



# Supplementary Financial Information

For the half year ended  
31 December 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 half year ended 31 December 2018.

In the Elanor Investors Group's Annual Financial Report for the half year ended 31 December 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 and record their investments in accordance with the principles of equity accounting.

This Supplementary Financial Information should be read in conjunction with Elanor Investors Group's Interim Financial Report for the half year ended 31 December 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, 15 February 2019

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

We have reviewed the accompanying half-year Supplementary Financial Information 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 half-year's end or from time to time during the half-year, including Elanor Investment Fund and the entities it controlled at the half-year's end or from time to time during the half-year. The half-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 31 December 2018, the supplementary statement of profit or loss and the supplementary statement of cash flows for the half-year ended on that date, notes comprising the basis of preparation and other explanatory information, and the directors' statement.

### *Directors' Responsibility for the Half-Year Supplementary Financial Information*

The directors of Elanor Investors Group are responsible for the preparation of the half-year Supplementary Financial Information in accordance with the basis of preparation set out within the notes to the half-year Supplementary Financial Information as required by the holders of the Notes, the Note Trustee, the Lead Manager and the Initial Subscriber under the Note conditions and for such internal control as the directors determine is necessary to enable the preparation of the half-year Supplementary Financial Information that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year Supplementary Financial Information based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year Supplementary Financial Information is not prepared, in all material respects, in accordance with the basis of preparation and with the reporting requirements of the Notes. As the auditor of Elanor Investors Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year Supplementary Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year Supplementary Financial Information of Elanor Investors Group has not been prepared, in all material respects in accordance with the basis of preparation set out within the notes to the half-year Supplementary Financial Information and with the reporting requirements of the Notes.

## *Basis of Preparation and Restriction on Distribution and Use*

Without modifying our conclusion, we draw attention to the notes to the half-year Supplementary Financial Information, which describes the basis of preparation. The half-year Supplementary Financial Information has been prepared to assist Elanor Investors Group to meet the financial reporting requirements of the Notes. As a result, the half-year Supplementary Financial Information may not be suitable for another purpose. Our report is intended solely for the holders of the Notes, the Note Trustee, the Lead Manager and the Initial Subscriber under the Note conditions and should not be distributed to or used by any other parties.

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  
Sydney, 15 February 2019

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY STATEMENTS OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated Group	Adjustments	ENN Group
	31 December 2018	31 December 2018	31 December 2018
Note	\$'000	\$'000	\$'000
<b>Income</b>			
Revenue from operating activities	37,199	(21,962)	15,237
Revenue from property inventory	36,000	–	36,000
Interest income	874	(19)	855
Rental income	2,490	(2,473)	17
Share of profit / (loss) from equity accounted investments	(2,944)	201	(2,742)
Realised gain on disposal of investment	1,984	251	2,235
Fair value gain on revaluation of assets / investment properties	592	(592)	–
Other income	239	(239)	–
<b>Total income</b>	<b>76,434</b>	<b>(24,832)</b>	<b>51,602</b>
<b>Expenses</b>			
Changes in inventories of finished goods	23,946	(2,103)	21,843
Salary and employee benefits	16,194	(8,763)	7,431
Property expenses	3,843	(3,168)	675
Operator management costs	2,330	(2,240)	90
Borrowing costs	4,573	(2,391)	2,182
Depreciation	4,491	(4,073)	418
Amortisation	403	(148)	255
Marketing and promotion	1,688	(821)	867
Repairs, maintenance and technology	746	(466)	280
Transaction, establishment costs and fair value decrement	–	–	–
Other expenses	3,680	(2,540)	1,140
<b>Total expenses</b>	<b>61,894</b>	<b>(26,713)</b>	<b>35,181</b>
<b>Net profit / (loss) before income tax expense</b>	<b>14,540</b>	<b>1,881</b>	<b>16,421</b>
Income tax (benefit) / expense	5,058	(297)	5,355
<b>Net profit / (loss) for the period from continuing operations after tax</b>	<b>9,482</b>	<b>1,584</b>	<b>11,066</b>
Discontinued operations			
<b>Net profit / (loss) for the period from discontinued operations after tax</b>	2	–	–
<b>Net profit / (loss) for the period</b>	<b>9,482</b>	<b>1,584</b>	<b>11,066</b>
<b>Net (loss) / profit attributable to security holders of:</b>			
- Parent Entity	9,282	(2,196)	7,086
- Non-controlling interest EIF	(1,854)	5,834	3,980
<b>Net profit / (loss) attributable to ENN security holders</b>	<b>7,428</b>	<b>3,638</b>	<b>11,066</b>
<b>Attributable to security holders of:</b>			
- External Non-controlling interest	2,054	(2,054)	–
<b>Net profit / (loss) for the period</b>	<b>9,482</b>	<b>1,584</b>	<b>11,066</b>
<b>Net profit / (loss) attributable to equity holders of the parent entity relates to:</b>			
Profit from continuing operations	9,282	(2,196)	7,086
Profit / (Loss) from discontinued operations	–	–	–
<b>Net (loss) / profit for the period</b>	<b>9,282</b>	<b>(2,196)</b>	<b>7,086</b>
Basic earnings / (loss) of the ENN security holders from continuing operations per stapled security (cents)	10.11		11.99
Diluted earnings / (loss) of the ENN security holders from continuing operations per stapled security (cents)	10.11		11.99

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Consolidated Group 31 December 2018 \$'000	Adjustments 31 December 2018 \$'000	ENN Group 31 December 2018 \$'000
<b>Current assets</b>				
Cash and cash equivalents		20,295	(11,438)	8,857
Receivables		14,638	(1,104)	13,534
Financial assets		40,463	–	40,463
Inventories		987	(392)	595
Other current assets		1,458	(853)	605
Current tax asset		4,374	(1,458)	2,916
Assets held for sale	2	702	–	702
<b>Total current assets</b>		<b>82,917</b>	<b>(15,245)</b>	<b>67,672</b>
<b>Non-current assets</b>				
Property, plant and equipment		221,963	(175,756)	46,207
Investment properties		58,650	(58,650)	–
Non-current inventories		–	–	–
Equity accounted investments		62,893	51,590	114,483
Goodwill and intangible assets		825	–	825
Deferred tax assets		3,316	(1,195)	2,121
<b>Total non-current assets</b>		<b>347,647</b>	<b>(184,011)</b>	<b>163,636</b>
<b>Total assets</b>		<b>430,564</b>	<b>(199,256)</b>	<b>231,308</b>
<b>Current liabilities</b>				
Payables		8,242	(4,905)	3,337
Derivative financial instruments		–	–	–
Interest bearing liabilities		46,728	(46,728)	–
Current provisions		1,258	(562)	696
Other current liabilities		200	(5)	195
Income tax payable		–	–	–
Contract liabilities		816	(754)	62
Liabilities directly associated with discontinued operations	2	10,119	–	10,119
<b>Total current liabilities</b>		<b>67,363</b>	<b>(52,954)</b>	<b>14,409</b>
<b>Non-current liabilities</b>				
Derivative financial instruments		679	(679)	–
Interest bearing liabilities		134,397	(67,451)	66,946
Non-current provisions		464	(77)	387
Other non-current liabilities		589	(300)	289
Deferred tax liabilities		1,746	(1,422)	324
Loan from the Company		–	–	–
<b>Total non-current liabilities</b>		<b>137,875</b>	<b>(69,929)</b>	<b>67,946</b>
<b>Total liabilities</b>		<b>205,238</b>	<b>(122,883)</b>	<b>82,355</b>
<b>Net assets</b>		<b>225,326</b>	<b>(76,373)</b>	<b>148,953</b>

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Consolidated Group 31 December 2018 \$'000	Adjustments 31 December 2018 \$'000	ENN Group 31 December 2018 \$'000
<b>Equity</b>			
<i>Equity Holders of Parent Entity</i>			
Contributed equity	59,755	–	59,755
Treasury shares	(179)	–	(179)
Reserves	13,803	(13,482)	321
Retained profits / (accumulated losses)	(27,676)	17,063	(10,613)
<b>Parent entity interest</b>	<b>45,703</b>	<b>3,581</b>	<b>49,284</b>
<i>Equity Holders of Non Controlling Interest</i>			
Contributed equity - Elanor Investment Fund	69,261	–	69,261
Treasury shares	(347)	–	(347)
Reserves	33,085	(9,677)	23,408
Retained profits / (accumulated losses)	(6,228)	13,575	7,347
<b>Non-controlling interest</b>	<b>95,771</b>	<b>3,898</b>	<b>99,669</b>
<i>Equity Holders of Non Controlling Interest - External</i>			
Contributed equity - External	83,035	(83,035)	–
Reserves	10,408	(10,408)	–
Retained profits / (accumulated losses)	(9,591)	9,591	–
<b>External Non-controlling interest</b>	<b>83,852</b>	<b>(83,852)</b>	<b>–</b>
<b>Total equity attributable to stapled security holders:</b>			
- Parent Entity	45,703	3,581	49,284
- Non-controlling Interest - EIF	95,771	3,898	99,669
<b>Total equity attributable to ENN security holders</b>	<b>141,474</b>	<b>7,479</b>	<b>148,953</b>
<b>Total equity attributable to stapled security holders:</b>			
- Non-controlling interest - External	83,852	(83,852)	–
<b>Total equity</b>	<b>225,326</b>	<b>(76,373)</b>	<b>148,953</b>

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY STATEMENTS OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated Group	Adjustments	ENN Group
	31 December 2018	31 December 2018	31 December 2018
Note	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers	43,597	10,330	53,927
Payments to suppliers and employees	(41,419)	(11,608)	(53,027)
Interest received	874	(19)	855
Finance costs paid	(4,595)	2,430	(2,165)
Income tax paid	(637)	(0)	(637)
<b>Net cash flows from operating activities</b>	<b>(2,180)</b>	<b>1,133</b>	<b>(1,047)</b>
<b>Cash flows from investing activities</b>			
Receipts for business and asset disposals	5,400	–	5,400
Receipts for the sale of equity accounted investments	15,838	(317)	15,521
Proceeds from financial asset disposals	4,656	17	4,673
Payments for property, plant and equipment	(2,290)	1,367	(923)
Loans to associates	1,123	(2,447)	(1,324)
Payments for equity accounted investments	(29,703)	(740)	(30,443)
Distributions received from equity accounted investments	1,710	1,458	3,168
<b>Net cash flows from investing activities</b>	<b>(3,266)</b>	<b>(662)</b>	<b>(3,928)</b>
<b>Cash flows from financing activities</b>			
Net proceeds / (repayments) from borrowings	6,317	699	7,016
Proceeds from equity raisings	11,989	(8,289)	3,700
Distributions paid to security holders	(9,920)	1,915	(8,005)
<b>Net cash flows from financing activities</b>	<b>8,386</b>	<b>(5,675)</b>	<b>2,711</b>
Net increase / (decrease) in cash and cash equivalents	2,940	(5,204)	(2,264)
Cash and cash equivalents at the beginning of the period	17,355	(6,234)	11,121
<b>Cash at the end of the period</b>	<b>20,295</b>	<b>(11,438)</b>	<b>8,857</b>

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY FINANCIAL INFORMATION FOR THE HALF YEAR ENDED 31 DECEMBER 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 Interim Financial Report for the half year ended 31 December 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 half year ended 31 December 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 Interim Financial Report for the period ended 31 December 2018.

In the Elanor Investors Group's Annual Financial Report, where Elanor is deemed to have a controlling interest in any 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 its subsidiaries, Elanor Investment Fund and its controlled entities and EMPR, Bluewater and Auburn Office Syndicate on an equity accounted basis as at 31 December 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 Metro and Prime Regional Hotel Fund (EMPR), Bluewater Square Syndicate (Bluewater) and Auburn Office Syndicate as at 31 December 2018. Together, EMPR, Bluewater and Auburn Office Syndicate are the Funds.

EMPR comprises stapled securities in Elanor Metro and Prime Regional Hotel Fund, EMPR Management Pty Limited, Elanor Metro and Prime Regional Hotel Fund II (formerly known as Elanor Hospitality and Accommodation Fund) and EMPR II Management Pty Limited (formerly known as EHAF Management Pty Limited). The Group holds 35.70% of the equity in EMPR. The Group holds 42.27% of the equity in Bluewater and 100% of the equity in Auburn Office Syndicate.

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 licensing 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 Interim Financial Report for the half year ended 31 December 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 AASB 10 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 FINANCIAL INFORMATION FOR THE HALF YEAR ENDED 31 DECEMBER 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.

On 13 August 2018 ENN Group announced that following a sale campaign where no firm proposals were received at that stage, Elanor decided to commence an orderly closure of the business. The JCF stores were all closed during the 6 month period ended 31 December 2018.

The remaining Ashley branded Furniture Homestores (Ashley stores) owned by the business continued to trade as at 31 December 2018, due to the ongoing sale process relating to the Ashley Furniture component of the business as a going concern. The assets and liabilities relating to the two Ashley branded Furniture Homestores are classified as assets and liabilities held for sale accordingly.

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

The combined results of the discontinued operations included in the profit and loss for the period ended 31 December 2018 are set out below.

Profit or Loss for the year from Discontinued Operations

	ENN Group 31 December 2018 \$'000
<b>John Cootes Furniture Business</b>	
Revenue from sale of goods	16,709
Costs of goods sold	(11,267)
Expenses relating to discontinuing the operations	(5,442)
Loss / Profit before Income Tax	–
Net tax benefit / (expense)	–
<b>Profit / (loss) for the year from discontinued operations</b>	<b>–</b>

#### Assets held for sale

Assets relating to the Ashley branded Furniture Homestores held for sale are included in the following table:

	ENN Group 31 December 2018 \$'000
<b>John Cootes Furniture Business</b>	
Cash & cash equivalent	–
Property, plant and equipment	–
Inventory	702
Other assets	–
<b>Total assets classified as held for sale</b>	<b>702</b>

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY FINANCIAL INFORMATION FOR THE HALF YEAR ENDED 31 DECEMBER 2018

### 2. Discontinued Operations (continued)

Total liabilities directly associated with discontinued operations

	ENN Group 31 December 2018 \$'000
<b>John Cootes Furniture Business</b>	<b>10,119</b>
Liabilities directly associated with assets held for sale	1,929
Provisions for onerous leases relating to the JCF business	5,965
Other costs associated with the close down of the JCF	2,225
<b>Total liabilities directly associated with discontinued operations</b>	<b>10,119</b>