Appendix 4D

Half year report
for the period ended 31 December 2018

Name of entity	Elanor Investors Group (Elanor) a stapled entity comprising Elanor Investors Limited, and Elanor Funds Management Limited as Responsible Entity of Elanor Investment Fund.
ARSN	Elanor Investment Fund 169 450 926
ABN	Elanor Investors Limited 33 169 308 187
ABN	Elanor Funds Management Limited 39 125 903 031
Reporting period	Six month period ended 31 December 2018
Previous corresponding period	Six month period ended 31 December 2017

This Half Year Report is given to the ASX in accordance with Listing Rule 4.2A. The Report should be read in conjunction with the attached Interim Financial Report for the half year ended 31 December 2018.

Results for announcement to the market

Financial Performance

		A $'000
Revenue from ordinary activities	Up 122.3% to	76,434
Profit/(loss) from ordinary activities after tax attributable to security holders	Up 400% to	9,482
Net profit/(loss) for the period attributable to security holders	Up 477% to	9,482
Core Earnings [1]	Up 8.81% to	6,745

Distribution

Current Period	***Amount per unit***
Interim Distribution [2]	6.32 cents
Previous Corresponding Period	
Interim Distribution	7.16 cents

Record date for determining entitlement to the Interim Distribution	31 December 2018
Date the Interim Distribution is payable:	1 March 2018
The taxable component of the interim distribution comprises:	
Franked Dividend:	0.512114 cents
Trust Distribution:	5.812703 cents

* Further information on tax components of the distribution will be provided to security holders with their half yearly distribution statement for the period ending 31 December 2017.

Net Tangible Assets

Current Period	***Current Period***
Net tangible asset backing per security	$2.34
Previous Corresponding Period	
Net tangible asset backing per security	$2.30

Notes:

1. Core Earnings 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, lease straight-lining, depreciation charges on the buildings held by the Trust, amortisation of intangibles, borrowing costs and equity settled STI and LTI amounts), determined in accordance with ASIC RG230.
2. The Interim Distribution is based on a payout ratio of 90% of Core Earnings.

Control Gained over Entities during the Period

- 35.95% equity investment in Elanor Metro and Prime Regional Fund
- 42.27% equity investment in Bluewater Syndicate

Control Lost over Entities during the Period.
None

Details of any associates and Joint Venture entities required to be disclosed:

- 17.89% equity investment in Elanor Retail Property Fund (ASX:ERF)
- 13.27% equity investment in Elanor Commercial Property Fund
- 4.73% equity investment in Hunters Plaza Syndicate
- 21.63% equity investment in Waverley Gardens Fund

Accounting standards used by foreign entities
International Financial Reporting Standards.

Audit
The accounts have been subject to a review, with an unqualified opinion. Refer attached Interim Financial Report.

Distribution Reinvestment Plan (DRP)
There is no DRP in operation for the interim distribution for the half year ended 31 December 2018.

For all other information required by Appendix 4D, please refer to the following documents:

- Directors' Report
- Interim Financial Report

Interim Financial Report

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)

Level 38, 259 George Street,
Sydney NSW 2000
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Sydney NSW 2001
www.elanorinvestors.com

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The Directors of Elanor Investors Limited (Company), and the Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Investment Fund present their report together with the consolidated financial report of Elanor Investors Group (Group, Consolidated Group or Elanor) and the consolidated financial report of the Elanor Investment Fund (EIF Group) for the half year ended 31 December 2018 (period).

The interim financial report of Elanor Investors Group comprises the Company and its controlled entities, including Elanor Investment Fund (Trust) and its controlled entities. The interim financial report of the EIF Group comprises Elanor Investment Fund and its controlled entities.

Elanor Investors Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 38, 259 George Street, Sydney NSW 2000.

The Trust was registered as a managed investment scheme on 21 May 2014 and the Company was incorporated on 1 May 2014.

The units of the Trust and the shares of the Company are combined and issued as stapled securities in the Group. The Group's securities are traded on the Australian Securities Exchange (ASX: ENN). The units of the Trust and shares of the Company cannot be traded separately and can only be traded as stapled securities. Although there is no ownership interest between the Trust and the Company, the Company is deemed to be the parent entity of the Group under Australian Accounting Standards.

The Directors' report is a combined Directors' report that covers both the Company and the Trust. The financial information for the Group is taken from the consolidated financial reports and notes.

1. Directors

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

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

2. Principal activities

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

3. Distributions

Distributions relating to the half year ended 31 December 2018 comprise:

Distribution	Half Year Ended 31 December 2018
Interim Distribution	
Amount payable (cents per stapled security)	6.32
Payment Date	1 March 2019

A provision for the Final Distribution has not been recognised in the consolidated financial statements for the half year as the distribution had not been declared at the reporting date. The Interim Distribution of 6.32 cents compares to an Interim Distribution and Final Distribution for the financial year ended 30 June 2018 of 7.16 and 8.61 cents per stapled security respectively.

4. Operating and financial review

OVERVIEW AND STRATEGY

The key strategic objective of Elanor is to identify and originate real estate backed investments that deliver strong returns for both Elanor's funds management capital partners and Elanor's security holders. Elanor's investment focus is on acquiring and unlocking value in assets that provide strong income and high quality capital growth potential. Elanor's highly active approach to asset management is underpinned with urgency and an acute focus on delivering investment performance. The Group seek's to co-invest with its funds management capital partners for both strategic and alignment purposes. The Group also originates and holds investments on balance sheet to provide opportunities for future co-investment by Elanor's capital partners.

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

Elanor's key investment sector focuses are the commercial office real estate, retail real estate and the hotels, tourism and leisure sectors.

During the six months to 31 December 2018, Elanor increased its assets under management from $1,082.6 million to $1,148.9 million. Co-investments of $19.7 million were made in new managed funds.

The Group completed the following funds management initiatives during the six month period:

- The establishment of the Waverley Gardens Fund (Waverley Gardens) in December 2018 which acquired the Waverley Gardens Shopping centre in Mulgrave, Victoria. The fund had a gross asset value of $183.3 million as at 31 December 2018.

- The acquisition of the Elanor Hospitality and Accommodation Fund hotel portfolio by Elanor Metro and Prime Regional Hotel Fund ("EMPR") in September 2018. EMPR had a gross asset value of $195.0 million as at 31 December 2018.

- The acquisition of the Limestone Syndicate by Elanor Commercial Property Fund ("ECPF") in December 2018. ECPF had a gross asset value of $136.6 million as at 31 December 2018.

- On 21 December 2018, the Group established Stirling Street Syndicate which acquired a commercial property located in Stirling Street, Perth, for $24.7 million. Settlement date is on 28 February 2019.

ENN's strong investment track record and investor base continues to be evidenced by the demand from wholesale and institutional investors for ENN's newly established funds. Elanor has a well resourced and scalable platform with capacity for growth. This, coupled with the Group's available capital, means that the Group is strongly positioned to grow the funds management business.

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO

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

Managed Funds

Funds	Location	Type	Gross Asset Value $'m
Elanor Commercial Property Fund	Cannon Hill, Mt Gravatt, QLD, Ipswich, QLD and Perth WA	Commercial office buildings	136.6
Elanor Metro and Prime Regional Hotel Fund	Canberra and Narrabundah ACT, Byron Bay, Mudgee, Wagga and Wollongong NSW and Cradle MountainTAS	Nine hotels across NSW (6), ACT (2) and TAS (1)	195.0
Elanor Retail Property Fund (ASX:ERF)	Auburn, Taree and Tweed Heads, NSW, Bundaberg and Gladstone, QLD, and Glenorchy, TAS	Sub-regional shopping centres	322.1
Belconnen Markets Syndicate	Canberra, ACT	Shopping centre	49.7
Bell City Syndicates (4)	Preston, VIC	Hotel budget accommodation and commercial complex	159.5
Bluewater Square Syndicate	Redcliffe, QLD	Shopping centre	55.0
Hunters Plaza Syndicate	Auckland, NZ	Sub-regional shopping centre	49.5
WorkZone West Syndicate	Perth, WA	Commercial office building	128.1
Additions since 30 June 2018			
Waverley Gardens Fund	Mulgrave, VIC	Shopping centre	183.3
Auburn Office Syndicate	Auburn, NSW	Commercial office building	4.9
Stirling Street Syndicate Perth, WA	Perth, WA	Commercial office building	24.7
Disposals since 30 June 2018			
Bell City Syndicate (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	(159.5)
Total Managed Funds			**1,148.9**

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

Investment Portfolio

Asset	Location	Type	Note	Carrying Value $'m
Featherdale Wildlife Park	Sydney, NSW	Wildlife Park	1	39.0
Hotel Ibis Styles Albany	Albany, WA	Hotel	1	5.2
Managed Fund Co-Investments				**Equity accounted value $'m**
Elanor Metro and Prime Regional Hotel Fund	Canberra and Narrabundah ACT, Byron Bay, Mudgee, and Wollongong NSW and Cradle Mountain TAS	Nine hotels across NSW (6), ACT (2) and TAS (1)	3	36.7
Elanor Commercial Property Fund	Cannon Hill, Mt Gravatt, Ipswich, QLD, Adelaide, SA and Perth WA	Commercial offices	2	13.1
Elanor Retail Property Fund (ASX: ERF)	Auburn, Taree and Tweed Heads, NSW, Bundaberg and Gladstone, QLD, and Glenorchy, TAS	Sub-regional shopping centres	2	33.3
Belconnen Markets Syndicate	Canberra, ACT	Shopping Centre	2	0.5
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	2	11.7
Bluewater Square Syndicate	Redcliffe, QLD	Shopping centre	3	9.9
Hunters Plaza Syndicate	Auckland, NZ	Sub-regional shopping centre	2	1.2
Additions since 30 June 2018				
Workzone West Syndicate	Perth, WA	Commercial office building	2	0.1
Waverley Gardens Fund	Mulgrave, VIC	Shopping centre	2	14.7
Auburn Office Syndicate	Auburn, NSW	Commercial office building	3	4.9
Disposals since 30 June 2018				
Bell City Syndicates (4)	Preston, VIC	Hotel, budget accommodation and commercial complex	2	(11.7)
Total Investment Portfolio				**158.6**
Total Managed Funds and Investment Portfolio				**1,307.5**

4. Operating and financial review (continued)

MANAGED FUNDS AND INVESTMENT PORTFOLIO (CONTINUED)

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

Note 2: Managed Fund co-investments are associates and accounted for using the equity method.

Note 3: The co-investment in Elanor Metro and Prime Regional Hotel Fund (EMPR), Bluewater Square Syndicate (Bluewater) and the Auburn Office Syndicate has been consolidated in the financial statements. The amount shown assumes that the investments were accounted for using the equity method.

REVIEW OF FINANCIAL RESULTS

The Group recorded a statutory profit after tax from continuing operations of $9.48 million for the six months ended 31 December 2018.

Elanor holds a 35.70% interest in the Elanor Metro and Prime Regional Hotel Fund ("EMPR") and a 42.27% interest in the Bluewater Square Syndicate ("Bluewater") and 100% interest in the Auburn Office Syndicate ("Auburn Office"). For accounting purposes, Elanor is deemed to have a controlling interest in EMPR, Bluewater and Auburn Office given its level of ownership and role as manager of the Funds. This means that the financial results and financial position of EMPR, Bluewater and Auburn Office are consolidated into the financial statements of the Group for the period ended 31 December 2018.

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

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

Core or Distributable Earnings for the period were $6.75 million or 7.03 cents per stapled security. An Interim Distribution of $6.07 million or 6.32 cents per stapled security has been declared for the six months ended 31 December 2018 (90% pay-out ratio on Core Earnings). Core Earnings is considered more relevant than statutory profit as it represents an estimate of the underlying recurring cash earnings of the Group, and has been determined in accordance with ASIC Regulatory Guide 230.

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS (CONTINUED)

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

Statutory financial results	Group 31 December 2018	Group 31 December 2017	EIF Group 31 December 2018	EIF Group 31 December 2017
Net profit / (loss) after tax ($'000)	9,482	(3,157)	1,950	(180)
Net profit / (loss) after tax ($'000) (EMPR, Bluewater and Auburn Office equity accounted)	11,066	1,267	(2,045)	1,840
Core Earnings ($'000)	6,745	7,374	6,199	7,469
Distributions payable to security holders ($'000)	6,070	6,637	5,579	6,637
Core Earnings per stapled security (cents)	7.03	7.96	6.46	8.06
Core Earnings per weighted average stapled security (cents)	7.31	8.22	6.72	8.33
Distributions (cents per stapled security / unit)	6.32	7.16	5.81	7.16
Net tangible assets ($ per stapled security)	2.34	2.30	1.96	1.81
Net tangible assets ($ per stapled security) (EMPR, Bluewater and Auburn Office equity accounted)	1.54	1.62	1.04	1.10
Gearing (net debt / total assets less cash) (%)	39.2	39.4	27.8	31.5
Gearing (net debt / total assets less cash) (%) (EMPR, Bluewater and Auburn office equity accounted)	26.1	22.6	0.7	0.7

4. Operating and financial review (continued)

REVIEW OF FINANCIAL RESULTS (CONTINUED)

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

		Group 31 December 2018 $'000	Group 31 December 2017 $'000	EIF Group 31 December 2018 $'000	EIF Group 31 December 2017 $'000
Statutory Net Profit / (Loss) After Tax		**9,482**	**(3,157)**	**1,950**	**(180)**
Adjustment to remove the impact of consolidation of EMPR, Bluewater and Auburn Office		92	5,575	(2,119)	3,738
Adjustment to include the impact of accounting for EMPR, Bluewater and Auburn Office using the equity method		1,492	(1,151)	(1,875)	(1,718)
Adjusted Net Profit / (Loss) After Tax		**11,066**	**1,267**	**(2,044)**	**1,840**
Adjustments for items included in statutory profit / (loss)					
Increase in equity accounted investments to reflect distributions received / receivable	2	6,055	2,983	5,945	2,643
Gain on the sale of Ibis Styles Eaglehawk		-	2,258	-	2,258
Non-cash (gain) / loss on disposals of equity accounted investments	3	(571)	-	1,334	-
Holdback of Merrylands net profit after tax	4	(10,452)	-	-	-
Building depreciation expense	5	17	117	-	-
Straight lining of rental expense		(1)	2	-	-
Fair value adjustments on investment property		-	-	669	310
Amortisation amounts	6	696	812	295	418
Tax adjustments		(64)	(65)	-	-
Core Earnings	1	**6,745**	**7,374**	**6,199**	**7,469**

Note 1: Core Earnings has been determined in accordance with ASIC RG 230 and represents the Directors view of underlying earnings from ongoing operating activities for the period, being net profit / (loss) after tax, adjusting for one-off realised items (being formation or other transaction costs that occur infrequently or are outside the course of ongoing business activities), non-cash items (being fair value movements, depreciation charges on the buildings held by the Trust, amortisation of intangibles, straight lining of rental expense, and amortisation of equity settled STI and LTI amounts), and restating share of profit from equity accounted investments to reflect distributions received / receivable in respect of those investments.

Note 2: Share of profit from equity accounted investments includes depreciation and amortisation and fair value adjustments on investment property that were added back in the determination of distributable earnings for those managed funds. The Group's share of those adjustments to distributable earnings in the relevant managed funds have been added back for the purposes of calculating Core Earnings so that the Group's Core Earnings reflects the distribution received / receivable by the Group from those investments in Elanor managed funds.

Note 3: (Gain)/loss on disposals of equity accounted investments includes adjustments for realised non-cash accounting (gains)/losses on the sale of equity accounted investments during the period, so as to only include net cash profit for the purposes of calculating Core Earnings.

Note 4: As a result of the Group's adoption of the new Revenue accounting standard, AASB 15 Revenue from Contracts with Customers on 1 July 2018, the net profit on sale of the Merrylands Property, that was appropriately recognised in the Group's profit and loss for the period ended 30 June 2018, has also been recognised in the period ended 31 December 2018. This profit on the sale of the Merrylands Property has been removed from Core Earnings. Further information on this transaction is provided on page 27.

Note 5: During the period, the Group incurred total depreciation charges of $0.418 million, however only the depreciation expense on buildings of $0.017 million has been added back for the purposes of calculating Core Earnings.

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

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS

The Group is organised into three divisions by business type.

Funds Management manages third party owned investment funds and syndicates.

Hotels, Tourism and Leisure has extensive investment management expertise in acquiring and operating real estate backed accommodation hotel and leisure investments. The current investment portfolio includes Featherdale Wildlife Park and Ibis Styles Albany Hotel, along with a co-investment in Elanor Metro and Prime Regional Hotel Fund.

Real Estate has proven management expertise in the retail and commercial office sectors. The Real Estate division's focus is to identify and originate investments that provide superior investment returns through active asset management and the realisation of 'value-add' operational and strategic opportunities. The current investment portfolio comprises investments in Elanor Retail Property Fund (ASX: ERF), Elanor Commercial Property Fund, Hunters Plaza Syndicate, Bluewater Square Syndicate, WorkZone West Syndicate, Waverley Gardens Fund, Belconnen Markets Syndicate and Auburn Office Syndicate.

The property associated with John Cootes Furniture business at Merrylands, NSW was sold by the Group on 6 June 2018 for $36 million and settled in July 2018. This transaction was included in the consolidated financial statements of the Group for the year ended 30 June 2018. In line with the Group's adoption of AASB 15 *Revenue from Contracts with Customers* on 1 July 2018, the Group is required to also recognise the $36 million revenue in the consolidated financial statements for the period ended 31 December 2018, with a net profit generated of approximately $10.5 million. The duplication of the reporting of this transaction in the consolidated financial statements for the period ended 31 December 2018, has been removed in the presentation of Core Earnings on page 9. Further information of the impact of this transaction is provided on page 27.

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

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

The performance of the ENN Group for the period ended 31 December 2018, as represented by the aggregate results of its operations for the period, was as follows:

ENN Group Revenue and EBITDA (adjusted to reflect EMPR, Bluewater and Auburn Office accounted for using the equity method)	**ENN Group Segment Revenue 31 December 2018 $'000**	**ENN Group Segment Revenue 31 December 2017 $'000**	**ENN Group Segment EBITDA 31 December 2018 $'000**	**ENN Group Segment EBITDA 31 December 2017 $'000**
Funds Management	7,507	5,643	6,206	4,314
Hotels, Tourism and Leisure	7,077	9,725	1,249	1,754
Real Estate	(2,087)	1,024	(3,060)	378
Sale of Merrylands property[1]	36,000	15,261	14,932	(881)
Total Segment Revenue and EBITDA	**48,497**	**31,653**	**19,327**	**5,565**
Unallocated corporate costs			(3,140)	(3,386)
Group EBITDA			**16,187**	**2,179**
Depreciation and amortisation			(493)	(763)
Group EBIT			15,694	1,416
Gain on investments			2,235	-
Interest income			855	412
Borrowing costs			(2,363)	(1,038)
Group net profit / (loss) before income tax			16,421	790
Income tax expense			(5,355)	477
Group net profit / (loss) after income tax			**11,066**	**1,267**

Note 1: This result reflects the sale of the Merrylands property, previously recognised in the financial year ended 30 June 2018, as a result of the Group's adoption of AASB 15 as discussed above. The comparative financial information reflects the operating results of John Cootes Furniture which was closed during the period ended 31 December 2018.

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

Operating Performance for period ended 31 December 2018	**ENN Group EBITDA $'000**	**Remove Equity Accounted Result $'000**	**Add Distributions received / receivable $'000**	**Reversal of AASB 15 adoption $'000**	**EBITDA Contribution to Core Earnings $'000**
Funds Management	6,206	-	-	-	6,206
Hotels, Tourism and Leisure	1,249	655	1,260	-	3,164
Real Estate	(3,060)	2,087	2,053	-	1,080
Merrylands property[1]	14,932	-	-	(14,932)	-
Unallocated Corporate Costs	(3,140)	-	-	-	(3,140)
EBITDA	**16,187**	**2,742**	**3,313**	**(14,932)**	**7,310**

Note 1: The impact of the sale of the Merrylands property, discussed above, has been removed from the presentation of the segment EBITDA contribution to Core Earnings.

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Funds Management

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

Operating Performance	31 December 2018 $'000	31 December 2017 $'000
Total Adjusted revenue	7,507	5,643
EBITDA Contribution to Core Earnings	6,206	4,314
Operating margin	82.7%	76.4%

Funds under Management	31 December 2018 $'m	31 December 2017 $'m
Opening funds under management (as at 30 June 2018)	1,082.6	681.6
Increase in value of funds under management	12.9	48.4
Disposals / decrease in value of funds under management	(159.5)	-
New funds	212.9	134.4
Total	**1,148.9**	**864.4**

The Group has added significant new funds under management since July 2018, with the Group establishing three new managed funds, being Waverley Gardens Fund, Auburn Office Syndicate and Stirling Street Syndicate.

During the period the Group continued to strengthen its internal asset management and investment management capabilities, along with its asset origination resources. The Group also broadened its offshore and domestic institutional capital partner base to support the Group's strategic focus to deliver growth in funds under management and the performance of assets under management.

Hotels, Tourism and Leisure

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

Operating Performance	31 December 2018 $'000	31 December 2017 $'000
Total Adjusted revenue	8,992	12,255
EBITDA Contribution to Core Earnings	3,164	4,284
Operating margin	35.2%	35.0%

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings includes the results of Featherdale Wildlife Park, and Ibis Styles Albany Hotel. The comparative result included the results of Ibis Styles Canberra Eaglehawk Hotel for four months prior to its sale to EMPR.

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings also includes distributions received / receivable from the Group's co-investment in funds managed by the Group of $1.3 million for the period ended 31 December 2018 ($1.5 million for the comparative period).

The table below sets out the assessed value of each investment portfolio property as at 31 December 2018.

Carrying Value of Properties	**31 December 2018 $'m**	**31 December 2017 $'m**
Featherdale Wildlife Park	39.0	39.0
Ibis Styles Albany Hotel	5.2	5.3
Total	**44.2**	**44.3**

The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 31 December 2018, using the equity method, is as follows:

Carrying Value of Co-Investments	**31 December 2018 $'m**	**31 December 2017 $'m**
Elanor Hospitality and Accommodation Fund	-	19.7
Elanor Metro and Prime Regional Hotel Fund	36.7	17.7
Bell City Fund	-	12.0
193 Clarence Hotel Syndicate	-	1.1
Total	**36.7**	**50.5**

Real Estate

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

Operating Performance	**31 December 2018 $'000**	**31 December 2017 $'000**
Total Adjusted revenue	2,053	1,476
EBITDA Contribution to Core Earnings	1,080	830
Operating margin	52.6%	56.2%

Real Estate EBITDA contribution to Core Earnings comprises distributions received / receivable from the Group's co-investment in funds managed by the Group of $2.1 million for the period ended 31 December 2018 ($1.5 million for the comparative period).

4. Operating and financial review (continued)

REVIEW OF OPERATIONAL RESULTS (CONTINUED)

The carrying value of these investments as at 31 December 2018, using the equity method, is as follows:

Carrying Value of Co-Investments	31 December 2018 $'m	31 December 2017 $'m
Elanor Commercial Property Fund	13.1	0.5
Elanor Retail Property Fund (ASX: ERF)	33.3	33.4
Auburn Office Syndicate	4.8	-
Belconnen Markets Syndicate	0.5	-
Bluewater Square Syndicate	9.9	10.6
Hunters Plaza Syndicate	1.2	1.2
Limestone Street Centre Syndicate	-	1.4
Waverley Gardens Fund	14.7	-
WorkZone West Syndicate	0.1	-
Total	**77.6**	**47.1**

Summary and Outlook

The Group's key strategic objective will remain focused on growing funds under management. The Group has a number of funds management opportunities under consideration, with a particular focus on the retail real estate and hotels, tourism and leisure sectors. The Group will look to increase income from managed funds, seed new managed funds with Group owned investments, and continue to co-invest with external capital partners.

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

The Group is committed to growing funds under management through the acquisition of high investment quality assets based on the Group's investment philosophy and criteria. The Group has an active pipeline of potential funds management opportunities across all sectors of focus. Furthermore, the Group is actively pursuing opportunities in new real estate sectors, and continues to explore strategic opportunities to deliver its growth objectives.

5. Interests in the Group

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

	Consolidated Group 31 December 2018 '000	Consolidated Group 30 June 2018 '000
Stapled securities on issue at the beginning of the year	93,016	89,224
Stapled securities issued under the short term incentive scheme	-	263
Stapled securities issued for 2014 LTI securities converted	2,960	3,529
Stapled securities on issue at the end of the period	**95,976**	**93,016**

6. 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.

7. Events occurring after reporting date

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

8. Rounding of amounts to the nearest thousand dollars

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

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

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

Paul Bedbrook
Chairman

Glenn Willis
CEO and Managing Director

Sydney, 15 February 2019

Deloitte.

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The Directors
Elanor Investors Limited and
Elanor Funds Management Limited
(as responsible entity for Elanor Investment Fund)
Level 38, 259 George Street
Sydney NSW 2000

15 February 2019

Dear Directors,

Auditor's Independence Declaration to
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 review of the half year financial report of Elanor Investors Limited and Elanor Investment Fund for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

AG Collinson
Partner
Chartered Accountants

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

	Note	Consolidated Group 31 December 2018 $'000	Consolidated Group 31 December 2017 $'000	EIF Group 31 December 2018 $'000	EIF Group 31 December 2017 $'000
Income					
Revenue from operating activities	2	37,199	30,371	–	–
Revenue from property inventory		36,000	–	–	–
Interest income		874	410	12	10
Rental income		2,490	1,214	8,661	7,112
Share of (loss) / profit from equity accounted investments		(2,944)	2,359	(2,966)	2,359
Realised gain on disposal of investment		1,984	–	1,984	–
Fair value gain on revaluation of assets / investment properties		592	–	568	–
Other income		239	37	203	–
Total income		**76,434**	**34,391**	**8,462**	**9,481**
Expenses					
Changes in inventories of finished goods		23,946	2,761	–	–
Salary and employee benefits		16,194	14,377	354	440
Property expenses		3,843	2,991	301	102
Operator management costs		2,330	1,464	1,303	785
Borrowing costs		4,573	2,268	2,810	1,691
Depreciation		4,491	3,340	–	–
Amortisation		403	251	131	84
Marketing and promotion		1,688	1,507	69	35
Repairs, maintenance and technology		746	708	87	18
Transaction, establishment costs and fair value decrement		–	5,439	–	6,498
Other expenses		3,680	1,853	1,457	8
Total expenses		**61,894**	**36,959**	**6,512**	**9,661**
Net profit / (loss) before income tax expense		**14,540**	**(2,568)**	**1,950**	**(180)**
Income tax expense / (benefit)	5	5,058	(51)	–	–
Net profit / (loss) for the period from continuing operations		**9,482**	**(2,517)**	**1,950**	**(180)**
Discontinued operations:					–
Net profit / (loss) for the period from discontinued operations after tax	4	–	**(640)**	–	–
Net profit / (loss) for the period		**9,482**	**(3,157)**	**1,950**	**(180)**
Attributable to security holders of:					
- Parent Entity		9,282	(868)	733	1,935
- Non-controlling interest EIF		(1,854)	1,526	–	–
Net profit / (loss) attributable to ENN security holders		**7,428**	**658**	**733**	**1,935**
Attributable to security holders of:					
- External Non-controlling interest		2,054	(3,175)	1,217	(2,115)
Net profit / (loss) for the period		**9,482**	**(2,517)**	**1,950**	**(180)**
Net profit / (loss) attributable to equity holders of the parent entity relates to:					
Profit from continuing operations		9,282	(228)	733	1,935
Profit / (Loss) from discontinued operations		0	(640)	–	–
Net profit / (loss) for the period		**9,282**	**(868)**	**733**	**1,935**
Basic earnings / (loss) per stapled security from continuing operations (cents)		10.28	1.40		
Diluted earnings / (loss) per stapled security from continuing operations (cents)		10.28	0.47		
Basic earnings / (loss) of the parent entity from continuing operations (cents)		10.06	(0.49)		
Diluted earnings / (loss) of the parent entity from continuing operations (cents)		10.06	(0.16)		

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated Group 31 December 2018 $'000	Consolidated Group 31 December 2017 $'000	EIF Group 31 December 2018 $'000	EIF Group 31 December 2017 $'000
Net profit / (loss) for the period	**9,482**	**(3,157)**	**1,950**	**(180)**
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss				
(Loss) on revaluation of cash flow hedge	(230)	(200)	(258)	(225)
Items that may not be reclassified to profit and loss				
Share of asset revaluation reserve from equity accounted investments	(42)	418	(42)	418
Gain on revaluation of property, plant and equipment	1,138	1,465	1,807	936
Income tax relating to these items	(13)	(6)	–	–
Other comprehensive income for the period, net of tax	853	1,677	1,507	1,129
Total comprehensive income / (loss) net of tax from continuing operations	10,335	(840)	3,457	949
Total comprehensive income / (loss) net of tax from discontinued operations	–	(640)	–	–
Total comprehensive income / (loss) for the period, net of tax	**10,335**	**(1,480)**	**3,457**	**949**
Attributable to security holders of:				
- Parent entity	9,286	(1,441)	1,238	2,655
- Non-controlling interest - EIF	(2,019)	2,724	–	–
Total comprehensive income / (loss) for the period, net of tax, of ENN Security holders	**7,267**	**1,283**	**1,238**	**2,655**
Attributable to security holders of:				
- External Non-controlling interest	3,068	(2,763)	2,219	(1,706)
Total comprehensive income / (loss) for the period, net of tax	**10,335**	**(1,480)**	**3,457**	**949**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000	EIF Group 31 December 2018 $'000	EIF Group 30 June 2018 $'000
Current assets					
Cash and cash equivalents		20,295	14,034	6,113	2,883
Receivables	12	14,638	17,146	11,879	6,849
Financial assets	10	40,463	15,707	–	–
Inventories		987	869	–	–
Other current assets		1,458	1,509	254	332
Current tax asset		4,374	2,763	–	–
Assets held for sale	4	702	12,722	–	–
Total current assets		**82,917**	**64,750**	**18,246**	**10,064**
Non-current assets					
Property, plant and equipment	6	221,963	224,803	–	–
Investment properties	7,19	58,650	52,202	256,897	248,291
Non-current inventories		–	16,490	–	–
Equity accounted investments	8,19	62,893	49,375	62,367	49,375
Goodwill and intangible assets		825	900	–	–
Deferred tax assets		3,316	8,204	–	–
Total non-current assets		**347,647**	**351,974**	**319,264**	**297,666**
Total assets		**430,564**	**416,724**	**337,510**	**307,730**
Current liabilities					
Payables	13	8,242	7,623	1,918	2,999
Derivative financial instruments		–	90	–	66
Interest bearing liabilities	9,19	46,728	46,691	34,668	34,630
Current provisions		1,258	1,952	–	–
Other current liabilities		200	749	10	–
Income tax payable		–	–	–	–
Contract liabilities		816	1,800	10	170
Liabilities directly associated with discontinued operations	4	10,119	20,728	–	–
Total current liabilities		**67,363**	**79,633**	**36,606**	**37,865**
Non-current liabilities					
Derivative financial instruments		679	354	679	354
Interest bearing liabilities	9,19	134,397	126,967	63,539	63,496
Non-current provisions		464	398	–	–
Other non-current liabilities		589	439	300	–
Deferred tax liabilities		1,746	421	–	–
Loan from the Company		–	–	48,334	30,891
Total non-current liabilities		**137,875**	**128,579**	**112,852**	**94,741**
Total liabilities		**205,238**	**208,212**	**149,458**	**132,606**
Net assets		**225,326**	**208,512**	**188,052**	**175,124**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000	EIF Group 31 December 2018 $'000	EIF Group 30 June 2018 $'000
Equity					
Equity Holders of Parent Entity					
Contributed equity	11	59,755	57,994	69,261	67,338
Treasury shares	11	(179)	(179)	(347)	(347)
Reserves		13,803	13,648	7,176	8,354
Retained accumulated profits / (losses)		(27,676)	(33,729)	27,376	30,112
Parent entity interest		**45,703**	**37,734**	**103,466**	**105,457**
Equity Holders of Non Controlling Interest					
Contributed equity - Elanor Investment Fund	11	69,261	67,338	–	–
Treasury shares	11	(347)	(347)	–	–
Reserves		33,085	34,932	–	–
Retained accumulated profits / (losses)		(6,228)	(902)	–	–
Non-controlling interest		**95,771**	**101,021**	**–**	**–**
Equity Holders of Non Controlling Interest - External					
Contributed equity - External		83,035	70,749	80,982	67,023
Reserves		10,408	9,395	10,110	9,109
Retained accumulated profits / (losses)		(9,591)	(10,387)	(6,506)	(6,465)
External Non-controlling interest		**83,852**	**69,757**	**84,586**	**69,667**
Total equity attributable to stapled security holders:					
- Parent Entity		45,703	37,734	103,466	105,457
- Non-controlling Interest - EIF		95,771	101,021	–	–
Total equity attributable to ENN security holders		**141,474**	**138,755**	**103,466**	**105,457**
Total equity attributable to stapled security holders:					
- Non-controlling interest - External		83,852	69,757	84,586	69,667
Total equity		**225,326**	**208,512**	**188,052**	**175,124**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	Contributed equity $'000	Treasury shares $'000	Asset Revaluation Reserve $'000	Cash flow Hedge Reserve $'000	Security Based Payment Reserve $'000	Retained profits/ (accumulated losses) $'000	Parent Entity Total Equity $'000	Non-controlling interest EIF $'000	Total ENN Equity $'000	External Non-controlling interest $'000	Total Equity $'000
Consolidated Group												
Total equity at 1 July 2018		57,994	(179)	13,130	18	500	(33,729)	37,734	101,021	138,755	69,757	208,512
Profit / (loss) for the period		–	–	–	–	–	9,282	9,282	(1,854)	7,428	2,054	9,482
Other comprehensive income / (expense) for the period		–	–	(1)	5	–	–	4	(165)	(161)	1,014	853
Total comprehensive income / (expense) for the period		–	–	(1)	5	–	9,282	9,286	(2,019)	7,267	3,068	10,335
Transactions with owners in their capacity as owners:												
Contributions of equity, net of issue costs	11	1,761	–	–	–	–	–	1,761	1,923	3,684	12,286	15,970
Reserve transfer relating to disposed assets		–	–	–	–	–	–	–	–	–	–	–
Security-based payments	11	–	–	–	–	150	–	150	291	441	–	441
Distributions paid and payable		–	–	–	–	–	(3,228)	(3,228)	(5,445)	(8,673)	(1,259)	(9,932)
Total equity at 31 December 2018		**59,755**	**(179)**	**13,129**	**23**	**650**	**(27,675)**	**45,703**	**95,771**	**141,474**	**83,852**	**225,326**

	Note	Contributed equity $'000	Treasury shares $'000	Asset Revaluation Reserve $'000	Cash flow Hedge Reserve $'000	Security Based Payment Reserve $'000	Retained profits/ (accumulated losses) $'000	Parent Entity Total Equity $'000	Non-controlling interest EIF $'000	Total ENN Equity $'000	External Non-controlling interest $'000	Total Equity $'000
Consolidated Group												
Total equity at 1 July 2017		55,768	(691)	13,065	–	784	(7,228)	61,698	93,265	154,963	27,329	182,292
Profit / (loss) for the period		–	–	–	–	–	(1,508)	(1,508)	1,526	18	(3,175)	(3,157)
Other comprehensive income / (expense) for the period		–	–	59	8	–	–	67	1,199	1,266	411	1,677
Total comprehensive income / (expense) for the period		**–**	**–**	**59**	**8**	**–**	**(1,508)**	**(1,441)**	**2,725**	**1,284**	**(2,764)**	**(1,480)**
Transactions with owners in their capacity as owners:												
Contributions of equity, net of issue costs	11	2,110	–	–	–	–	–	2,110	2,359	4,469	40,719	45,188
Security-based payments	11	–	–	–	–	54	–	54	61	115	–	115
Distributions paid and payable		–	–	–	–	–	(923)	(923)	(3,921)	(4,844)	(509)	(5,353)
Total equity at 31 December 2017		**57,878**	**(691)**	**13,124**	**8**	**838**	**(9,659)**	**61,498**	**94,489**	**155,987**	**64,775**	**220,762**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	Contributed equity $'000	Treasury shares $'000	Asset Revaluation Reserve $'000	Cash flow Hedge Reserve $'000	Security Based Payment Reserve $'000	Retained profits/ (accumulated losses) $'000	Parent Entity Total Equity $'000	External Non-controlling interest $'000	Total Equity $'000
EIF Group										
Total equity at 1 July 2018		67,338	(347)	7,903	(194)	644	30,114	105,457	69,667	175,124
Profit / (loss) for the period		–	–	–	–	–	732	732	1,218	1,950
Other comprehensive income / (expense) for the period		–	–		(96)	–	–	(96)	(161)	(258)
Share of reserves of Equity Accounted Investments		–	–	602		–	1	603	1,162	1,765
Total comprehensive income / (expense) for the period		–	–	602	(96)	–	733	1,239	2,219	3,457
Transactions with owners in their capacity as owners:										
Contributions of equity, net of issue costs	11	1,923	–	–	–	–	–	1,923	13,959	15,883
Reserve transfer relating to disposed assets		–	–	(1,974)	–	–	1,974	–	–	–
Security-based payments		–	–	–	–	292	–	292	–	292
Distributions paid and payable		–	–	–	–	–	(5,445)	(5,445)	(1,259)	(6,704)
Total equity at 31 December 2018		**69,261**	**(347)**	**6,532**	**(290)**	**936**	**27,376**	**103,466**	**84,586**	**188,052**

	Note	Contributed equity $'000	Treasury shares $'000	Asset Revaluation Reserve $'000	Cash flow Hedge Reserve $'000	Security Based Payment Reserve $'000	Retained profits/ (accumulated losses) $'000	Parent Entity Total Equity $'000	External Non-controlling interest $'000	Total Equity $'000
EIF Group										
Total equity at 1 July 2017		64,503	(749)	1,509	(104)	869	36,507	102,535	27,040	129,575
Profit / (loss) for the period		–	–	–	–	–	1,935	1,935	(2,115)	(180)
Other comprehensive income / (expense) for the period		–	–	396	(94)	–	–	302	409	711
Share of reserves of Equity Accounted Investments		–	–	418	–	–	–	418	–	418
Total comprehensive income / (expense) for the period		**–**	**–**	**814**	**(94)**	**–**	**1,935**	**2,655**	**(1,706)**	**949**
Transactions with owners in their capacity as owners:										
Contributions of equity, net of issues costs	11	2,359	–	–	–	–	–	2,359	38,929	41,288
Security-based payments		–	–	–	–	61	–	61	–	61
Distributions paid and payable		–	–	–	–	–	(3,921)	(3,921)	(509)	(4,430)
Total equity at 31 December 2017		**66,862**	**(749)**	**2,323**	**(198)**	**930**	**34,521**	**103,689**	**63,574**	**167,443**

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

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

	Consolidated Group 31 December 2018 $'000	Consolidated Group 31 December 2017 $'000	EIF Group 31 December 2018 $'000	EIF Group 31 December 2017 $'000
Cash flows from operating activities				
Receipts from customers	43,597	49,824	-	-
Payments to suppliers and employees	(41,419)	(44,158)	(4,049)	374
Interest received	874	55	12	9
Finance costs paid	(4,595)	(1,733)	(2,814)	(1,773)
Rent receipts from the Company	-	-	7,065	6,761
Income tax paid	(637)	(2,190)	-	-
Net cash flows from operating activities	**(2,180)**	**1,798**	**214**	**5,371**
Cash flows from investing activities				
Payments for business and asset acquisitions	-	(108,450)	-	(101,850)
Receipts for business and asset disposals[2]	5,400	-	-	-
Transaction costs for business and asset acquisitions	-	(6,907)	-	(6,907)
Payments for property inventory	-	(580)	-	-
Payments for property, plant and equipment / investment properties	(2,290)	(2,072)	(5,798)	(1,038)
Loans to associates	1,123	1,700	(748)	2,425
Proceeds from financial asset disposals	4,656	(26,717)	-	-
Payments for equity accounted investments	(29,703)	(2,706)	(29,403)	(2,706)
Receipts for equity accounted investments	15,838	-	15,838	-
Distributions received from equity accounted investments	1,710	1,563	1,710	1,563
Loans from Company	-	-	17,444	16,605
Net cash flows from investing activities	**(3,266)**	**(144,169)**	**(957)**	**(91,908)**
Cash flows from financing activities				
Net proceeds from borrowings	6,317	105,343	(64)	46,156
Proceeds from equity raisings	11,989	45,040	10,730	41,325
Costs associated with equity raisings	-	(271)	-	(235)
Distributions paid to unit holders	(9,920)	(5,354)	(6,693)	(4,431)
Net cash flows from financing activities	**8,386**	**144,758**	**3,973**	**82,815**
Net increase / (decrease) in cash and cash equivalents	2,940	2,387	3,230	(3,722)
Cash and cash equivalents at the beginning of the period[1]	17,355	15,725	2,883	8,435
Cash at the end of the period	**20,295**	**18,112**	**6,113**	**4,713**

Note 1:				
Cash and cash equivalents at the beginning of the period (as presented in the Consolidated Statement of Financial Position)	14,034	15,725	2,883	8,435
Cash and cash equivalents (included within assets held for sale)	3,321	-	-	-
Cash at the beginning of the period	**17,355**	**15,725**	**2,883**	**8,435**

Note 2: The amount includes the net cash proceeds received from the sale of the Merrylands property during the period. The gross amount of $34.2 million relating to the sale of the Merrylands property is offset against the vendor finance amount of $28.8 million, that was provided to the purchaser as part of the settlement and is classified as a financial asset in the financial statements.

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

About this Report

Elanor Investors Group (Group, Consolidated Group or Elanor) is a 'stapled' entity comprising Elanor Investors Limited (EIL or Company) and its controlled entities (EIL Group) and Elanor Investment Fund (Trust) and its controlled entities (EIF Group). The units in the Trust are stapled to shares in the Company. The stapled securities cannot be traded or dealt with separately. The stapled securities of the Group are listed on the Australian Securities Exchange (ASX: ENN). As permitted by Class Order 05/642 issued by the Australian Securities and Investments Commission (ASIC), this report is a combined report that presents the consolidated financial statements and accompanying notes of both Elanor Investors Group and the Elanor Investment Fund (EIF Group).

The amounts in the consolidated financial statements have been rounded off to the nearest one thousand dollars, unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191.

Basis of preparation

These interim financial reports do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year except the adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* which became mandatory this financial period.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

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 interim financial report has been prepared in accordance with the *Corporations Act 2001*, the Trust Constitution and AASB 134 *'Interim Financial Reporting'*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*. The half-year report does not include notes of the type normally included in an annual financial report.

Accounting Estimates and Judgements

In applying the Group's accounting policies, management has made a number of judgements, estimates and assumptions regarding future events. The estimates and associated assumptions that are deemed to have a potential material impact on the financial statements relate to the following:

- Property, plant and equipment
- Investment properties
- Deferred tax assets
- Investment in equity accounted investments

New accounting standards and interpretations

Reference	Description	Impact on the Group's financial statements
AASB 9 *Financial Instruments* (Applicable 1 January 2018)	AASB 9 addresses the classification, measurement and de-recognition of financial assets and liabilities and introduces new rules for hedge accounting and impairment of financial assets.	Adoption of the new standard did not have an impact on the Group's financial statements. The Group has adopted the standard in the financial year beginning 1 July 2018.
AASB 15 *Revenue from Contracts with Customers* (Applicable 1 January 2018)	AASB 15 introduces a five-step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 *Revenue* and AASB 111 *Construction Contracts.* The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts.	The Group's main sources of income are funds management fees, rental income and revenue from hotels and wildlife parks. These sources of income are within the scope of the new revenue standard. An assessment has been performed on the Group's existing revenue streams. Based upon the assessment, AASB 15 will only have an impact on the disclosure of the sale of the Merrylands Property. The sale price of $36 million, generating a net profit after tax of approximately $10.5 million, will be recognised in the consolidated financial statements for the year ending 30 June 2019. This transaction was recognised in the consolidated financial statements for the year ending 30 June 2018 under the previous accounting standard, AASB 118. The Group has adopted the standard in the financial year beginning 1 July 2018.

New accounting standards and interpretations (continued)

Reference	Description	Impact on the Group's financial statements
Proposed standard *Conceptual Framework for Financial Reporting* and relevant amending standards	The IASB makes amendments to various IFRS Standards to reflect the issue of the IASB's revised Conceptual Framework. The IASB's revised Conceptual Framework provides updated definition and recognition criteria for asset and liabilities, and introduces new guidance on a number of topics including the reporting entity and presentation and disclosure, and clarifies a number of other matters. AASB has not yet issued the equivalent pronouncement.	The Group has not yet determined the potential effect on the Group's financial statement of this amendment. The Group will determine the potential impact when AASB has issued the final amending standard.
AASB 16 *Leases* (Applicable 1 January 2019 – early adoption allowed if AASB 15 is adopted at the same time)	AASB 16 introduces new requirements in relation to lease classification and recognition, measurement and presentation and disclosure of leases for lessees and lessors. For lessees a (right-of-use) asset and a lease liability will be recognised on the balance sheet in respect of all leases subject to limited exceptions. The accounting for lessors will not significantly change.	The Group is party to long-term non-cancellable property leases which are not expected to have a material impact when recognised in the statement of financial position. The expected impact on the Group as at the date of adoption of 1 July 2019 is to record lease liabilities and right of use assets of $0.99 million. The Group will adopt the standard in the financial year beginning 1 July 2019.

Impact of the application of AASB 15 on Comparatives of Consolidated Statements of Financial Position for Consolidated Group

The Group has adopted AASB 15 from 1 July 2018, which has resulted in changes in accounting policy and adjustments to the amounts recognised in the consolidated financial statements. In accordance with transitional provisions in AASB 15, the Group has adopted the new rules using fully retrospective transitional approach and has restated comparatives for the sale of the Merrylands Property, recognised under AASB 118, in the year ended 30 June 2018.

A reconciliation of the adjustment to the consolidated statements of Financial Position due to the application of AASB 15 is presented below:

	As reported on 30 June 2018	AASB 15 restatement	Restated 30 June 2018
	$'000	$'000	$'000
Receivables	51,346	(34,200)	17,146
Non-current inventory	–	16,490	16,490
Property, plant and equipment	222,877	1,926	224,803
Deferred tax assets	4,265	3,939	8,204
Other assets not impacted by AASB15 adoption[1]	150,080	–	150,080
Total assets	**428,568**	**(11,845)**	**416,724**
			–
Payables	10,816	(3,193)	7,623
Contract liabilities	–	1,800	1,800
Other liabilities not impacted by AASB15 adoption	198,788	–	198,788
Total liabilities	**209,604**	**(1,393)**	**208,211**
Net asset	**218,964**	**(10,452)**	**208,512**
Retained earnings[2,3]	(34,566)	(10,452)	(45,018)
Other equity not impacted by AASB15 adoption	253,530	–	253,530
Total equity	**218,964**	**(10,452)**	**208,512**

Note 1: Financial line items not impacted by the adoption of AASB15 are aggregated.
Note 2: There is no impact on the consolidated statements of profit or loss due to application of AASB15 for the half year ended 31 December 2017.
Note 3: There is no impact on July 2017 opening retained earnings due to application of AASB 15.

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 31 December 2018. Elanor Investors Limited is the parent entity in relation to the stapling. The results and equity of Elanor Investment Fund (which is not directly owned by Elanor Investors Limited) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of Elanor Investment Fund are disclosed as a non-controlling interest, the stapled security holders of Elanor Investment Fund are the same as the stapled security holders of Elanor Investors Limited.

These consolidated Financial Statements also include a separate column representing the consolidated Financial Statements of EIF Group, incorporating the assets and liabilities of Elanor Investment Fund and all of its subsidiaries, as at 31 December 2018.

Control of Elanor Metro and Prime Regional Hotel Fund (EMPR) Bluewater Square Syndicate (Bluewater) and Auburn Office Syndicate (Auburn Office)

EMPR

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's 35.70% ownership interest in EMPR gives the Group the same percentage of the voting rights in EMPR. EMPR is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

Bluewater

The Group holds 42.27% of the equity in Bluewater Square Syndicate (Bluewater). The Group's 42.27% ownership interest in Bluewater gives the Group the same percentage of the voting rights in Bluewater. Bluewater is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

Auburn Office Syndicate

The Group holds 100% of the equity in Auburn Office Syndicate. The Group's 100% ownership interest in the Auburn Office Syndicate gives the Group the same percentage of the voting rights in the Auburn Office Syndicate. The Auburn Office Syndicate is an unregistered trust for which Elanor Funds Management Limited acts as the Manager of the asset and Trustee of the trust.

The responsible entity of EMPR, Bluewater and the Auburn Office Syndicate 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 constitution of EMPR, Bluewater and the Auburn Office Syndicate respectively which sets out the basis of fees that the relevant Trustee can receive. These fees include management fees, performance fees, and acquisition fees.

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

ELANOR INVESTORS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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

Results

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

1. Segment information

OVERVIEW

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

As a result of the sale of the Merrylands property and the John Cootes Furniture business being treated as a discontinued operation, the Group has determined that the Special Situations Investment segment is no longer required for internal reporting purposes, and is therefore not reported as a segment in these financial statements.

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

BUSINESS SEGMENTS

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

Funds Management

The Funds Management division manages third party owned investment funds and syndicates. As at 31 December 2018, the Funds Management division has approximately $1,148.9 million of external investments under management, being the managed investments.

Hotels, Tourism and Leisure

Hotels, Tourism and Leisure originates and manages investment and fund management assets. The current investment portfolio includes Featherdale Wildlife Park and Ibis Styles Albany Hotel along with a co-investment in Elanor Metro and Prime Regional Fund (Peppers Cradle Mountain Lodge, Mantra Wollongong Hotel, Mantra Pavilion Wagga Wagga, Ibis Styles Port Macquarie, Ibis Styles Tall Trees, Parklands Resort Mudgee, Eaglehawk Hotel, Byron Bay Hotel and Narrabundah Hotel). EMPR is consolidated in the Financial Statements.

Real Estate

Real Estate originates and manages investment and fund management assets. The current investment portfolio comprises co-investments in Elanor Commercial Property Fund, Elanor Retail Property Fund, Hunters Plaza, Work Zone West, Waverely Gardens and Belconnen Markets Syndicate. Bluewater Square Syndicate and Auburn Office Syndicate are consolidated in the Financial Statements.

1. Segment information (continued)

The table below shows segment results from continuing operations:

Consolidated Group – 31 December 2018

	Funds Management $'000	Hotels, Tourism & Leisure $'000	Real Estate $'000	Unallocated Corporate[1] $'000	Total $'000
Revenue from trading activities	5,096	25,147	2,473	18	32,734
Revenue from wildlife parks	–	6,956	–	–	6,956
Revenue from sale of property inventory	–	–	–	36,000	36,000
Share of profit of equity accounted investments	–	(29)	(2,915)	–	(2,944)
Operating expense	(1,227)	(23,774)	(1,968)	(24,148)	(51,117)
Divisional EBITDA	3,869	8,300	(2,410)	11,870	21,629
Depreciation and amortisation	(75)	(4,260)	–	(231)	(4,566)
Divisional EBIT from continuing operations	3,794	4,038	(2,410)	11,637	17,062
Fair value adjustment on revaluation of investment property	–	–	1,338	–	1,338
Realised gain on disposal of investment	–	564	1,420	–	1,984
Unrealised loss	–	(1,070)	–	–	(1,070)
Acquisition costs	–	(747)	–	–	(747)
Interest income	116	17	2	739	874
Amortisation of Borrowing costs	–	–	–	(328)	(328)
Borrowing costs	–	–	–	(4,573)	(4,573)
Net tax benefit / (expense)	–	–	–	(5,058)	(5,058)
Profit / (loss) for the year	**3,909**	**2,803**	**350**	**2,417**	**9,482**
Total assets	11,020	239,390	134,679	45,475	430,564

Note 1: Performance included as a result of adopting the AASB 15 Revenue from Contracts with Customers is included in the Unallocated Corporate segment.

Consolidated Group – 31 December 2017

	Funds Management $'000	Hotels, Tourism & Leisure $'000	Real Estate $'000	Unallocated Corporate $'000	Total $'000
Revenue from trading activities	3,094	19,831	1,163	51	24,139
Revenue from wildlife parks	–	7,483	–	–	7,483
Share of profit of equity accounted investments	–	35	2,324	–	2,359
Operating expense	(1,091)	(19,805)	(1,218)	(3,546)	(25,660)
Divisional EBITDA	2,003	7,544	2,269	(3,495)	8,321
Depreciation and amortisation	(75)	(3,195)	–	(145)	(3,415)
Divisional EBIT from continuing operations	1,928	4,349	2,269	(3,641)	4,905
Fair value gain on revaluation of investment properties	–	(2,814)	(2,625)	–	(5,439)
Other income	–	–	–	–	–
Interest income	18	9	2	381	409
Amortisation of borrowing costs	–	–	–	(176)	(176)
Borrowing costs	–	–	–	(2,268)	(2,268)
Net tax benefit / (expense)	–	–	–	51	51
Profit / (loss) for the year	**1,946**	**1,544**	**(354)**	**(5,653)**	**(2,517)**
Total assets	7,232	222,135	56,914	103,247	389,528

2. Revenue

OVERVIEW

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

Revenue from operating activities

	Consolidated Group 31 December 2018 $'000	Consolidated Group 31 December 2017 $'000
Revenue from Hotels	25,147	19,794
Revenue from Wildlife Park	6,956	7,483
Revenue from Funds Management	5,096	3,094
Total Revenue from Continuing operations	**37,199**	**30,371**

ACCOUNTING POLICY

Revenue recognition

In accordance with the new accounting standard AASB 15 Revenue from Contracts with Customers, revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it can be readily measured and when it transfers control over a product or services for each of Elanor's activities as described below.

Funds management fee revenue

Funds management fee revenue is recognised when the performance obligation is completed, in accordance with the Fund's constitution. The funds management and transaction related services are utilised when the Group has provided the services, and revenue is calculated and recognised in accordance with the Fund's constitution over time. Where fees are subject to meeting certain performance hurdles, they are recognised as income at the point in time when those conditions have been met.

Hotel and wildlife park revenue

Revenue from contracts with customers is recognised when control of the good or service is transferred to the customer.

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

Rental income

The Group is the lessor in a number of operating leases. Rental income arising from operating leases is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognised as an expense over the term of the lease on the same basis as the lease income.

3. Distributions

OVERVIEW

The Group's aim is to provide investors with superior risk adjusted returns.

When determining distributions, the Group's board considers a number of factors, including forecast earnings and expected economic conditions. Elanor Investors Group aims to distribute 90% of Core Earnings, reflecting the Director's view of underlying earnings from ongoing operating activities for the period.

The following distribution was declared by the ENN Group either during the period or post balance date:

ENN Group

	Distribution cents per stapled security 31 December 2018	Distribution cents per stapled security 31 December 2017	Total Amount 31 December 2018 $'000	Total Amount 31 December 2017 $'000
Distribution for the half year ended 31 December 2018	6.32	7.16	6,070	6,637

*The distribution of 6.32 cents per stapled security for the period ended 31 December 2018 was not declared prior to 31 December 2018. The Distribution will be paid on 1 March 2019. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

4. 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 continued to be classified under accounting standards as a Discontinued Operation within these financial statements.

On the 13th of 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. On 4 February 2019, the Group entered into a contract with a third party to sell the the two Ashley Branded Furniture Homestores as a going concern. Final settlement is expected to occur by the end of February 2019.

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. The comparative profit and cash flows from discontinued operations have been presented to include those operations classified as discontinued in the current half year.

4. Discontinued Operations (continued)

Profit or Loss for the period from Discontinued Operations

John Cootes Furniture Business	Consolidated Group 31 December 2018 $'000	Consolidated Group 31 December 2017 $'000
Revenue from sale of goods	16,709	15,222
Costs of goods sold	(11,267)	(6,954)
Expenses relating to discontinuing the operations[1]	(5,442)	(9,378)
(Loss) / Profit before Income Tax	–	(1,109)
Net tax benefit / (expense)	–	469
Profit / (loss) for the year from discontinued operations	–	(640)

Note 1: Includes the updated provision assumptions relating to the discontinued operations.

Cash flows from / (used in) discontinued operations

John Cootes Furniture Business	Consolidated Group 31 December 2018 $'000	Consolidated Group 31 December 2017 $'000
Net cash outflow from operating activities	(1,937)	(1,684)
Net cash inflow / (outflow) from investing activities	–	(1,644)
Net cash outflow / (inflow) from financing activities	(36)	(521)
	(1,973)	**(3,849)**

Assets held for sale

Assets relating to the Ashley stores held for sale are included in the following table:

John Cootes Furniture Business	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Cash & cash equivalent	–	3,321
Property, plant and equipment	–	517
Inventory	702	8,176
Other assets	–	708
Total assets classified as held for sale	**702**	**12,722**

Total liabilities directly associated with discontinued operations

John Cootes Furniture Business	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Liabilities directly associated with assets held for sale	1,929	20,728
Provisions for onerous leases relating to the JCF business	5,965	–
Other costs associated with the close down of the JCF business	2,225	–
Total liabilities directly associated with discontinued operations	**10,119**	**20,728**

5. Income tax

OVERVIEW

This note provides detailed information about the Group's income tax items including a reconciliation of income tax expense if Australia's company income tax rate of 30% was applied to the Group's profit before income tax as shown in the income statement to the actual income tax expense / benefit.

Income Tax Expense

	Consolidated Group 31 December 2018 $'000	Consolidated Group 31 December 2017 $'000
Current tax expense	1,365	(14)
Deferred tax expense	3,693	(506)
Income tax (benefit) / expense	**5,058**	**(520)**

Reconciliation of income tax expense to prima facie tax expense

Profit / (loss) before income tax expense - continuing operations	14,540	(2,094)
Profit / (loss) before income tax expense - discontinued operations	–	(1,583)
Profit / (loss) before income tax expense	14,540	(3,677)
Less: Profit from the Trust (which is not taxable)	(1,950)	180
Prima facie profit / (loss)	12,590	(3,497)
Tax at the Australian tax rate of 30%	3,777	(1,049)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Entertainment	13	11
Non-deductible depreciation and amortisation	479	–
Fair value adjustments to investment property in the Trust	(7)	55
Non-deductible expenses	35	33
Impact of consolidations	734	396
Insurance proceeds on plant and equipment	33	34
Other	(7)	–
Income tax (benefit) / expense	**5,058**	**(520)**

Operating Assets

This section includes information about the assets used by the Group to generate revenue and profits, specifically relating to its property, plant and equipment, and investments.

6. Property, plant and equipment

OVERVIEW

All owner occupied investment properties held by the Group are deemed to be held for use by the Group for the supply of services, and are therefore classified as property, plant and equipment under Australian Accounting Standards.

Carrying value of property, plant and equipment

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

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Carrying amount at the beginning of the period for continuing operations	244,145	174,835
Transferred to assets held for sale	–	(2,115)
Acquisitions	1,192	55,992
Additions	1,793	4,730
Revaluation (decrements) / increments	592	10,714
Disposals	(1,926)	(11)
Carrying amount at the end of the period	245,797	244,145
Accumulated depreciation at the beginning of the period for continuing operations	(19,342)	(12,286)
Transferred to assets held for sale	–	676
Depreciation	(4,491)	(7,732)
Accumulated depreciation at the end of the period	(23,834)	(19,342)
Total carrying value at the end of the period	**221,963**	**224,803**

The following table represents the total fair value of property, plant and equipment at 31 December 2018:

Property	Valuation	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Cradle Mountain Lodge	Independent	45,200	45,200
Eaglehawk Hotel	Internal	20,000	20,000
Wollongong Hotel	Independent	13,800	13,800
Albany Hotel	Internal	5,212	5,226
Featherdale Wildlife Park	Internal	39,000	39,000
Port Macquarie Hotel	Independent	12,000	12,000
Tall Trees Hotel	Independent	14,250	14,250
Pavillion Wagga Wagga Hotel	Independent	7,250	7,250
Parklands Resort Mudgee	Independent	11,400	11,400
Narrabundah Hotel	Internal	27,500	27,500
Byron Bay Hotel	Internal	25,700	25,680
Other		651	3,497
Total		**221,963**	**224,803**

As at 31 December 2018, the Directors assessed the fair value of the properties above, supported by independent or internal valuation reports.

7. Investment properties

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

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Carrying amount at the beginning of the period	52,202	–
Total costs on acquisition	4,650	59,364
Additions	26	184
Revaluation (decrements) / increments	1,772	(7,346)
Carrying amount at the end of the period	**58,650**	**52,202**

The following table represents the total fair value of investment properties at 31 December 2018.

Property	Valuation	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Bluewater Square	Independent	54,000	52,202
Auburn Office	Internal	4,650	–
Total		**58,650**	**52,202**

As at 31 December 2018, the Directors assessed the fair value of the property above, supported by an independent or internal valuation report.

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

8. Equity accounted investments

OVERVIEW

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

The Group's equity accounted investments are as follows:

31 December 2018

	Principal activity	Percentage Ownership	Consolidated Group 31 December 2018 $'000
Elanor Retail Property Fund (ASX: ERF)	Shopping Centres	17.89%	33,259
Elanor Commercial Property Fund	Office Buildings	13.27%	13,068
Belconnen Markets Syndicate	Shopping Centre	2.08%	514
Hunters Plaza Syndicate	Shopping Centre	4.73%	1,195
Workzone West Syndicate	Office Building	0.16%	110
Waverley Gardens Fund	Shopping Centre	21.63%	14,748
Total equity accounted investments			**62,893**

30 June 2018

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

Finance and Capital Structure

This section provides further information on the Group's debt finance, financial assets and contributed equity.

9. Interest bearing liabilities

OVERVIEW

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

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Current		
Bank loan - term debt	46,787	46,801
Bank loan - Borrowing Costs less amortisation	(59)	(110)
Total current	**46,728**	**46,691**
Non-current		
Unsecured Notes	60,000	60,000
Unsecured Notes - Borrowing Costs less amortisation	(1,302)	(1,476)
Bank loan - term debt	76,154	68,939
Bank loan - Borrowing Costs less amortisation	(455)	(496)
Total non-current	**134,397**	**126,967**
Total interest bearing liabilities	**181,125**	**173,658**

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 entities and companies. The terms of the debt also impose certain covenants on the Group including Loan to Value ratio and Interest Cover covenants. The Group is currently meeting all its covenants.

Unsecured Fixed Rate Notes

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

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

CONSOLIDATED GROUP

Included in the above numbers, the ENN Group has access to a $9.7 million facility, upon which both the Company and the Trust can draw. The drawn amount at 31 December 2018 is $8.3 million. The facility will mature on 11 July 2020. At 31 December 2018 the amount of drawn facilities were not hedged.

9. Interest bearing liabilities (continued)

Included in the above numbers, the EMPR Group has access to a $83.3 million facility, upon which both the Company and Trust can draw. The drawn amount at 31 December 2018 is $83.3 million out of which $46.7 million will mature on 21 March 2019, with the remaining $36.6 million maturing on 5 November 2021. At 31 December 2018, the amount of drawn facilities is hedged to 100%. Terms have been agreed in relation to the $46.7 million facility, extending the term of the facility to 31 October 2021.

Included in the above numbers, Bluewater has access to a $31.8 million facility. The drawn amount at 31 December 2018 is $31.3 million which will mature on 30 October 2021. At 31 December 2018, the amount of drawn facilities is hedged to 100%.

All of the facilities have a variable interest rate. The interest rates on the loans are partially fixed using interest rate swaps. The weighted average annual interest rates payable of the loans at 31 December 2018, including the impact of the interest rate swaps, is 4.42% per annum.

ACCOUNTING POLICY

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

10. Financial assets

OVERVIEW

The Group's financial assets consist of short term financing provided by the Group. The Group's financial assets as at 31 December 2018 are detailed below:

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Merrylands Property Vendor Finance	29,413	–
Other Financial Assets and receivables	11,051	15,707
Total Financial Assets	**40,463**	**15,707**

ACCOUNTING POLICY

From 1 July 2018, the Group measures its financial assets at amortised cost.

At initial recognition, the Group measures its financial asset at fair value and subsequently at amortised costs. The Group assessed that the credit risk of its financial asset has not significantly increased since initial recognition. Hence, the Group applies the simplified approach permitted by AASB 9 which requires expected lifetime losses to be recognised from initial recognition of receivables.

11. Contributed equity

OVERVIEW

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

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

Contributed equity for the period ended 31 December 2018

No. of securities/ shares	Details	Date of income entitlement	Total Equity 31 December 2018 $'000	Parent Entity 31 December 2018 $'000	EIF 31 December 2018 $'000
93,015,503	Opening balance	1 Jul 2018	125,332	57,994	67,338
160,000	Securities issued	28 Sep 2018	200	96	104
2,800,000	Securities issued	26 Oct 2018	3,484	1,665	1,819
95,975,503	**Securities on issue**	**31 Dec 2018**	**129,016**	**59,755**	**69,261**

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

No. of securities/ shares	Details	Date of income entitlement	Total Equity 31 December 2018 $'000	Parent Entity 31 December 2018 $'000	EIF 31 December 2018 $'000
263,274	Opening balance	1 Jul 2018	526	179	347
–	Issue of Treasury securities		–	–	–
263,274	**Treasury securities on issue**	**31 Dec 2018**	**526**	**179**	**347**

Contributed equity for the period ended 30 June 2018

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

11. Contributed equity (continued)

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

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

Other Items

This section includes information that is not directly related to the specific line items in the consolidated financial statements, including information about related parties, events after the end of the reporting period and certain EIF Group disclosures.

12. Receivables

OVERVIEW

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

Receivables

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Current		
Trade receivables	7,267	7,128
Other receivables	7,371	10,018
Total receivables	**14,638**	**17,146**

13. Payables

OVERVIEW

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

Payables

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Trade creditors	1,595	1,344
Accrued expenses	5,696	5,065
GST payable	951	1,214
Total payables	**8,242**	**7,623**

14. Net tangible assets

OVERVIEW

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

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Net tangible assets are calculated as follows:		
Total assets	430,564	416,724
Less: Intangible assets	(825)	(900)
Less: Total liabilities	(205,238)	(208,212)
Net tangible assets	**224,501**	**207,612**
Total number of stapled securities on issue	95,976	93,016
Net tangible asset backing per stapled security	2.34	2.23

15. Commitments

OVERVIEW

This note sets out the material commitments of the Group.

Contingent liabilities and commitments

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

Lease commitments: the Group as lessee

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

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Within one year	928	896
Later than one year but not later than 5 years	556	1,009
Later than 5 years	–	–
Total lease payable commitments	**1,484**	**1,905**

Lease commitments: the Group as lessor

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

	Consolidated Group 31 December 2018 $'000	Consolidated Group 30 June 2018 $'000
Within one year	3,578	4,297
Later than one year but not later than 5 years	12,162	11,700
Later than 5 years	7,150	6,675
Total lease receivable commitments	**22,891**	**22,672**

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

16. Related parties

OVERVIEW

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

Elanor Investors Group

Responsible Entity fees

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

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 six months ended 31 December 2018, this amount is $65,000.

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 half year ended 31 December 2018 was nil.

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

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

	Consolidated Group 31 December 2018 $'000	Consolidated Group 31 December 2017 $'000
Elanor Retail Property Fund	1,260	1,405
Elanor Commercial Property Fund	1,008	326
193 Clarence Hotel Syndicate	–	149
Bell City Syndicates	–	734
Limestone Street Centre Syndicate	369	231
Hunters Plaza Syndicate	269	249
Belconnen Markets Syndicate	247	–
Workzone West Syndicate	497	–
Waverley Gardens Fund	865	–
Stirling Street Syndicate	580	–
Total	**5,096**	**3,094**

17. Significant events

Establishment of WorkZone West Syndicate

On 15 August 2018, the Group established WorkZone West Syndicate (WorkZone) which acquired the Workzone West office building in Perth, for $125 million. Consistent with its strategy of aligning interests with investors, at 31 December 2018 the Group holds a co-investment of approximately 0.16% of the Syndicate's equity.

Acquisition of Hotel portfolio by Elanor Metro and Prime Regional Hotel Fund

On 28 September 2018, the EMPR Fund acquired a portfolio of 6 Australian Hotels independently valued at $103.9 million. The new portfolio was acquired from the Elanor Hospitality and Accommodation Fund (EHAF) which was established in March 2016 and was managed by Elanor.

Establishment of the Waverley Gardens Fund

On 21 December 2018, the Group established the Waverley Gardens Fund (Waverley Gardens), which was established to acquire the Waverley Gardens shopping centre, for $178 million. The Group holds a 21.63% interest in the Waverley Gardens Fund alongside instutional capital partner, Heitman, and Elanor managed fund investors.

18. Events occurring after reporting date

Subsequent to the period end, a distribution of 6.32 cents per stapled security has been declared by the Board of Directors. The total distribution amount of $6.1 million will be paid on or before 1 March 2019 in respect of the six months ended 31 December 2018.

On 4 Feburary 2019, the Group entered into a contract with a third party to sell the the two Ashley Branded Furniture Homestores as a going concern. Final settlement is expected to occur by the end of February 2019.

Other than the events disclosed above, the directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial period subsequent to the half year ended 31 December 2018.

19. Non-Parent disclosure

OVERVIEW

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

Segment information

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

Distributions

The following distributions were declared by the EIF Group in respect of the period:

	Distribution cents per stapled security 31 December 2018	Distribution cents per stapled security 31 December 2017	Total Amount 31 December 2018 $'000	Total Amount 31 December 2017 $'000
Distribution for the half year ended 31 December 2018	5.81	7.16	5,579	6,637

*The distribution of 5.81 cents per stapled security for the period ended 31 December 2018 was not declared prior to 31 December 2018. The distribution will be paid on 1 March 2019. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

Taxation of the Trust

Under current Australian income tax legislation, the Trust and its sub-trusts are not liable for income tax on their taxable income (including assessable realised capital gains) provided that the unitholders are presently entitled to the income of the Trust. Accordingly, the Group only pays tax on Company taxable earnings and there is no separate tax disclosure for the Trust.

Investment Properties

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

Movement in investment properties

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

	EIF Group 31 December 2018 $'000	EIF Group 30 June 2018 $'000
Carrying amount at the beginning of the period	248,291	135,144
Total costs on acquisition	4,650	109,469
Additions	2,184	839
Revaluation (decrements) / increments	1,772	2,840
Carrying amount at the end of the period	**256,897**	**248,291**

Refer to Note 6 Property, plant and equipment and Note 7 Investment properties for further details.

19. Non-Parent disclosure (continued)

The following table represents the total fair value of Investment Properties at 31 December 2018:

	EIF Group 31 December 2018 $'000	EIF Group 30 June 2018 $'000
Cradle Mountain Lodge	40,623	41,940
Albany Hotel	4,941	5,067
Featherdale Wildlife Park	32,920	33,590
Eaglehawk Hotel	23,588	17,854
Wollongong Hotel	13,428	13,821
Port Macquarie Hotel	10,955	11,235
Tall Trees Hotel	10,462	10,514
Pavilion Wagga Wagga Hotel	4,918	5,296
Parklands Resort	8,561	8,895
Narrabundah Hotel	22,501	22,047
Byron Bay Hotel	25,350	25,832
Bluewater Square	54,000	52,202
Auburn Office Syndicate	4,650	–
Total	**256,897**	**248,291**

Equity accounted investments

The Trust’s equity accounted investments are as follows:

31 December 2018

	Principal activity	Percentage Ownership	EIF Group 31 December 2018 $'000
Elanor Retail Property Fund (ASX: ERF)	Shopping Centres	17.89%	33,259
Elanor Commercial Property Fund	Office Buildings	13.27%	13,068
Hunters Plaza Syndicate	Shopping Centre	4.73%	1,195
Workzone West Syndicate	Office Building	0.16%	110
Waverley Gardens Fund	Shopping Centre	21.63%	14,735
Total equity accounted investments			**62,367**

30 June 2018

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

19. Non-Parent disclosure (continued)

Interest bearing liabilities

	EIF Group 31 December 2018 $'000	EIF Group 30 June 2018 $'000
Current		
Bank loan - term debt	34,712	34,712
Borrowing Costs less amortisation	(44)	(82)
Loan from the Company	–	–
Total current	**34,668**	**34,630**
Non-current		
Bank loan - term debt	63,988	63,988
Bank loan - Borrowing Costs less amortisation	(449)	(492)
Loan from the Company	48,334	30,891
Total non-current	**111,874**	**94,387**
Total interest bearing liabilities	**146,542**	**129,017**

As part of the internal funding of the Fund, EIF entered into a long term interest-bearing loan with EIL at arm's length terms, maturing in July 2024. As at 31 December 2018, the outstanding payable to the Company was $48.3 million.

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 consolidated financial statements and notes set out on pages 17-49 are in accordance with the Corporations Act 2001 (*Cth)* including:

   i. complying with Australian Accounting Standards, the *Corporations Act 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 31 December 2018 and of their performance, for the financial year ended on that date; and

b) there are reasonable grounds to believe that the Group and EIF will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Boards of Directors in accordance with Section 303(5) of the Corporations Act 2001 (Cth).

Glenn Willis
CEO and Managing Director

Sydney
15 February 2019

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

We have reviewed the accompanying half-year financial report of:

- The consolidated statements of financial position as at 31 December 2018, the consolidated statements of profit or loss and comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Elanor Investors Group, being the consolidated stapled entity ("Elanor Investors Group"). The consolidated stapled entity, as disclosed in the notes to the financial report, comprises Elanor Investors Limited and the entities it controlled at the end of the half-year or from time to time during the half-year, including Elanor Investment Fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 17 to 50; and

- The consolidated statements of financial position as at 31 December 2018, the consolidated statements of profit or loss and comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity for the half-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 Fund, being the consolidated entity ("EIF Group"). The consolidated entity comprises Elanor Investment Fund and the entities it controlled at the half-year's end or from time to time during the half-year as set out on pages 17 to 50.

Directors' Responsibility for the Half-Year 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 half-year 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 half-year financial reports that give a true and fair view and is free from material misstatement, whether due to fraud or error.

Deloitte.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial reports 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 financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entities' financial position as at 31 December 2018 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Elanor Investors Limited and Elanor Investment Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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.

Auditor's Independence Declaration

In conducting our review, 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 EIF Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 financial report of Elanor Investors Group and EIF Group are not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Elanor Investors Group and EIF Group's financial positions as at 31 December 2018 and of their performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

AG Collinson
Partner
Chartered Accountants
Sydney, 15 February 2019