



Supplementary Financial Information

For the year ended 30 June 2018

Elanor Investors Group

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

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ELANOR INVESTORS GROUP

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ELANOR INVESTORS GROUP

DIRECTORS STATEMENT

Directors Statement

The Directors of Elanor Investors Group (Group, Consolidated Group or Elanor) present this Supplementary Financial Information in accordance with the conditions set out in the Information Memoranda dated 13 October 2017 and 14 December 2017 for the issue of \$40,000,000 and \$20,000,000 7.10 per cent five year Unsecured Fixed Rate notes due 17 October 2022 (Notes).

The purpose of this Supplementary Financial Information is to present Supplementary Statements of Profit or Loss, Financial Position and Cash Flows to holders of the Notes, the Note Trustee, the Lead Manager and Initial Subscriber under the Note conditions, for the year ended 30 June 2018.

In the Elanor Investors Group's Annual Financial Report for the year ended 30 June 2018, where Elanor is deemed to have a controlling interest in any particular managed fund, the consolidation method is required in respect of Elanor's co-investment in that fund. This Supplementary Financial Information is presented on the basis that all of Elanor's managed fund co-investments are accounted for using the equity method.

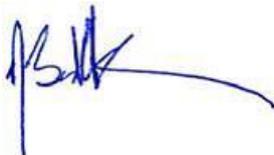
In this Supplementary Financial Information, the Group's financial results including an equity accounted presentation of all managed fund co-investments is defined as the "ENN Group".

The Supplementary Statements of Profit or Loss, Financial Position and Cash Flows present both the Consolidated Group results and the ENN Group results, and "Adjustments" that reflect the required adjustments to the Consolidated Group results to remove the impact of the consolidation of the Group's deemed controlled managed fund co-investments.

This Supplementary Financial Information should be read in conjunction with Elanor Investors Group's Annual Financial Report for the year ended 30 June 2018.

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.



Paul Bedbrook
Chairman



Glenn Willis
CEO and Managing Director

Sydney, 17 August 2018

Independent Auditor's Report to holders of the Notes, the Note Trustee, the Lead Manager and the Initial Subscriber under the Note conditions of Elanor Investors Group

Opinion

We have audited the Supplementary Financial Information report of Elanor Investors Group, being the consolidated stapled entity ("Elanor Investors Group"). The consolidated stapled entity comprises Elanor Investors Limited and the entities it controlled at the year end or from time to time during the year, including Elanor Investment Fund and the entities it controlled at the year end or from time to time during the year. Supplementary Financial Information has been prepared for the purposes of meeting the requirements of the Information Memoranda "Issue of A\$40,000,000 7.10 per cent. Unsecured Fixed Rate Notes due 17 October 2022" and "Issue of A\$20,000,000 7.10 per cent. Unsecured Fixed Rate Notes due 17 October 2022" (the Notes), and comprises the supplementary statement of financial position as at 30 June 2018, the supplementary statement of profit or loss and supplementary statement of cash flows for the year then ended, and notes to the supplementary financial information, including a summary of significant accounting policies, and the Directors statement.

In our opinion we have not become aware of any matter that makes us believe that the accompanying Supplementary Financial Information of Elanor Investors Group has not been prepared, in all material respect in accordance with the basis of preparation set out within the notes to the Supplementary Financial Information and with the reporting requirements of the Notes.

Basis for Opinion

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

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the Supplementary Financial Information, which describes the basis of accounting. The Supplementary Financial Information has been prepared for the purpose of assisting Elanor Investors Group to meet the financial reporting requirements of the Notes. As a result, the Supplementary Financial Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Director's Responsibilities for the Supplementary Financial Information

The directors are responsible for the preparation and fair presentation of the Supplementary Financial Information and have determined that the basis of preparation described in Note 1 to the Supplementary Financial Information is appropriate to meet the needs of the holders of the Notes, the Note Trustee, the Lead Manager and the Initial Subscriber under the Note conditions. The director's responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the Supplementary Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the Supplementary Financial Information, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Supplementary Financial Information

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

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

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

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

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A handwritten signature in black ink, appearing to read 'AG Collinson'. The signature is stylized with overlapping loops and a horizontal line extending to the right.

AG Collinson
Partner
Chartered Accountants
Sydney, 17 August 2018

ELANOR INVESTORS GROUP

SUPPLEMENTARY STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated Group	Adjustments	ENN Group
	30 June 2018	30 June 2018	30 June 2018
Note	\$'000	\$'000	\$'000
Income			
Revenue from operating activities	65,846	(33,462)	32,384
Revenue from property inventory	36,000	–	36,000
Interest income	1,156	(30)	1,126
Rental income	4,623	(4,525)	98
Share of profit / (loss) from equity accounted investments	4,266	(4,206)	60
Realised gain on disposal of investment	531	–	531
Fair value gain on revaluation of assets / investment properties	–	–	–
Other income	252	(246)	6
Total income	112,674	(42,469)	70,205
Expenses			
Changes in inventories of finished goods	26,606	(3,532)	23,074
Salary and employee benefits	30,914	(14,054)	16,860
Property expenses	6,560	(4,781)	1,779
Operator management costs	3,344	(3,050)	294
Borrowing costs	6,733	(3,757)	2,976
Depreciation	7,568	(6,623)	945
Amortisation	640	(230)	410
Marketing and promotion	2,972	(1,198)	1,774
Repairs, maintenance and technology	1,484	(865)	619
Transaction, establishment costs and fair value decrement	9,311	(9,311)	–
Other expenses	3,881	(1,640)	2,241
Total expenses	100,013	(49,041)	50,972
Net (loss) / profit before income tax expense	12,661	6,572	19,233
Income tax (benefit) / expense	4,244	592	4,836
Net (loss) / profit for the period from continuing operations after tax	8,417	5,980	14,397
Discontinued operations			
Net (loss) / profit for the period from discontinued operations after tax	2	(18,328)	(18,328)
Net (loss) / profit for the period	(9,911)	5,980	(3,931)
Net (loss) / profit attributable to security holders of:			
- Parent Entity	(15,240)	25,657	10,417
- Non-controlling interest EIF	10,392	(6,412)	3,980
Net (loss) / profit attributable to ENN security holders	(4,848)	19,245	14,397
Attributable to security holders of:			
- External Non-controlling interest	(5,063)	5,063	–
Net (loss) / profit for the period	(9,911)	24,308	14,397
Net (loss) / profit attributable to equity holders of the parent entity relates to:			
Profit from continuing operations	3,088	7,329	10,417
Profit / (Loss) from discontinued operations	(18,328)	–	(18,328)
Net (loss) / profit for the period	(15,240)	7,329	(7,911)
Basic earnings / (loss) of the ENN security holders from continuing operations per stapled security (cents)	3.39		3.39
Diluted earnings / (loss) of the ENN security holders from continuing operations per stapled security (cents)	3.34		3.34

ELANOR INVESTORS GROUP

SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Group 30 June 2018 \$'000	Adjustments 30 June 2018 \$'000	ENN Group 30 June 2018 \$'000
Current assets				
Cash and cash equivalents		14,034	(6,234)	7,800
Receivables		51,346	20	51,366
Financial assets		15,707	–	15,707
Inventories		869	(387)	482
Other current assets		1,509	(1,166)	343
Current tax asset		2,763	(1,329)	1,434
Assets held for sale	2	12,722	–	12,722
Total current assets		98,950	(9,096)	89,854
Non-current assets				
Property, plant and equipment		222,877	(176,777)	46,100
Investment properties		52,202	(52,202)	–
Non-current inventories		–	–	–
Equity accounted investments		49,375	51,495	100,870
Goodwill and intangible assets		900	–	900
Deferred tax assets		4,265	(33)	4,232
Total non-current assets		329,619	(177,517)	152,102
Total assets		428,569	(186,613)	241,956
Current liabilities				
Payables		10,816	(4,235)	6,581
Derivative financial instruments		90	(90)	–
Interest bearing liabilities		46,691	(46,691)	–
Current provisions		1,952	(515)	1,437
Other current liabilities		749	(669)	80
Income tax payable		–	–	–
Liabilities directly associated with assets held for sale	2	20,728	–	20,728
Total current liabilities		81,026	(52,200)	28,826
Non-current liabilities				
Derivative financial instruments		354	(354)	–
Interest bearing liabilities		126,967	(67,412)	59,555
Non-current provisions		398	(77)	321
Other non-current liabilities		439	–	439
Deferred tax liabilities		421	(421)	–
Loan from the Company		–	–	–
Total non-current liabilities		128,579	(68,264)	60,315
Total liabilities		209,605	(120,464)	89,141
Net assets		218,964	(66,149)	152,815

ELANOR INVESTORS GROUP

SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Consolidated Group 30 June 2018 \$'000	Adjustments 30 June 2018 \$'000	ENN Group 30 June 2018 \$'000
Equity			
<i>Equity Holders of Parent Entity</i>			
Contributed equity	57,994	–	57,994
Treasury shares	(179)	–	(179)
Reserves	13,648	(13,475)	173
Retained profits / (accumulated losses)	(23,277)	13,791	(9,486)
Parent entity interest	48,186	316	48,502
<i>Equity Holders of Non Controlling Interest</i>			
Contributed equity - Elanor Investment Fund	67,338	–	67,338
Treasury shares	(347)	–	(347)
Reserves	34,932	(2,691)	32,241
Retained profits / (accumulated losses)	(902)	5,984	5,081
Non-controlling interest	101,021	3,293	104,313
<i>Equity Holders of Non Controlling Interest - External</i>			
Contributed equity - External	70,749	(70,749)	–
Reserves	9,395	(9,395)	–
Retained profits / (accumulated losses)	(10,387)	10,387	–
External Non-controlling interest	69,757	(69,757)	–
Total equity attributable to stapled security holders:			
- Parent Entity	48,186	316	48,502
- Non-controlling Interest - EIF	101,021	3,292	104,313
Total equity attributable to ENN security holders	149,207	3,608	152,815
Total equity attributable to stapled security holders:			
- Non-controlling interest - External	69,757	(69,757)	–
Total equity	218,964	(66,149)	152,815

ELANOR INVESTORS GROUP

SUPPLEMENTARY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated Group 30 June 2018 \$'000	Adjustments 30 June 2018 \$'000	ENN Group 30 June 2018 \$'000
Note			
Cash flows from operating activities			
Receipts from customers	117,734	(52,257)	65,477
Payments to suppliers and employees	(105,661)	41,895	(63,766)
Interest received	879	(30)	849
Finance costs paid	(5,959)	3,757	(2,202)
Income tax paid	(2,249)	(26)	(2,275)
Net cash flows from operating activities	4,744	(6,661)	(1,917)
Cash flows from investing activities			
Proceeds from the sale of subsidiaries and investment	1,591	–	1,591
Payments for asset acquisitions	(108,450)	108,450	–
Receipts for asset disposals	–	20,000	20,000
Financial assets acquired	(15,707)	–	(15,707)
Transaction costs for asset acquisitions	(7,619)	7,619	–
Payments for property, plant and equipment	(4,730)	1,489	(3,241)
Loans to associates	(5,747)	269	(5,478)
Payments for equity accounted investments	(3,161)	(31,691)	(34,852)
Distributions received from equity accounted investments	3,144	2,335	5,479
Net cash flows from investing activities	(140,679)	108,470	(32,208)
Cash flows from financing activities			
Net proceeds / (repayments) from borrowings	106,018	(68,012)	38,006
Proceeds from equity raisings	46,075	(41,975)	4,100
Costs associated with equity raisings	(271)	166	(105)
Distributions paid to security holders	(14,257)	3,150	(11,107)
Net cash flows from financing activities	137,565	(106,671)	30,894
Net increase / (decrease) in cash and cash equivalents	1,630	(4,861)	(3,231)
Cash and cash equivalents at the beginning of the period	15,725	(1,373)	14,352
Cash at the end of the period	17,355	(6,234)	11,121
Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position)	14,034	(6,234)	7,800
Cash and cash equivalents (included within assets held for sale)	2	3,321	–
	17,355	(6,234)	11,121

ELANOR INVESTORS GROUP

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

1. Basis of Preparation

This Supplementary Financial Information does not include all of the information required in financial statements in accordance with Australian Accounting Standards and should be read in conjunction with Elanor Investors Group's Annual Financial Report for the year ended 30 June 2018 and any public announcements made by the Group during the period in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The Supplementary Financial Information incorporates the Consolidated Group's audited Statements of Profit or Loss, Financial Position and Cash Flow for the year ended 30 June 2018 that have been prepared in accordance with Corporations Act 2001.

Unless disclosed otherwise, this Supplementary Financial Information has been prepared in accordance with the same accounting policies adopted in the Group's Annual Financial Report for the period ended 30 June 2018.

In the Elanor Investors Group's Annual Financial Report, where Elanor is deemed to have a controlling interest in any particular managed fund, the consolidation method is required in respect of Elanor's co-investment in that fund. This Supplementary Financial Information is presented on the basis that all of Elanor's managed fund co-investments are accounted for using the equity method.

In this Supplementary Financial Information, the Group's financial results including an equity accounted presentation of all managed fund co-investments is defined as the "ENN Group". The ENN Group incorporates the assets and liabilities of Elanor Investors Limited and all of its subsidiaries, Elanor Investment Fund and its controlled entities and EHAF, EMPR and Bluewater on an equity accounted basis as at 30 June 2018.

The Supplementary Statements of Profit or Loss, Financial Position and Cash Flows present both the Consolidated Group results and the ENN Group results, and "Adjustments" that reflect the required adjustments to the Consolidated Group results to remove the impact of the consolidation of the Group's deemed controlled managed fund co-investments.

Background Information on Elanor's Control of the Funds

The Consolidated Group incorporates the assets and liabilities of Elanor Investors Limited and all of its subsidiaries, Elanor Investment Fund and its controlled entities, Elanor Hospitality and Accommodation Fund (EHAF), Elanor Metro and Prime Regional Hotel Fund (EMPR) and Bluewater Square Syndicate (Bluewater) as at 30 June 2018. Together, EHAF, EMPR and Bluewater are the Funds.

EHAF comprises stapled securities in Elanor Hospitality and Accommodation Fund and EHAF Management Pty Limited. The Group holds 42.64% of the equity in EHAF. EMPR comprises stapled securities in Elanor Metro and Prime Regional Hotel Fund and EMPR Management Pty Limited. The Group holds 44.04% of the equity in EMPR. The Group holds 41.92% of the equity in Bluewater.

Elanor Funds Management Limited acts as the Manager and Trustee of the Funds. The Trustee is owned wholly by the Group and governed by the licencing and legal obligations of a professional asset manager. The powers of the Trustee are governed by the Funds' constitution, which sets out the basis of fees that the Trustee can receive. These fees include management fees, performance fees, and acquisition fees.

Therefore, as set out in the Elanor Investors Group's Annual Financial Report for the year ended 30 June 2018, because Elanor is deemed to have a controlling interest in the Funds given its level of ownership and role as Trustee and Manager, the AASB10 definition of control for Elanor's equity investment in the Funds is met, and the Funds are included on consolidated basis in the Consolidated Group.

ELANOR INVESTORS GROUP

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

2. Discontinued Operations

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

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

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

Profit or Loss for the year from Discontinued Operations

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

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

b) Assets held for sale

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

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

c) Total liabilities directly associated with assets held for sale

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