908</b>
<b>Liabilities measured at fair value</b>				
Derivatives	-	(172)	-	(172)
<b>Total liabilities</b>	<b>-</b>	<b>(172)</b>	<b>-</b>	<b>(172)</b>

(b) Reconciliation of movements in fair value of level 3 assets and liabilities

Consolidated Group	Property, plant and equipment (Level 3) \$'000	Investment properties (Level 3) \$'000	Total \$'000
Opening balance	-	-	-
Additions	79,865	-	79,865
Depreciation	(2,303)	-	(2,303)
Fair value gains / (losses)	8,486	-	8,486
Disposals	-	-	-
<b>Closing balance</b>	<b>86,048</b>	<b>-</b>	<b>86,048</b>



## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 25. Fair value measurement (continued)

##### EIF Group

	Property, plant and equipment (Level 3) \$'000	Investment properties (Level 3) \$'000	Total \$'000
Opening balance	-	-	-
Additions	-	63,205	63,205
Fair value gains / (losses)	-	9,703	9,703
Disposals	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>72,908</b>	<b>72,908</b>

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2015.

#### (c) Valuation techniques used to derive Level 2 and Level 3 fair values

##### Financial Instruments

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

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

Specific valuation techniques used to value financial instruments include:

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

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

##### 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.

ELANOR INVESTORS GROUP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015

25. Fair value measurement (continued)

Valuation technique and inputs

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

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

Capitalisation method

Capitalisation rate (or cap 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 (cap 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 regards to market evidence and the 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.

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

Consolidated Group	Book Value 30 June 2015 \$'000	Capitalisation Rate %	Discount Rate %
<b>Assets measured at fair value</b>			
Property, plant and equipment	86,048	9.00% - 23.00%	9.00% - 13.00%
<b>Total assets</b>	<b>86,048</b>		

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

EIF Group	Book Value 30 June 2015 \$'000	Capitalisation Rate %	Discount Rate %
<b>Assets measured at fair value</b>			
Investment properties	72,908	9.00% - 23.00%	9.00% - 13.00%
<b>Total assets</b>	<b>72,908</b>		

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 25. Fair value measurement (continued)

##### Sensitivity Information

The key unobservable inputs to measure 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.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 26. Net tangible assets

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Net tangible assets are calculated as follows:		
Total assets	135,650	91,100
Less: Intangible assets	(7,820)	-
Less: Total liabilities	(38,213)	(33,216)
<b>Net tangible assets</b>	<b>89,617</b>	<b>57,884</b>
Total number of stapled securities on issue	70,645	70,645
Net tangible asset backing per stapled security / unit	1.27	0.82

#### 27. Segment information

##### 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 2015, the Funds Management division has approximately \$346m of external investments under management, being the Managed Investments;

##### *Hotels, Tourism and Leisure*

Hotel, Tourism and Leisure originates investment and fund management assets. The current investment portfolio includes Peppers Cradle Mountain Lodge, Featherdale Wildlife Park, Ibis Styles Canberra Eaglehawk Hotel, Mantra Wollongong Hotel and Ibis Styles Albany Hotel along with co-investment in 193 Clarence Hotel syndicate and four Bell City syndicates. Hotel, Tourism and Leisure also manages these syndicates;

##### *Real Estate*

Real Estate originates investment and fund management assets. The current investment portfolio comprises an investment in Auburn Central syndicate. Real Estate manages Manning Mall, Griffin Plaza, Super A Mart Auburn, John Cootes Diversified Property and Auburn Central syndicates; and

##### *Special Situation Investments*

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

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.

# ELANOR INVESTORS GROUP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 27. Segment information (continued)

#### Consolidated Group - 30 June 2015

	Funds Management	Hotels, Tourism & Leisure	Real Estate	Special Situation Investments	Unallocated Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from trading activities	4,902	22,614	-	19,653	748	47,917
Revenue from wildlife parks	-	10,170	-	-	-	10,170
Share of profit of equity accounted investments	-	87	6	-	-	93
Operating expense	(424)	(23,803)	-	(17,810)	(4,153)	(46,190)
Divisional EBITDA	4,478	9,068	6	1,843	(3,405)	11,990
Depreciation and amortisation	(150)	(2,211)	-	(58)	(34)	(2,453)
Divisional EBIT	4,328	6,857	6	1,785	(3,439)	9,537
Transaction and establishment costs not included in divisional EBIT					(4,843)	(4,843)
Amortisation of Borrowing Costs					(138)	(138)
Borrowing costs					(1,259)	(1,259)
Net tax benefit / (expense)					(577)	(577)
<b>Profit/(loss) for the year</b>	<b>4,328</b>	<b>6,857</b>	<b>6</b>	<b>1,785</b>	<b>(10,256)</b>	<b>2,720</b>
Total assets	4,565	103,455	620	24,685	2,325	135,650
Total liabilities	326	3,762	-	2,699	31,426	38,213

#### EIF Group - 30 June 2015

	Funds Management	Hotels, Tourism & Leisure	Real Estate	Special Situation Investment	Unallocated Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from trading activities	-	8,132	-	-	27	8,159
Share of profit of equity accounted investments	-	87	6	-	-	93
Operating expense	-	(10)	-	-	(200)	(210)
Divisional EBITDA	-	8,209	6	-	(173)	8,042
Depreciation and amortisation	-	-	-	-	-	-
Divisional EBIT	-	8,209	6	-	(173)	8,042
Transaction and establishment costs not included in divisional EBIT					(1,297)	(1,297)
Fair value adjustment on revaluation of investment property					9,703	9,703
Responsible Entity management fee expense					(130)	(130)
Amortisation of Borrowing Costs					(113)	(113)
Borrowing costs					(1,144)	(1,144)
<b>Profit/(loss) for the year</b>	<b>-</b>	<b>8,209</b>	<b>6</b>	<b>-</b>	<b>6,846</b>	<b>15,061</b>
Total assets	-	76,616	620	-	13,864	91,100
Total liabilities	-	222	-	-	32,994	33,216

### 28. Contingent liabilities and commitments

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

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 29. Related party disclosures

##### Initial Public Offering (IPO)

On 11 July 2014 the Group completed its Initial Public Offering of securities on the Australian Securities Exchange. The IPO involved a number of related party transactions with Moss Capital Pty Limited, of which Glenn Willis and William (Bill) Moss AO are directors and shareholders.

Other than as disclosed elsewhere, the Group discloses the following related party transactions for the period to 30 June 2015.

Moss Capital received the following payments and fees out of the proceeds of the IPO, reflecting its role in managing the acquired trusts and the managed funds prior to acquisition by the Group at IPO, as well as other IPO related costs:

- A funds management rights fee of \$1.5 million (plus GST) paid by Elanor Funds Management Limited as consideration for the funds management rights of the Managed Investments and the third party owned investment funds and syndicates under a Management Rights Deed;
- An acquisition fee of \$285,000 (plus GST) paid on completion of the purchase of John Cootes Furniture and Wiltex Wholesale Pty Limited (the owner of the Merrylands Property) to be paid by Elanor Investors Limited;
- An establishment and acquisition fee of \$265,600 (plus GST) paid on completion of the acquisition of Hotel Ibis Styles Canberra Eaglehawk payable out of the assets of the Eaglehawk Fund; and
- The repayment of the loan of \$885,000 from Moss Capital which was used to fund the deposit for the acquisition of Hotel Ibis Styles Eaglehawk.

##### Elanor Investors Group

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. 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.

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

##### 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 2015, this amount is \$130,000.

EFML makes payments for EIF from time to time. These payments are incurred by EFML in properly performing or exercising its powers or duties in relation to EIF. EFML has a right of indemnity from EIF, for any liability incurred by EFML in properly performing or exercising any of its powers or duties in relation to EIF. The amount reimbursed for the year ending 30 June 2015 was Nil.

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

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 29. Related party disclosures (continued)

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

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

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Manning Mall Syndicate	966	-
Griffin Plaza Syndicate	512	-
Super A Mart Auburn Syndicate	13	-
John Cootes Diversified Property Syndicate	132	-
193 Clarence Hotel Syndicate	500	-
Bell City Syndicates	1,989	-
Auburn Central Syndicate	990	-
Dee Why Syndicate	4	-
Marsden Park Syndicate	10	-
<b>Total</b>	<b>5,116</b>	<b>-</b>

#### Key Management Personnel (KMP)

The KMP of the Elanor Investors Group for the year ended 30 June 2015 were:

Executive	Position
Mr Glenn Willis	Managing Director and Chief Executive Officer
Mr Paul Siviour	Chief Operating Officer (commenced 8 September 2014)
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:

	30 June 2015 \$
Short term benefits	1,166,786
Post employment benefits	105,645
Share-based payment	252,896
<b>Total</b>	<b>1,525,327</b>

Details of the remuneration of the KMP's is provided in the Remuneration Report.

#### 30. Share-based payments

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, 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 Securityholders 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 be delivered in deferred securities, which vest two years after award, provided that the employee remains with the Group and maintains minimum performance standards.



## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

Under the executive loan security plan awards (comprising the loan of funds to eligible Elanor employees to acquire Securities which are subject to vesting conditions) have been issued to certain employees. Awards totalling 6.4 million Securities have been made.

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

In addition to the loan security plan, the Group has implemented an executive option plan comprising rights to acquire Securities at a specified exercise price, subject to the achievement of vesting conditions, which may be offered to certain eligible employees (including the Chief Executive Officer, direct reports to the Chief Executive Officer and other selected key executives) as determined by the Board. Options have been issued to the Chief Executive Officer only, over 1.6 million Securities.

The purpose of the LTI Scheme is to assist in attracting, motivating and retaining key management and employees. The LTI Scheme operates by providing key management and employees with the opportunity to participate in the future performance of Group Securities. The vesting conditions for the LTI plans and related awards include both a service based hurdle and an absolute total security holder return (TSR) performance hurdle. The service based hurdle is 3 years in the case of both plans. The TSR is 10% per annum in the case of the loan security plan and 15% per annum in the case of the options plan. The option plan has an exercise price of \$1.80 per security (44% premium to the \$1.25 offer price at the time of the IPO).

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

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

#### Employee Loan Securities

Award Type	Number Granted	Grant Date	Vesting Date	Vesting Conditions <sup>1</sup>	Security Price at Grant Date	Fair Value at Grant Date
Loan Securities	6,400,000	11/07/2014	10/07/2017	Service & non-market	\$1.25	\$0.10

#### Employee Options

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

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

2. Fair Value of Options granted is calculated at the grant date using a binomial pricing model

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.

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

The total expense recognised during the year in relation to the Group's equity settled share-based payments was \$260,000.

Key inputs to the pricing models include:

Volatility	25%
Dividend Yield	9%
Risk-free Interest Rate	3%

#### 31. Events occurring after reporting date

Subsequent to the period end, a distribution of 6.70 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$4.7m will be paid on or before 11 September 2015 in respect of the year ended 30 June 2015.

On 27 July 2015 the John Cootes Furniture warehouse in Orchardleigh Street, Yennora sustained major damage as a result of a fire. The entire contents of the building, primarily stock and plant and equipment of the John Cootes Furniture business was destroyed and the building was unable to be recovered. The warehouse building is owned by the John Cootes Diversified Property Syndicate, a managed investment scheme managed by the Group. The property is fully insured, and the required business interruption insurances are also in place. The Group is actively working with the insurers in relation to the claims, however, the financial impact of the fire is yet to be determined. The insurers have provided a progress payment of \$2.5m in respect of the loss of stock, plant and equipment and business interruption. Operationally, the John Cootes Furniture business has obtained temporary warehouse facilities which is both receiving stock and delivering that stock to our customers. Significant re-ordering of stock has also occurred.

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 financial period subsequent to the year ended 30 June 2015.

#### 32. Notes to the consolidated statements of cash flows

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

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
<b>Profit/(Loss) for the period</b>	<b>2,720</b>	<b>15,061</b>
Depreciation and amortisation of non-current assets	2,453	-
Amortisation of borrowing costs	139	113
Fair value adjustment on revaluation of investment property	-	(10,805)
Net unrealised revenue from Equity Investments	(93)	(93)
Other non cash items	331	174
Transaction and IPO costs through P&L	4,980	2,398
<b>Net cash provided by operating activities before changes in asset and liabilities</b>	<b>10,530</b>	<b>6,848</b>
<b>Movement in working capital</b>		
Decrease / (increase) in trade and other receivables	(2,712)	(97)
Decrease / (increase) in stock	(1,347)	-
Increase / (decrease) in prepayments	(387)	(24)
Decrease / (increase) in deferred tax	378	-
Increase / (decrease) in current tax liability	198	-
Increase / (decrease) in trade and other payables	(640)	29
Increase / (decrease) in other liabilities	226	-
Increase / (decrease) in other provision	336	37
<b>Net cash from operating activities after changes in assets and liabilities</b>	<b>6,582</b>	<b>6,793</b>

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 33. Commitments

##### Lease commitments: Elanor Group as lessee

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

	Consolidated Group 30 June 2015 \$'000	EIF Group 30 June 2015 \$'000
Within one year	1,987	-
Later than one year but not later than 5 years	13,195	-
	<b>15,182</b>	<b>-</b>

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

#### 34. Parent entity

	Elanor Investors Limited <sup>1</sup> 30 June 2015 \$'000	Elanor Investment Fund <sup>2</sup> 30 June 2015 \$'000
<b>Financial Position</b>		
Current assets	9,138	796
Non - current assets	35,508	76,173
<b>Total Assets</b>	<b>44,646</b>	<b>76,969</b>
Current liabilities	4,427	6,564
Non - current liabilities	(55)	28,464
<b>Total Liabilities</b>	<b>4,372</b>	<b>35,028</b>
Contributed Equity	41,589	45,460
Reserves	124	(36)
Retained profits / (accumulated losses)	(1,439)	(3,484)
<b>Total Equity</b>	<b>40,274</b>	<b>41,940</b>
<b>Financial performance</b>		
Profit / (loss) for the period	(816)	(432)
Other comprehensive income for the period	-	(172)
<b>Total comprehensive income for the period</b>	<b>(816)</b>	<b>(604)</b>

The directors of the Elanor Funds Management Limited, in its capacity as Responsible Entity of EIF Group, have received a letter of loan subordination from the Company indicating that it confirms its intention to not require repayment of the loan owed by EIF Group of \$4.1m to enable EIF Group to continue as a going concern and meet its financial obligations as and when they fall due, for at least 12 months from the date of signing of the Group's financial statements for the year ended 30 June 2015. EIF Group's current liabilities exceeded its current assets by \$9.1m as at 30 June 2015. In addition, the Group is in advanced discussions to extend its facility of \$8.6m, which matures on 30 September 2015. Please refer to Note 19 for further details.

1. Elanor Investors Limited is the parent entity of the Consolidated Group.
2. Elanor Investment Fund is the parent entity of the EIF Group

## ELANOR INVESTORS GROUP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 35. Subsidiaries

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

<b>Elanor Investors Limited</b>			
<b>Name of Subsidiary</b>	<b>Principal activity</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest and voting power by the Group 30 June 2015</b>
Elanor Funds Management Limited	Responsible entity	Australia	100%
Elanor Operations Pty Limited	Operational services	Australia	100%
Elanor Investment Nominees Pty Limited	Trustee services	Australia	100%
Elanor Management Pty Limited	Holding company	Australia	100%
Featherdale Management Pty Limited	Wildlife park operator	Australia	100%
Wollongong Hotel Management Pty Limited	Hotel operator	Australia	100%
Eaglehawk Hotel Management Pty Limited	Hotel operator	Australia	100%
Cradle Mountain Lodge Management Pty Limited	Hotel operator	Australia	100%
JCF Management Pty Limited	Furniture retailer	Australia	100%
Wiltex Wholesale Pty Limited	Landholder	Australia	100%
Albany Hotel Management Pty Limited	Hotel operator	Australia	100%

Elanor Investors Limited is the head entity within the tax-consolidated group. The companies listed above are members of the tax-consolidated group.

<b>Elanor Investment Fund</b>			
<b>Name of Subsidiary</b>	<b>Principal activity</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest and voting power by the Group 30 June 2015</b>
Elanor Investment Trust	Co-investment in Managed Funds	Australia	100%
Featherdale Wildlife Park Syndicate	Wildlife Park landholder	Australia	100%
Wollongong Hotel Syndicate	Hotel landholder	Australia	100%
Eaglehawk Syndicate	Hotel landholder	Australia	100%
Cradle Mountain Lodge Syndicate	Hotel landholder	Australia	100%
Albany Hotel Syndicate	Hotel landholder	Australia	100%

## ELANOR INVESTORS GROUP

### DIRECTORS' DECLARATION TO STAPLED SECURITY HOLDERS

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

- (a) the financial statements and notes set out on pages 25 to 75 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 2015 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) Note 1 confirms that 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  
27 August 2015

## **Independent Auditor's Report to Stapled Security Holders of Elanor Investors Limited and Elanor Investment Fund**

We have audited the accompanying financial report of Elanor Investors Limited, and the accompanying financial report of Elanor Investment Fund, which comprise the consolidated statements of financial position as at 30 June 2015, the consolidated statements of comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity Elanor Investors Group ("the consolidated stapled entity") and Elanor Investment Fund as set out on pages 25 to 76. The consolidated stapled entity, as described in Note 1 to the financial report, 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 its controlled entities. Elanor Investment Fund, as described in Note 1 to the financial report, comprises Elanor Investment Fund and the entities it controlled at the year's end or from time to time during the year.

### *Directors' Responsibility for the Financial Report*

The directors of Elanor Investors Limited and Elanor Funds Management Limited, as responsible entity of Elanor Investment Fund, are responsible for the preparation of the 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elanor Investors Limited and Elanor Funds Management Limited, as responsible entity of Elanor Investment Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion, the financial report of Elanor Investors Limited and Elanor Investment Fund is in accordance with the *Corporations Act 2001*, including:

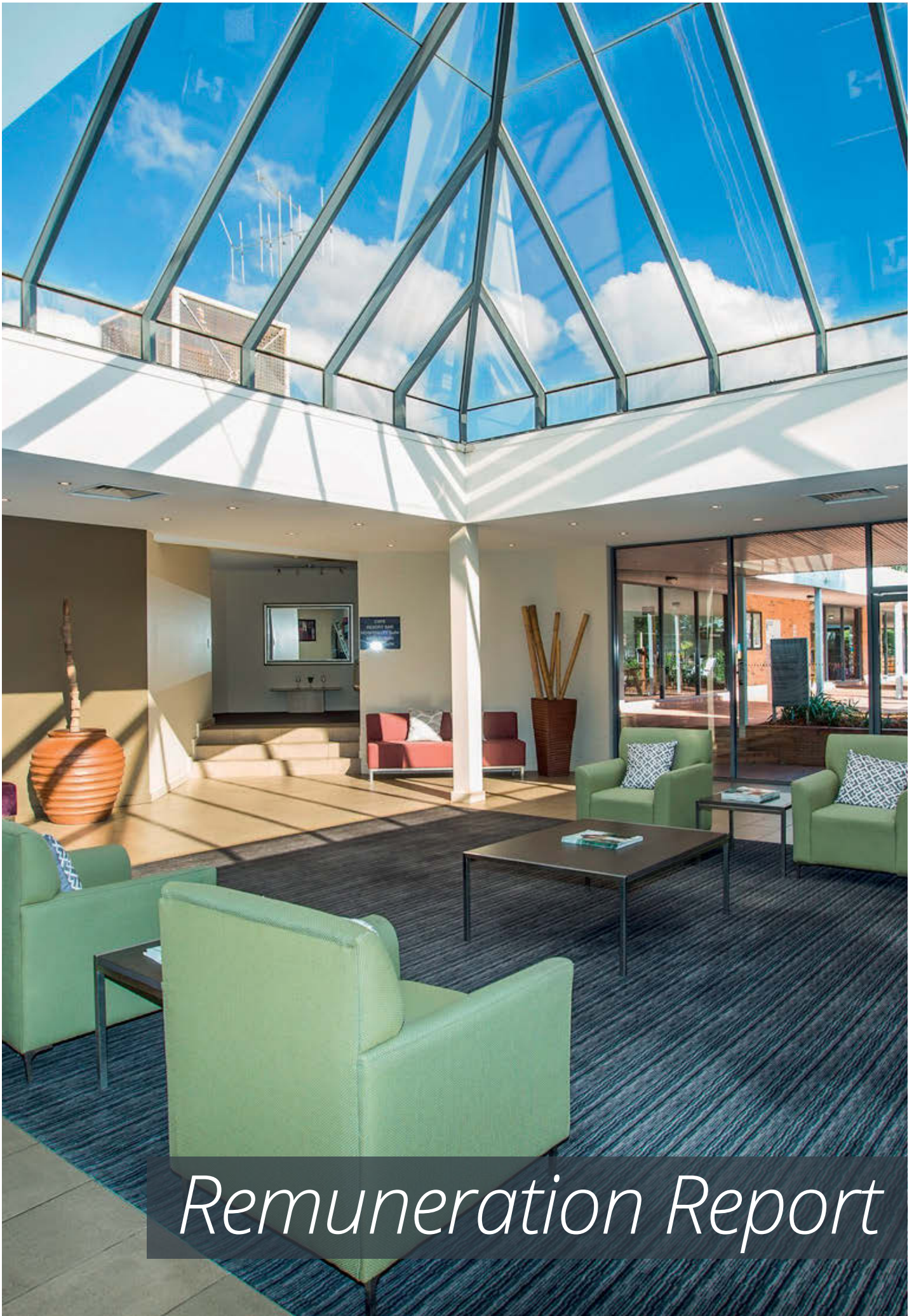
- (a) giving a true and fair view of the consolidated entities' financial positions as at 30 June 2015 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU  
DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants  
Sydney, 27 August 2015





# *Remuneration Report*

# Remuneration Report

## (Audited)

The remuneration report for the year ended 30 June 2015 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. The Remuneration and Nomination Committee meets at least annually for the purposes of reviewing and making recommendations to the Elanor Investors Group Board on the level of remuneration of the senior executives and the Directors.

Specifically, the Board approves the remuneration arrangements of the Managing Director and other executives and all aggregate and individual awards made under the short term (STI) and long term incentive (LTI) plans, following recommendations from the Remuneration and Nomination Committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to securityholder 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 Securityholders, and rewarding, retaining and motivating the Group's executives and the Directors.

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

### B. Key Management Personnel

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP), who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including the directors (whether executive or otherwise). The KMP of the Elanor Investors Group for the year ended 30 June 2015 were:

#### Executive

Mr Glenn Willis

Mr Paul Siviour

Ms Marianne Ossovani

Mr Symon Simmons

#### Position

Managing Director and Chief Executive Officer

Chief Operating Officer (Commenced 8 September 2014)

Head of Hotel, Tourism and Leisure to 31 December 2014.

Chief Investment Officer and Head of Hotel, Tourism and Leisure from 1 January 2015.

Chief Financial Officer and Company Secretary

#### Non Executive

Mr Paul Bedbrook

Mr Nigel Ampherlaw

Mr William (Bill) Moss AO

#### Position

Independent Chairman and Non-Executive Director

Independent Non-Executive Director

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.

##### *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 Securityholders 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 be delivered in deferred securities, which vest two years after award, provided that the employee remains with the Group and maintains minimum performance standards.

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

##### *Long term incentive*

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

Under the executive loan security plan awards (comprising the loan of funds to eligible Elanor employees to acquire Securities which are subject to vesting conditions) have been issued to certain employees. Awards totalling 6.4 million Securities have been made.

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

In addition to the loan security plan, the Group has implemented an executive option plan comprising rights to acquire Securities at a specified exercise price, subject to the achievement of vesting conditions, which may be offered to certain eligible employees (including the Chief Executive Officer, direct reports to the Chief Executive Officer and other selected key executives) as determined by the Board. Options have been issued to the Chief Executive Officer only, over 1.6 million Securities.

The purpose of the LTI Scheme is to assist in attracting, motivating and retaining key management and employees. The LTI Scheme operates by providing key management and employees with the opportunity to participate in the future performance of Group Securities. The vesting conditions for the LTI plans and related awards include both a service based hurdle and an absolute total security holder return (TSR) performance hurdle. The service based hurdle is 3 years in the case of both plans. The TSR is 10% per annum in the case of the loan security plan and 15% per annum in the case of the options plan. The option plan has an exercise price of \$1.80 per security (44% premium to the \$1.25 offer price at the time of the IPO).

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



# Remuneration Report 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 2015:

	Year Ended 30 June 2015 (\$'000)	Prospectus (\$'000)
Revenue	\$58,180	\$56,743
Net profit before tax	\$3,297	\$1,064
Net profit after tax	\$2,720	\$664
Core earnings	\$9,344	\$7,864
Security price at start of year <sup>1</sup>	\$1.25	\$1.25
Security price at end of year	\$1.70	-
Interim distribution	5.20 cents	-
Final distribution	6.70 cents	-
Total distributions	11.90 cents	11.70 cents
Basic earnings per security	4.10 cents	1.09 cents
Diluted earnings per security	3.74 cents	0.99 cents

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

The financial performance measure driving STI payment outcomes is pre-tax return on equity (ROE). Reported earnings before tax for the year were \$3.3 million or \$2.7 million after tax and after adjusting for transaction, establishment costs and fair value decrements. This reflects a 4.1 cents basic earnings per security based on average equity employed for the period.

For the year ended 30 June 2015 the Group achieved Core Earnings of \$9.3 million against forecast Core Earnings of \$7.9 million as per the Prospectus dated 16 June 2014. Total distributions per security in respect of the period were 11.90 cents against forecast distributions of 11.70 cents as per the Prospectus dated 16 June 2014.

The Group's closing trading price on 30 June 2015 was \$1.70 per security up from the \$1.25 issue price at listing on 11 July 2014.

STI payments made or owing to executives for the year were \$nil.

No LTI securities vested to executives during the year.

Table 1: Remuneration of Key Management Personnel

	Short-term employee benefits				Post employment benefits	Long-term employee benefits	Share-based payments			Total
	Salary	STI Cash Bonus	Non-Monetary	Other <sup>1</sup>	Super	Long Service Leave	LTI Loan Security Payments <sup>2</sup>	STI Deferred Security	LTI Option Payments <sup>2</sup>	
2015	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive Officers</b>										
G. Willis	354,211	0	0	12,994	18,269	0	115,960	0	17,333	518,767
P. Siviour <sup>3</sup>	244,859	0	0	9,856	39,696	0	39,295	0	0	333,706
M. Ossovani	298,958	0	0	24,973	18,269	0	45,556	0	0	387,756
S. Simmons	220,356	0	0	579	29,411	0	11,596	0	0	261,942

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

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.

3. Paul Siviour commenced employment with Elanor Investors Group on 8 September 2014.

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

2015	Fixed remuneration (%)	Remuneration linked to performance (%)	Total (%)
<b>Executive Officers</b>			
G. Willis	74.17	25.83	100.00
P. Siviour	89.91	10.09	100.00
M. Ossovani	88.48	11.52	100.00
S. Simmons	95.95	4.05	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.

Table 3: Employment contracts of key management personnel

Executive	G. Willis	P. Siviour	M. Ossovani	S. Simmons
<b>Position</b>	Managing Director and Chief Executive Officer	Chief Operating Officer	Chief Investment Officer and Head of Hotels, Tourism and Leisure	Chief Financial Officer and Company Secretary
<b>Term</b>	No fixed term	No fixed term	No fixed term	No fixed term
<b>Salary (including Superannuation)</b>	\$382,750	\$350,000	\$350,000	\$275,000
<b>Incentive remuneration</b>	Eligible for an award of short term and long term incentive remuneration (if any) as described above.	Eligible for an award of short term and long term incentive remuneration (if any) as described above.	Eligible for an award of short term and long term incentive remuneration (if any) as described above.	Eligible for an award of short term and long term incentive remuneration (if any) as described above.
<b>Benefits</b>	Entitled to participate in Elanor Investors Group benefit plans that are made available.	Entitled to participate in Elanor Investors Group benefit plans that are made available.	Entitled to participate in Elanor Investors Group benefit plans that are made available.	Entitled to participate in Elanor Investors Group benefit plans that are made available.
<b>Termination</b>	Employment shall continue with the Group unless either party gives 12 month's notice in writing.	Employment shall continue with the Group unless either party gives 9 month's notice in writing.	Employment shall continue with the Group unless either party gives 4 weeks notice in writing.	Employment shall continue with the Group unless either party gives 4 weeks notice in writing.
<b>Restraint</b>	12 months from the time of Termination.	N/A	N/A	N/A

#### E. Non-Executive Director Remuneration Arrangements and Outcomes

The Elanor Board determines the remuneration structure for NEDs based on recommendations from the Remuneration and Nomination Committee. The NEDs individual fees are annually reviewed by the Remuneration and Nomination Committee taking into consideration the level of fees paid to NEDs by companies of similar size and stature.

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

# Remuneration Report continued

Table 4: Remuneration of Non-Executive Directors

2015	Salary (including Superannuation) \$	Committee Fees \$	Total (including Superannuation) \$
<b>Non-Executive Directors</b>			
P. Bedbrook	100,000	10,000	110,000
N. Ampherlaw	55,000	10,000	65,000
W. Moss	55,000	10,000	65,000

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

The NEDs are employed on employment contracts with no fixed term. The NEDs employment is subject to the Constitutions 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 as Loan Security compensation to key management personnel during the current financial year:

Name	Award Type	During the financial year					% of the actual compensation for the year consisting of awards
		Number Granted	Number Vested	% of Grant Vested	Number Forfeited	% of Grant Forfeited	
G. Willis	Loan Securities	2,800,000	0	0%	0	N/A	22%
P. Siviour	Loan Securities	1,100,000	0	0%	0	N/A	12%
M. Ossovani	Loan Securities	1,100,000	0	0%	0	N/A	12%
S. Simmons	Loan Securities	280,000	0	0%	0	N/A	4%

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

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

Name	Award Type	During the financial year					% of the actual compensation for the year consisting of awards
		Number Granted	Number Vested	% of Grant Vested	Number Forfeited	% of Grant Forfeited	
G. Willis	Options	1,600,000	0	0%	0	N/A	3%

The following table summarises the value of options granted and exercised during the financial year, in relation to options granted to key management personnel as part of the remuneration:

Name	Value of options granted at the grant date <sup>1</sup> \$	Value of options exercised at the exercise date <sup>2</sup> \$
G. Willis	52,000	0

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.

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 2015.

#### 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	Acquired	Disposed	Closing Balance
<b>Non-Executive Directors</b>				
P. Bedbrook	0	254,847	0	254,847
N. Ampherlaw	0	159,694	0	159,694
W. Moss AO	0	4,620,051	0	4,620,051
<b>Executive Officers</b>				
G. Willis	0	1,200,002	0	1,200,002
P. Siviour	0	300,000	0	300,000
M. Ossovani	0	0	0	0
S. Simmons	0	36,232	0	36,232

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

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

All options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

During the financial year, no options were exercised by key management personnel.

#### G. Loans to Key Management Personnel

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

#### H. Other Transactions and Balances with Key Management Personnel and their Related Parties

On 11 July 2014 the Group completed its Initial Public Offering (IPO) of securities on the Australian Securities Exchange. The IPO involved a number of related party transactions with Moss Capital Pty Limited, of which Glenn Willis and William (Bill) Moss AO are directors and shareholders.

Moss Capital received the following payments and fees out of the proceeds of the IPO, reflecting its role in managing the acquired trusts and the managed funds prior to acquisition by the Group at IPO, as well as other IPO related costs:

- A funds management rights fee of \$1.5 million payable by Elanor Funds Management Limited as consideration for the funds management rights of the Managed Investments and the third party owned investment funds and syndicates under a Management Rights Deed;
- An acquisition fee of \$285,000 (plus GST) paid on completion of the purchase of John Cootes Furniture and Wiltex Wholesale Pty Limited (the owner of the Merrylands Property) by Elanor Investors Limited;
- An establishment and acquisition fee of \$265,600 (plus GST) paid on completion of the acquisition of Hotel Ibis Styles Canberra Eaglehawk payable out of the assets of the Eaglehawk Fund; and
- The repayment of the loan of \$885,000 from Moss Capital which was used to fund the deposit for the acquisition of Hotel Ibis Styles Eaglehawk.

**This report is made in accordance with a resolution of the Directors.**



Glenn Willis  
Managing Director and Chief Executive Officer





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 Stapled Security Holders of Elanor Investors Limited and Elanor Investment Fund**

We have audited the accompanying remuneration report of Elanor Investors Group comprising Elanor Investors Limited and Elanor Investment Fund and their controlled entities for the year ended 30 June 2015 as set out on pages 80 to 85.

### *Director's Responsibility for the remuneration report*

The directors of Elanor Investors Limited and Elanor Funds Management Limited, as responsible entity of Elanor Investment Fund, are responsible for the preparation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the remuneration report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the remuneration report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the remuneration report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the remuneration report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the remuneration report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the remuneration report, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the remuneration report.

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

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

*Opinion*

In our opinion, the financial information in the remuneration report of Elanor Investors Group for the year ended 30 June 2015 is prepared, in all material respects, in accordance with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU  
DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'AG Collinson', with a stylized flourish at the end.

AG Collinson  
Partner  
Chartered Accountants  
Sydney, 22 September 2015



# Corporate Governance Statement

# Corporate Governance Statement

This statement has been approved by the Board of Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Investment Fund and Elanor Investors Limited (Company) and prepared as at 30 June 2015.

Elanor Investors Group (Group) comprises the Company and its controlled entities, including Elanor Investment Fund (Trust) and its controlled entities. The units of the Trust and the shares of the Company are combined and issued as stapled securities in the Group.

## Principle 1 – Lay solid foundations for management and oversight

### *Board Charter*

The Directors of the Group have adopted a Board Charter that sets out the respective roles and responsibilities of the Board and senior executives. The Board is accountable to securityholders for the performance of the Group. A copy of the Board Charter is available at [www.elanorinvestors.com](http://www.elanorinvestors.com).

Specifically, the Board is responsible for:

- Developing and approving the corporate strategy and monitoring implementation of strategy.
- Evaluating, approving and monitoring the strategic and financial plans of the Group.
- Evaluating, approving and monitoring the annual budgets (including financial and other reporting) and business plans.
- Evaluating, approving and monitoring the progress of major capital expenditure, capital management and all major corporate transactions, including the issue of securities of the Group.
- Appointing, monitoring and managing the performance of the Chief Executive Officer and Senior Executives as decided from time to time.
- Reviewing, ratifying and monitoring the Group's risk and audit framework, (including but not limited to) systems of risk management and internal control.
- Reviewing, ratifying and monitoring the Group's operations in relation to, and compliance with relevant regulatory and legal requirements.

The Board Charter separately sets out the responsibilities of the Chair.

The Board Charter also sets out the role and responsibilities of the Chief Executive Officer and the roles and responsibilities of management more broadly.

The Chief Executive Officer has primary responsibility to the Board for the affairs of the Group including:

- Developing with the Board, implementing and monitoring the strategic and financial plans for the Group, its policies, the annual budgets and business plans, major capital expenditure, capital management and all major corporate transactions, including the issue of any securities of the Group.
- Managing the appointment of senior executive positions.
- Developing, implementing and monitoring the Group's risk and audit management framework.
- Providing strong leadership to, and effective management of, the Group.

The Board will ordinarily meet not less than 11 times each year in the ordinary course of business, with additional meetings held as required. The Board met 11 times during the period from listing to 30 June 2015 and each Director's attendance at those meetings is set out in the Director's Report included in this Annual Report.

### *Directors' Information*

In considering any selection, appointment or re-appointment to the Board, the Board considers the necessary and desirable competencies of any Directors or proposed Directors.

The Board ensures that the Group undertakes appropriate checks before appointing a person, or putting forward to securityholders a candidate for election, as a Director. The Board will ensure that the Group provides securityholders all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

### *Agreements with Directors and Key Management Personnel*

Each Director enters into an agreement with the Company setting out the Terms and Conditions of their appointment including their roles and responsibilities.

Each of the Key Management Personnel enters into a Service Agreement which sets out their position description, duties and responsibilities, reporting lines, remuneration entitlements, ongoing confidentiality, obligation to comply with all corporate policies, the circumstances in which their service may be terminated (with or without notice) and any entitlements on termination.



# Corporate Governance Statement continued

Details on the remuneration of Directors and Key Management Personnel are set out in the Remuneration Report for the period ended 30 June 2015 included in this Annual Report.

## Company Secretary

In accordance with the Board Charter, the Company Secretary is appointed and if necessary removed by the Board and is therefore accountable directly to the Board on all matters to do with the proper functioning of the Board. Each Director also has direct access to the Company Secretary.

The Company Secretary's role includes:

- Advising the Board and its committees on governance matters.
- Monitoring that board and committee policy and procedures are followed.
- Co-ordinating the timely completion and despatch of Board and committee papers.
- Ensuring that the business at Board and committee meetings is accurately captured in the minutes.
- Helping to organise and facilitate the induction and professional development of Directors.

## Diversity Policy

The Board has adopted a Diversity Policy that aims to promote diversity across the Group through a number of strategies and initiatives.

A copy of the Diversity Policy is available at [www.elanorinvestors.com](http://www.elanorinvestors.com).

At this stage of the Group's development, specific measurable objectives for achieving gender diversity have not been established. Set out below is a summary of female participation rates across the Group as at 30 June 2015.

2015	Female	Male
Board of Directors	0%	100%
Key Management Personnel	25%	75%
All Employees	53%	47%

## Director, Board and Committee Evaluation

The Board Charter requires that the Board undertake an ongoing self assessment and review of the performance of the Board, Committees and individual Directors annually. The process for conducting Board and Director evaluations is similar to that adopted for the review of the Chief Executive Officer and is conducted in a confidential manner by the Chair of the Board.

## Key Management Personnel Performance Evaluation

The Group's goals are used as the basis for evaluating performance of Key Management Personnel. Performance evaluations are undertaken annually, in June, by the Chief Executive Officer. The Chief Executive Officer's performance evaluation is also undertaken annually, by the Board.

## Principle 2 – Structure the board to add value

### Remuneration and Nomination Committee

The Directors have established a Remuneration and Nomination Committee. A copy of the Remuneration and Nomination Committee Charter is available at [www.elanorinvestors.com](http://www.elanorinvestors.com).

The Remuneration and Nomination Committee has three members. Two members are independent non-executive directors (Paul Bedbrook (Chairman of the Board) and Nigel Ampherlaw) and one member is a non-independent non-executive director (William (Bill) Moss AO). The Committee is chaired by William (Bill) Moss AO.

The Remuneration and Nomination Committee is not chaired by an independent director. The Board, having regard to the Group's stage of development as a listed entity and the collective experience and expertise of the members of the Remuneration and Nomination Committee as well as there being a majority of independent directors, considers the current composition of the Remuneration and Nomination Committee is appropriate.

During the period from listing to 30 June 2015 the Remuneration and Nomination Committee formally met once with all members attending.

The Remuneration and Nomination Committee is responsible for:

- Supporting and advising the Board in fulfilling its responsibilities to securityholders and employees of the Group, by endeavouring to ensure that the directors and senior executives of the Group are remunerated fairly and appropriately.
- Reviewing and advising the Board on the composition of the Board and its Committees and the necessary and desirable competencies of Board members.
- Developing a process for the evaluation of the performance of the Board, its Committees and individual executive and non-executive directors.
- Ensuring that proper succession plans are in place for consideration by the Board.
- Advising the Board on governance standards and appropriate corporate governance policies for the Group.
- Critically reviewing the Group's performance against its corporate governance policies.
- Supporting and advising the Board to fulfil its obligations in relation to safety and sustainability.

### *Board Skills and Competencies*

The skills, experience and expertise relevant to the position of each Director are set out in the Directors' Report included in this Annual Report. The Remuneration and Nomination Committee considers the matrix of skills of the Directors standing on the Board at least annually to identify gaps in their skills that may be addressed through professional development or by the appointment of additional directors.

The Board comprises a diverse range of skills and understanding gained by Directors from their decades of experience in the financial services, asset management, investment banking and property sectors. This expertise is supported by appropriate accounting, banking & finance and risk management skills.

### *Director Independence*

The Board recognises that independent directors are important in assuring investors that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance.

As at 30 June 2015, the Board comprises four directors, two of whom are independent. The Chair of the Board is an independent director and does not occupy a joint position as Chief Executive Officer. Importantly, the Chair has the casting vote. Each Independent Director was appointed in June 2014.

The Independent Directors are:

Paul Bedbrook	Independent Chair
Nigel Ampherlaw	Independent Director

As at 30 June 2015, Glenn Willis was the sole executive director on the Board having been formally appointed as Managing Director and Chief Executive Officer in June 2014.

Mr William (Bill) Moss AO is a non-executive director of the Board.

The Board, having regard to the Group's stage of development as a listed entity and the collective experience and expertise of the Directors, considers that the current composition of the Board is appropriate.

The Board considers an independent director to be:

- A director who is not a substantial securityholder of the Group (being a securityholder who holds 5% or more of the issued voting securities of the Group), or an officer of or otherwise associated directly with a substantial securityholder of the Group.
- A non-executive director who is not a member of management and who has not been employed in an executive capacity by Elanor Investors Group in the last three years.
- A director who has not within the last three years been a principal of a material professional adviser or consultant to the Group.
- A director who is not a material supplier, customer or other contractor of the Group nor has a material contractual relationship with the Group other than as a director.
- A director who should not otherwise be considered by the Board to not be independent.

Details of the tenure, current position and previous offices held by each Director, which are relevant to the assessment of their independence, are disclosed in their respective profiles, along with their interests in securities, and set out in the Directors' Report included in this Annual Report.

### *Induction and Training*

The Group ensures that new Directors gain an understanding of the Group (including its culture and values) and their rights, duties and responsibilities, the roles and responsibilities of senior executives, the role of Board Committees, and meeting arrangements and Director interaction.

# Corporate Governance Statement continued

Directors are required to keep themselves adequately informed in respect of relevant industry and regulatory issues and changes.

The Group will provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.

## Principle 3 – Promote ethical and responsible decision-making

### *Code of Conduct*

The Group has adopted a written Code of Conduct which applies to the Board, officers, senior executives and employees of Elanor Investors Group. The objectives of this Code of Conduct are to ensure that high standards of corporate and individual behaviour are observed by all those parties, including acting ethically and responsibly, in the context of their employment.

Employees, on joining, are required to confirm that they will comply with all Group policies including the Code of Conduct.

A copy of the Code of Conduct is available at [www.elanorinvestors.com](http://www.elanorinvestors.com).

All Directors, officers, senior executives and employees of Elanor Investors Group are required to meet the following standards of ethical behaviour:

- To conduct themselves with openness, honesty, fairness and integrity in business transactions and in dealings with others.
- To treat everyone else with whom they interact in their work with courtesy and respect.
- To act ethically in their approach to business decisions.
- To observe appropriate principles of behaviour when conducting Group business and interacting with others.
- To comply with all laws and regulations that govern the Group's business and the policies that the Group adopts from time to time.
- To act in compliance with all laws and regulations that apply to the Group's business.

The Group aims to increase securityholder value within an appropriate framework which safeguards the rights and interests of the Group's securityholders and the community and complies with the systems of control and accountability which the Group has in place as part of its corporate governance.

The Code of Conduct also requires that the Board, officers, senior executives and employees should request all key contractors acting on behalf of Elanor Investors Group adhere to a similar set of ethical standards as set out in the Code of Conduct and cease using any contractor who they consider is not adhering to an ethical standard at least as rigorous as the standard set out above.

### *Confidentiality*

Employees are required to safeguard confidential information of the Group by not transferring, publishing, using or disclosing it other than when necessary in the ordinary course of business, or as specifically directed or authorised. All confidential or proprietary information that has been entrusted to the Group by a third party is to be treated as if it was the Group's confidential information.

### *Conflicts of Interest*

Employees have an obligation to seek to avoid financial, business or other relationships which might be opposed to the interests of the Group or which may conflict with the performance of their duties.

### *Whistle-blowing*

Elanor Investors Group has adopted a "Whistle-blower" procedure whereby employees are encouraged to report to either their manager, a Director or the Company Secretary where they observe a serious matter not in securityholders or the public's interest including:

- financial malpractice, impropriety or fraud;
- unlawful activity;
- improper conduct or unethical behaviour; and
- any breach of compliance of the Code of Conduct.

### *Securities Trading Policy*

The Board has adopted a Securities Trading Policy. A copy of the Securities Trading Policy is available at [www.elanorinvestors.com](http://www.elanorinvestors.com).



## Principle 4 – Safeguard integrity in financial reporting

### *Audit and Risk Committee*

The Board has established an Audit and Risk Committee (the Committee) consisting of a minimum of two members with the majority of members required to be independent directors. All members must be able to read and understand financial statements, and at least one member, being the chairperson, must have financial expertise; that is the person must be either a qualified accountant or other financial professional with experience of financial and accounting matters. A copy of the Audit and Risk Committee Charter is available at [www.elanorinvestors.com](http://www.elanorinvestors.com).

The Chair will be a non-executive independent director appointed by the Board who is not the Chair of the Board.

Any Director may attend a meeting of the Committee at any time. The Committee will meet at least twice per annum and more often if deemed necessary. Meetings may be held by electronic means as allowed under the provisions of the Corporations Act 2001.

The following Directors are members of the Committee.

Nigel Ampherlaw	Chair	Non-executive Independent Director
Paul Bedbrook	Member	Non-executive Independent Director
Glenn Willis	Member	Managing Director and Chief Executive Officer

The qualifications and experience of each of the members of the Committee are set out in the Directors Report included in this Annual Report.

The Committee met four times during the period from listing to 30 June 2015 and all members attended all meetings.

The Committee does not consist only of non-executive directors. The Board, having regard to the Group's stage of development as a listed entity and the collective experience and expertise of the members of the Committee, considers the current composition of the Committee is appropriate.

The primary role of the Committee is to:

- Satisfy itself that the Group has an adequate control framework for the oversight of the external audit and the internal audit arrangements.
- Make recommendations to the Board in relation to:
  - The adequacy of the Group's processes for identifying, measuring, monitoring and managing the material business risks it faces.
  - Any incident involving fraud or other break down of the Group's internal control policies and practices.
  - The Group's insurance program.

Specifically, the Committee is responsible for:

- Reliable management and financial reporting
  - Assessing the adequacy of management reporting on the Group's risks, operations, and financial condition to the Board.
  - Scrutinising the Group's accounting policies and practices in the light of the Corporations Act and Australian Accounting Standards.
  - Reviewing the half yearly and annual financial statements of the Group and recommending to the Board the signing of the directors' declaration.
  - Reviewing and discussing with the external auditor the quality and acceptability of the Group's accounting principles as applied in its financial reporting.
  - Supervising the implementation of the Australian Accounting Standards and other changes in regulatory requirements.
- Compliance with laws and regulations
  - Considering the plans and processes for the Group's compliance activities.
  - Ensuring that the Group's financial statements and reporting complies with the Corporations Act, accounting standards, ASX Listing Rules and other relevant regulatory requirements.
  - Monitoring the laws and the regulations that relate generally to the entity's business operations and, review the Group's compliance with such laws.
  - Seeking advice of the Group's legal advisers on any legal matters that could have significant impact on the Group's financial statements.
- Maintenance of an effective and efficient audit
  - Recommending to the Board the appointment of the external auditors.
  - Reviewing the plans of the external auditors, including any significant changes to the plans.
  - Reviewing the efficiency and effectiveness of the external auditors in relation to their responsibilities.

# Corporate Governance Statement continued

- Reviewing and discussing with the external auditor professional and other significant relationships to determine their independence.
- Reviewing the external auditor's fees.
- Ensuring there are no unjustified limitations placed on the auditors and review any serious disputes with management during the audits.
- Ensuring the scopes of the audits are adequate, with emphasis on matters where the Committee, management or the auditors believe special attention is necessary.
- Meeting with and assessing the findings of the external auditors as well as management's response to their recommendations.
- Ensuring compliance with the ASX principles of good corporate governance related to external auditors.
- Risk management and internal control
  - In consultation with management, preparing and regularly reviewing a risk profile which describes the material business risks facing the Group.
  - Reviewing and reporting to the Board (at least annually) on the effectiveness of the Group's internal controls.
  - Reviewing and reporting to the Board (at least annually) on the effectiveness of internal systems and processes for identifying, managing and monitoring material business risks, including breaches of contract or internal controls, litigation and claims, fraud and theft and the Group's insurance program.
  - Obtaining regular reports from management on the occurrence and/or status of any material breaches of internal controls or other material risk exposures.
  - Reviewing the scope of the external auditors' review of internal control and risk management, reviewing reports on significant findings and recommendations, together with management's responses.
  - Recommending to the Board any changes to the Group's internal control and risk management framework from time to time as appropriate.

## Chief Executive Officer and Chief Financial Officer Declarations

The Board has received confirmation from both the Chief Executive Officer and Chief Financial Officer that their declaration for both the interim and full year financial reporting periods made in accordance with section 295A of the Corporations Act 2001, were based upon sound system of risk management and internal control and further that the system is operating effectively in all material respects in relation to financial reporting risk.

## External Auditors

The external auditor is requested by the Board to attend each AGM to answer questions about the conduct of the audit and the preparation and contents of the Auditor's Report.

## Principle 5 – Make timely and balanced disclosure

### Continuous Disclosure Policy

In order to regulate the continuous disclosure regime across the Group in relation to any securities issued by the Group the

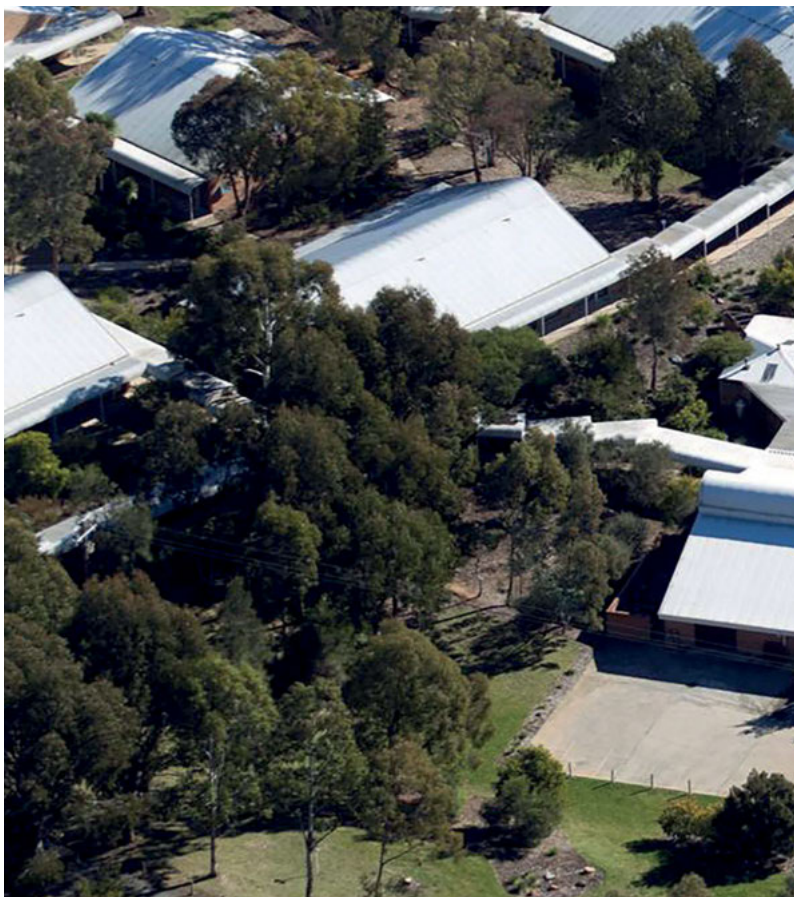
Board has adopted a Continuous Disclosure Policy. A copy of the Continuous Disclosure Policy is available at [www.elanorinvestors.com](http://www.elanorinvestors.com).

The Continuous Disclosure Policy aims to ensure that the Group complies with the continuous disclosure requirements contained in the Australian Stock Exchange (ASX) List Rules (the Rules). The successful operation of the Group's continuous disclosure regime promotes investor confidence by providing full, timely, accurate and relevant information to the market about the activities of the Group and serves to educate all relevant Group personnel on what continuous disclosure is, and how they can ensure they meet their individual responsibilities.

Subject to the exceptions contained in the Listing Rules, the Group will immediately notify the market of any information or matter related to the businesses or financial condition of the Group which a reasonable person would expect to have a material effect on the price or value of those securities. Such notifications will be made by way of an announcement to the ASX.

### Reporting of Disclosable Information

The Company Secretary plays an important role in the Group's Continuous Disclosure Policy. The Company Secretary is the person principally responsible for operating, overseeing and maintaining this Policy. The Company Secretary is the liaison between the Group's employees and officers, its Board of Directors, Responsible Managers and the ASX. The Company Secretary is also responsible for co-ordinating education within the Group about its disclosure obligations.





The Company Secretary will work with the Chief Executive Officer, and the members from time to time of any Continuous Disclosure Committee, to determine whether any reported information needs to be disclosed in accordance with the Continuous Disclosure Policy.

### *Training and Development*

Key employees are trained in the Group's Continuous Disclosure Policy to ensure all market sensitive information is provided to senior executives.

## **Principle 6 – Respect the rights of securityholders**

### *Corporate Governance*

The Group's website at [www.elanorinvestors.com](http://www.elanorinvestors.com) has a corporate governance section from where all relevant corporate governance information can be accessed, including Board and Committee Charters and various corporate governance policies.

Details on the Board of Directors, management team and the Group's operating divisions can be found in the "About" section of the Group's website.

The Group has adopted a Securityholder Communications Policy aimed at ensuring that trading in its securities takes place in an efficient, competitive and informed market.

The website also contains a feed from the ASX for the Group's security price information and a link to ASX announcements released by the Group.

### *Investors' Reports*

The Group prepares annual reports for investors for each financial year ending 30 June and a half year report for the period ending 31 December. These reports are posted on the website. Investors may elect to receive a hard-copy of the annual report or an email notification once they become available.

### *General Meetings*

The Group holds an annual general meeting (AGM) in October or November each year. The date, time and venue of the AGM are notified to the ASX when the annual report is lodged with the ASX, generally in September each year. The Board of Directors aim to choose a date, venue and time considered convenient to the greatest number of our investors.

All notices of meetings will be accompanied by clear explanatory notes on the items of business. A copy of any such Notice of Meeting will be placed on the Group's website. Should an investor not be able to attend a general meeting they are able to vote on the resolutions by appointing a proxy. The proxy form included with the notice of meeting will clearly explain how the proxy form is to be completed and submitted.

As previously stated, the external auditor attends each AGM to answer questions about the conduct of the audit and the preparation and contents of the Auditor's Report.



# Corporate Governance Statement continued

## Principle 7 – Recognise and manage risk

The Audit and Risk Committee has responsibility for overseeing risk management. Under the Committee Charter, the Committee is responsible for the following functions to assist the Board in overseeing the Group's system of risk management and internal control:

- In consultation with management:
  - Preparing and regularly reviewing a risk profile which describes the material business risks facing the Group.
  - Regularly reviewing and updating the risk profile and providing copies to the Board.
  - Reviewing the risk profile at least annually to satisfy itself that it continues to be sound and disclose that such a review has taken place in the Group's annual report.
- Reviewing and reporting to the Board (at least annually) on the effectiveness of the Group's internal controls regarding:
  - Due diligence for acquisitions and other new projects.
  - Compliance with confidentiality obligations.
  - Information technology security.
- Reviewing and reporting to the Board (at least annually) on the effectiveness of internal systems and processes for identifying, managing and monitoring material business risks, including breaches of contract or internal controls, litigation and claims, fraud and theft and the Group's insurance program.
- Obtaining regular reports from management on the occurrence and/or status of any material breaches of internal controls or other material risk exposures.
- Reviewing the scope of the external auditors' review of internal control and risk management, reviewing reports on significant findings and recommendations, together with management's responses.
- Recommending to the Board any changes to the Group's internal control and risk management framework from time to time as appropriate.

### *Risk Management Framework*

The Group has prepared a Risk Management Framework which has been reviewed by management and the Board.

In the context of the Group's strategy and activities, the Risk Management Framework identifies and assesses the key categories of risk for the Group and summarises and evaluates the effectiveness of the risk control environment for each category of risk identified for the Group.

### *Internal Audit*

The Board has determined, having regard to the Group's current stage of development not to establish a separate internal audit function.

As set out above, the Committee has specific responsibilities in relation to risk management and internal control.

### *Safety and Sustainability*

The Board has approved a recommendation from management to establish a workplace health and safety committee for the Group as a whole. This committee will monitor the effectiveness of workplace health and safety management systems and monitor the extent to which a safety culture exists within the Group. The work health and safety committee will formally report to the Board.

## Principle 8 – Remunerate fairly and responsibly

### *Remuneration and Nomination Committee*

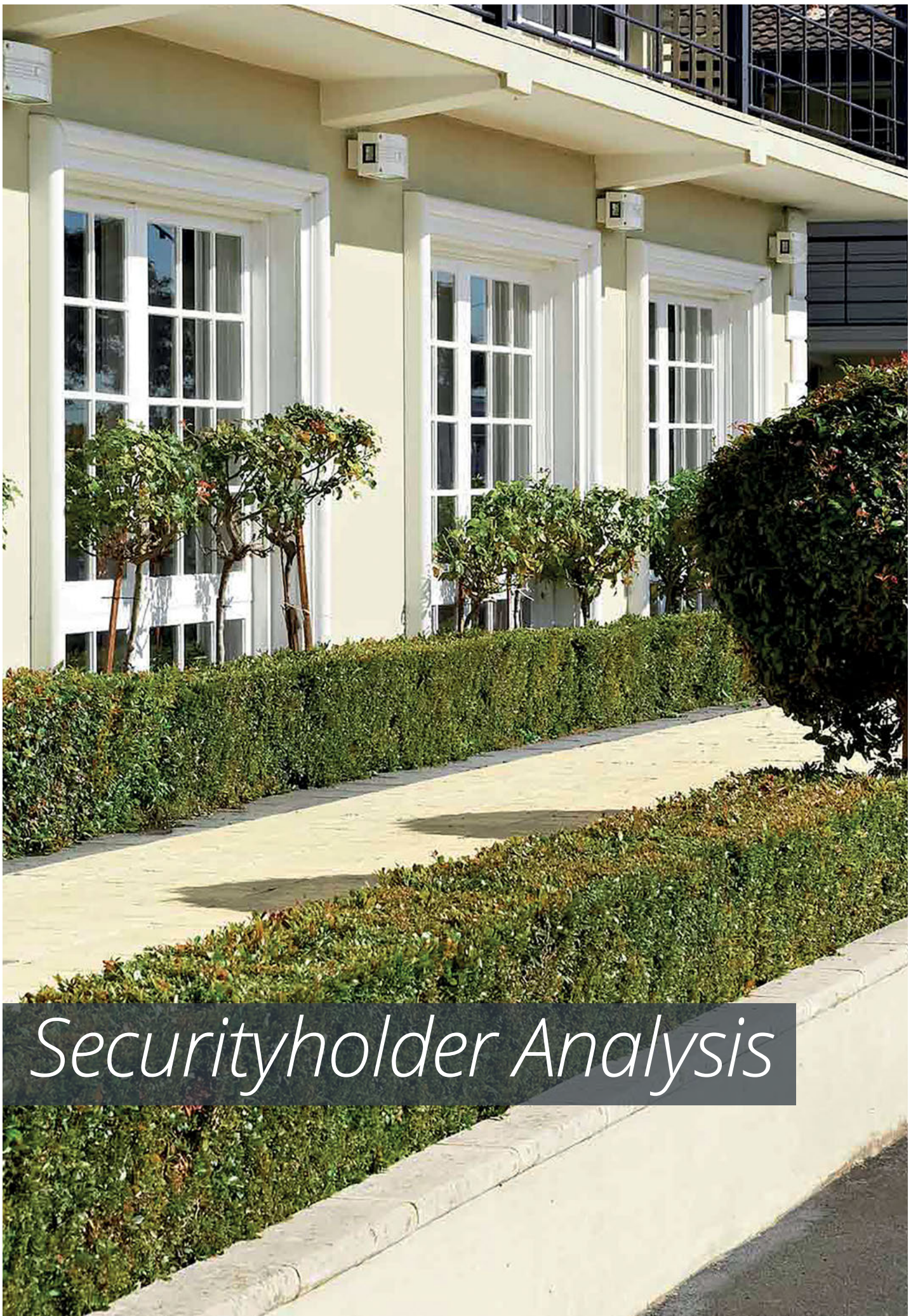
The Directors have established a Remuneration and Nomination Committee. Please refer to Principle 2 for commentary on the structure and Charter of the Remuneration and Nomination Committee.

The role and objectives of the Remuneration and Nomination Committee include ensuring that the remuneration policies and outcomes of the Group strike an appropriate balance between the interests of the Group's securityholders, and rewarding and motivating the executives and employees in order to secure the long term benefits of their performance and loyalty.

The Remuneration and Nomination Committee is responsible for reviewing and making recommendations to the Board on the specific remuneration for the Managing Director and Chief Executive Officer and each senior executive of the Group (including base pay, incentive payments, equity awards, termination payments and service contracts). The Remuneration and Nomination Committee is also responsible for reviewing and establishing the level of remuneration, including superannuation, for non-executive directors and the approval of any report on executive remuneration, which is required pursuant to any Listing Rule or legislative requirement or which is proposed for inclusion in the Annual Report.

Further details of the Group's remuneration policies are set out in the Remuneration Report for the period ended 30 June 2015 included in this Annual Report.





# *Securityholder Analysis*



# Securityholder Analysis

(as at 31 August 2015)

## Stapled Securities

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

## Top 20 Securityholders

Number	Securityholder	No. of Securities	%
1	HSBC Custody Nominees (Australia) Limited	8,569,320	12.13
2	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	7,837,026	11.09
3	National Nominees Limited	6,235,524	8.83
4	Aust Executor Trustees Ltd <Lanyon Aust Value Fund>	4,028,394	5.70
5	National Nominees Limited <DB A/C>	3,489,008	4.94
6	Citicorp Nominees Pty Limited	3,488,473	4.94
7	Armada Investments Pty Ltd	2,793,125	3.95
8	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,306,376	1.85
9	UBS Wealth Management Australia Nominees Pty Ltd	1,191,194	1.69
10	BNP Paribas Nominees Pty Ltd <DRP>	1,107,593	1.57
11	RBC Investor Services Australia Nominees P/L <WAM Account>	888,856	1.26
12	Boliber Pty Limited <Boliber A/C>	800,000	1.13
13	Richjac Pty Ltd	800,000	1.13
14	UBS Nominees Pty Ltd	623,190	0.88
15	Citylight Asset Pty Ltd <Graham Super Fund A/C>	604,967	0.86
16	J P Morgan Nominees Australia Limited	593,701	0.84
17	Chivan Investments Pty Ltd <Chivan Investments Unit A/C>	590,000	0.84
18	Citano Pty Ltd <G N Willis Super Fund A/C>	516,359	0.73
19	Armada Investments Pty Ltd	500,000	0.71
20	Citano Pty Ltd <G N Willis Family A/C>	467,031	0.66
<b>Total</b>		<b>46,430,137</b>	<b>65.72</b>
Balance of Register		24,214,615	34.28
<b>Grand Total</b>		<b>70,644,752</b>	<b>100.00</b>

## Range Report

Range	No. of Securities	%	No. of Holders	%
100,001 and Over	53,236,220	75.36	60	7.59
10,001 to 100,000	16,285,913	23.05	508	64.22
5,001 to 10,000	859,339	1.22	109	13.78
1,001 to 5,000	249,641	0.35	82	10.37
1 to 1,000	13,639	0.02	32	4.05
<b>Total</b>	<b>70,644,752</b>	<b>100.00</b>	<b>791</b>	<b>100.00</b>

The total number of securityholders with an unmarketable parcel of securities was 13.

Substantial Securityholder Notices Received

Securityholder	No. of Securities	%
Airlie Funds Management Pty Ltd	6,728,328	9.52
Trustees Australia Limited as Responsible Entity for Lanyon Australian Value Fund	3,978,394	5.63
Discovery Asset Management Pty Ltd	3,040,000	4.30

Voting rights

On a poll, each securityholder 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 15,  
20 Bond Street,  
Sydney NSW 2000

### **Website**

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

