



# Supplementary Financial Information

For the year ended  
30 June 2019

## **Elanor Investors Group**

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

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# ELANOR INVESTORS GROUP

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# ELANOR INVESTORS GROUP

## DIRECTORS' STATEMENT

### Directors' Statement

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

The purpose of this Supplementary Financial Information is to present Supplementary Statements of Profit or Loss, Financial Position and Cash Flows to holders of the Notes, the Note Trustee, the Lead Manager and Initial Subscriber under the Note conditions, for the year ended 30 June 2019.

In the Elanor Investors Group's Annual Financial Report for the year ended 30 June 2019, where Elanor is deemed to have a controlling interest in any particular managed fund, the consolidation method is required in respect of Elanor's co-investment in that fund. This Supplementary Financial Information is presented on the basis that all of Elanor's managed fund co-investments are accounted for using the equity method.

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

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

This Supplementary Financial Information should be read in conjunction with Elanor Investors Group's Annual Financial Report for the year ended 30 June 2019.

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

Signed in accordance with a resolution of the Directors.



Paul Bedbrook  
Chairman



Glenn Willis  
CEO and Managing Director

Sydney, 16 August 2019

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

### **Opinion**

We have audited the Supplementary Financial Information of Elanor Investors Group, being the consolidated stapled entity ("Elanor Investors Group"). The consolidated stapled entity comprises Elanor Investors Limited and the entities it controlled at the year end or from time to time during the year, including Elanor Investment Fund and the entities it controlled at the year end or from time to time during the year. Supplementary Financial Information has been prepared for the purposes of meeting the requirements of the Information Memoranda "Issue of A\$40,000,000 7.10 per cent. Unsecured Fixed Rate Notes due 17 October 2022" and "Issue of A\$20,000,000 7.10 per cent. Unsecured Fixed Rate Notes due 17 October 2022" (the Notes), and comprises the supplementary statement of financial position as at 30 June 2019, the supplementary statement of profit or loss and supplementary statement of cash flows for the year then ended, and notes to the supplementary financial information, including a summary of significant accounting policies, and the Directors statement.

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

### **Basis for Opinion**

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

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

### **Emphasis of Matter – Basis of Accounting**

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

## **Director's Responsibilities for the Supplementary Financial Information**

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

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

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

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

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

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

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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants  
Sydney, 16 August 2019

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated Group 30 June 2019 \$'000	Adjustments 30 June 2019 \$'000	ENN Group 30 June 2019 \$'000
<b>Income</b>			
Revenue from operating activities	73,600	(42,822)	30,778
Revenue from property inventory	36,000	–	36,000
Interest income	2,123	(35)	2,088
Rental income	4,908	(4,891)	17
Share of profit / (loss) from equity accounted investments	2,243	(226)	2,017
Realised gain on disposal of investment	2,940	251	3,191
Fair value gain on revaluation of assets / investment properties	285	(285)	–
Other income	432	(432)	–
<b>Total income</b>	<b>122,531</b>	<b>(48,440)</b>	<b>74,091</b>
<b>Expenses</b>			
Changes in inventories of finished goods	26,604	(3,895)	22,709
Salary and employee benefits	33,503	(16,769)	16,734
Property expenses	7,692	(6,184)	1,508
Operator management costs	4,650	(4,443)	207
Borrowing costs	9,257	(4,721)	4,536
Depreciation	9,207	(8,376)	831
Amortisation	781	(253)	528
Marketing and promotion	3,194	(1,448)	1,746
Repairs, maintenance and technology	1,312	(697)	615
Other expenses	6,464	(4,199)	2,265
<b>Total expenses</b>	<b>102,664</b>	<b>(50,985)</b>	<b>51,679</b>
<b>Net profit / (loss) before income tax expense</b>	<b>19,867</b>	<b>2,545</b>	<b>22,412</b>
Income tax (benefit) / expense	3,823	(988)	4,811
<b>Net profit / (loss) for the period from continuing operations after tax</b>	<b>16,044</b>	<b>1,557</b>	<b>17,601</b>
Discontinued operations			
<b>Net profit / (loss) for the period from discontinued operations after tax</b>	<b>150</b>	<b>–</b>	<b>150</b>
<b>Net profit / (loss) for the period</b>	<b>16,194</b>	<b>1,557</b>	<b>17,751</b>
<b>Net (loss) / profit attributable to security holders of:</b>			
- Parent Entity	4,900	8,871	13,771
- Non-controlling interest EIF	10,622	(6,642)	3,980
<b>Net profit / (loss) attributable to ENN security holders</b>	<b>15,522</b>	<b>2,229</b>	<b>17,751</b>
<b>Attributable to security holders of:</b>			
- External Non-controlling interest	672	(672)	–
<b>Net profit / (loss) for the period</b>	<b>16,194</b>	<b>1,558</b>	<b>17,751</b>
<b>Net profit / (loss) attributable to equity holders of the parent entity relates to:</b>			
Profit from continuing operations	4,750	8,871	13,621
Profit / (loss) from discontinued operations	150	–	150
<b>Net (loss) / profit for the period</b>	<b>4,900</b>	<b>8,871</b>	<b>13,771</b>
Basic earnings / (loss) of the ENN security holders from continuing operations per stapled security (cents)	16.04		18.37
Diluted earnings / (loss) of the ENN security holders from continuing operations per stapled security (cents)	16.04		18.37

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Consolidated Group 30 June 2019 \$'000	Adjustments 30 June 2019 \$'000	ENN Group 30 June 2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	19,281	(4,844)	14,437
Receivables	14,735	143	14,878
Financial assets	45,034	1,600	46,634
Inventories	994	(362)	632
Other current assets	1,735	(1,384)	351
Current tax asset	4,674	(1,951)	2,723
Assets held for sale	714	–	714
<b>Total current assets</b>	<b>87,167</b>	<b>(6,798)</b>	<b>80,369</b>
<b>Non-current assets</b>			
Property, plant and equipment	237,286	(190,936)	46,350
Investment properties	58,859	(58,859)	–
Non-current inventories	–	–	–
Equity accounted investments	76,701	47,063	123,765
Goodwill and intangible assets	750	–	750
Deferred tax assets	8,061	(1,736)	6,325
<b>Total non-current assets</b>	<b>381,657</b>	<b>(204,468)</b>	<b>177,189</b>
<b>Total assets</b>	<b>468,824</b>	<b>(211,267)</b>	<b>257,558</b>
<b>Current liabilities</b>			
Payables	7,392	(4,049)	3,343
Derivative financial instruments	1,261	(1,261)	–
Interest bearing liabilities	–	–	–
Current provisions	2,076	(634)	1,442
Other current liabilities	310	(6)	303
Income tax payable	–	(1)	–
Contract liabilities	692	(639)	53
Liabilities directly associated with discontinued operations	4,677	–	4,677
<b>Total current liabilities</b>	<b>16,408</b>	<b>(6,590)</b>	<b>9,818</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	1,030	(1,030)	–
Interest bearing liabilities	198,241	(114,788)	83,453
Non-current provisions	747	(76)	671
Other non-current liabilities	366	(300)	66
Deferred tax liabilities	6,157	(1,715)	4,442
Loan from the Company	–	–	–
<b>Total non-current liabilities</b>	<b>206,541</b>	<b>(117,909)</b>	<b>88,632</b>
<b>Total liabilities</b>	<b>222,949</b>	<b>(124,499)</b>	<b>98,450</b>
<b>Net assets</b>	<b>245,875</b>	<b>(86,767)</b>	<b>159,108</b>

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Consolidated Group 30 June 2019 \$'000	Adjustments 30 June 2019 \$'000	ENN Group 30 June 2019 \$'000
<b>Equity</b>			
<i>Equity Holders of Parent Entity</i>			
Contributed equity	61,672	–	61,672
Treasury shares	(349)	–	(349)
Reserves	13,929	(13,446)	482
Retained profits / (accumulated losses)	(32,699)	19,122	(13,577)
<b>Parent entity interest</b>	<b>42,553</b>	<b>5,675</b>	<b>48,228</b>
<i>Equity Holders of Non Controlling Interest</i>			
Contributed equity - Elanor Investment Fund	74,466	–	74,466
Treasury shares	(808)	–	(808)
Reserves	40,550	(13,795)	26,755
Retained profits / (accumulated losses)	3,925	6,542	10,467
<b>Non-controlling interest</b>	<b>118,133</b>	<b>(7,253)</b>	<b>110,880</b>
<i>Equity Holders of Non Controlling Interest - External</i>			
Contributed equity - External	54,023	(54,023)	–
Reserves	19,682	(19,682)	–
Retained profits / (accumulated losses)	11,484	(11,484)	–
<b>External Non-controlling interest</b>	<b>85,189</b>	<b>(85,189)</b>	<b>–</b>
<b>Total equity attributable to stapled security holders:</b>			
- Parent Entity	42,553	5,675	48,228
- Non-controlling Interest - EIF	118,133	(7,253)	110,880
<b>Total equity attributable to ENN security holders</b>	<b>160,686</b>	<b>(1,578)</b>	<b>159,108</b>
<b>Total equity attributable to stapled security holders:</b>			
- Non-controlling interest - External	85,189	(85,189)	–
<b>Total equity</b>	<b>245,875</b>	<b>(86,767)</b>	<b>159,108</b>

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated Group 30 June 2019 \$'000	Adjustments 30 June 2019 \$'000	ENN Group 30 June 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers	86,747	(43,281)	43,466
Payments to suppliers and employees	(76,995)	41,862	(35,133)
Interest received	2,122	(35)	2,087
Finance costs paid	(9,131)	4,721	(4,410)
Rent receipts from the Company	–	–	–
Income tax paid	(16)	–	(16)
<b>Net cash flows from operating activities</b>	<b>2,727</b>	<b>3,267</b>	<b>5,994</b>
<b>Cash flows from investing activities</b>			
Receipts for business and asset disposals	5,400	–	5,400
Receipts from the sale of subsidiaries and investment	–	–	–
Financial assets acquired	825	(1,684)	(859)
Payments for asset acquisitions	–	–	–
Payments for property, plant and equipment / investment properties	(15,088)	11,348	(3,740)
Transaction costs for asset acquisitions	–	–	–
Loans to associates	1,332	(1,588)	(256)
Payments for equity accounted investments	(48,432)	(9,128)	(57,560)
Receipts for equity accounted investments	28,368	–	28,368
Distributions received from equity accounted investments	3,589	3,211	6,799
<b>Net cash flows from investing activities</b>	<b>(24,006)</b>	<b>2,159</b>	<b>(21,847)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings	24,134	(601)	23,533
Proceeds from equity raisings	18,464	(8,289)	10,175
Costs associated with equity raisings	(462)	–	(462)
Distributions paid to security holders	(18,931)	4,855	(14,076)
<b>Net cash flows from financing activities</b>	<b>23,205</b>	<b>(4,035)</b>	<b>19,170</b>
Net increase / (decrease) in cash and cash equivalents	1,926	1,392	3,318
Cash and cash equivalents at the beginning of the period	17,355	(6,234)	11,121
<b>Cash at the end of the period</b>	<b>19,281</b>	<b>(4,842)</b>	<b>14,439</b>

# ELANOR INVESTORS GROUP

## SUPPLEMENTARY FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

### 1. Basis of Preparation

This Supplementary Financial Information does not include all of the information required in financial statements in accordance with Australian Accounting Standards and should be read in conjunction with Elanor Investors Group's Annual Financial Report for the year ended 30 June 2019 and any public announcements made by the Group during the period in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The Supplementary Financial Information incorporates the Consolidated Group's audited Statements of Profit or Loss, Financial Position and Cash Flow for the year ended 30 June 2019 that have been prepared in accordance with Corporations Act 2001.

Unless disclosed otherwise, this Supplementary Financial Information has been prepared in accordance with the same accounting policies adopted in the Group's Annual Financial Report for the period ended 30 June 2019.

In the Elanor Investors Group's Annual Financial Report for the year ended 30 June 2019, where Elanor is deemed to have a controlling interest in any particular managed fund, the consolidation method is required in respect of Elanor's co-investment in that fund. This Supplementary Financial Information is presented on the basis that all of Elanor's managed fund co-investments are accounted for using the equity method.

In this Supplementary Financial Information, the Group's financial results including an equity accounted presentation of all managed fund co-investments is defined as the "ENN Group". The ENN Group incorporates the assets and liabilities of Elanor Investors Limited and all its subsidiaries, Elanor Investment Fund and its controlled entities and EMPR, Bluewater and Auburn Office Syndicate on an equity accounted basis as at 30 June 2019.

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

### Background Information on Elanor's Control of the Funds

The Consolidated Group incorporates the assets and liabilities of Elanor Investors Limited and all of its subsidiaries, Elanor Investment Fund and its controlled entities, Elanor Metro and Prime Regional Hotel Fund (EMPR), Bluewater Square Syndicate (Bluewater) and Auburn Office Syndicate as at 30 June 2019. Together, EMPR, Bluewater and Auburn Office Syndicate are the Funds.

EMPR comprises stapled securities in Elanor Metro and Prime Regional Hotel Fund, EMPR Management Pty Limited, Elanor Metro and Prime Regional Hotel Fund II (formerly known as Elanor Hospitality and Accommodation Fund) and EMPR II Management Pty Limited (formerly known as EHAF Management Pty Limited). The Group holds 31.11% of the equity in EMPR. The Group holds 42.27% of the equity in Bluewater and 100% of the equity in Auburn Office Syndicate.

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

Therefore, as set out in the Elanor Investors Group's Annual Financial Report for the year ended 30 June 2019, because Elanor is deemed to have a controlling interest in the Funds given its level of ownership and role as Trustee and Manager, the AASB 10 definition of control for Elanor's equity investment in the Funds is met, and the Funds are included on consolidated basis in the Consolidated Group.