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## ASX Announcement

25 February 2016

### Elanor Investors Group delivers strong FY16 first half result

Elanor Investors Group (“ENN”) is pleased to announce its FY16 first half results for the period from 1 July 2015 to 31 December 2015.

#### Highlights

- Statutory net profit after tax for the period of \$6.3 million (1HY15: \$(1.9) million).
- Core Earnings for the period of \$5.7 million, or 8.1 cents per security, reflecting a 22.8%<sup>1</sup> increase on the 1HY15 period.
- Distributions for the period of \$5.16 million, or 7.3 cents per security, reflecting a payout ratio of 90% of Core Earnings. This reflects an increase of 40.5% on the distribution for the 1HY15 period.
- New funds under management of \$100 million with a net increase in funds under management of \$44 million since 30 June 2015, to \$390 million.
- Increase in net asset value per security to \$1.42 (2.7%) with the Merrylands property carried at cost of \$14.8 million.
- In December 2015 Parramatta City Council approved a planning proposal in relation to the Merrylands Property, including rezoning to B4 mixed use, with an increase in the maximum height of building control to 31 metres (9 storeys) and an increase in the maximum floor space ratio to 2.25:1.
- Establishment of the Elanor Retail Property Fund with a gross asset value of \$62 million, comprising Manning Mall at a value of \$43 million and Glenorchy Plaza shopping centre in Glenorchy, Tasmania which was acquired for \$19 million. As a part of the establishment of the Elanor Retail Property Fund, Manning Mall investors were provided with the opportunity to realise their investment generating an internal rate of return of 24%.
- Establishment of the Limestone Street Centre Syndicate, which acquired the 38 Limestone Street Centre in Ipswich, Queensland for \$32 million.
- Sale of Griffin Plaza shopping centre, generating an internal rate of return of 26% for the investors in the Syndicate.
- Co-investments in the Elanor Retail Property Fund (\$3.1 million, 11%) and Limestone Street Centre Syndicate (\$1.4 million, 8%).

Commenting on the result, ENN CEO, Glenn Willis, said: “We are pleased with the growth in our earnings and distributions in the six months to 31 December 2015.

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<sup>1</sup> Based on the weighted average number of securities on issue for the period



Growing earnings from funds management continues to be a key focus of the business, and during the period we established two new managed funds and realised EBITDA from our funds management activities of \$4.1 million, versus \$1.9 million in 1HY15.

Overall, our portfolio of Hotels, Tourism and Leisure assets performed in line with budget, with total EBITDA of \$5.1 million versus 1HY15 of \$3.9 million.

In December 2015, Parramatta Council approved a planning proposal in relation to the Merrylands Property including rezoning the site to B4 mixed use, increasing the maximum height of building control to 31 metres (9 storeys) and increasing the maximum floor space ratio to 2.25:1. The market demand for residential development sites such as this continues to be strong, and we are presently considering the most appropriate approach to realising value for the Merrylands Property in the short term.”

### **Summary of Financial Results**

Statutory net profit after tax for the half year was \$6.3 million (1HY15: \$(1.9) million).

Core Earnings for the period was \$5.7 million, equating to 8.1 cents per security. Core Earnings per security was 22.8%<sup>1</sup> above 1HY15. The strong Core Earnings result was driven by material outperformance in ENN’s funds management business for the period.

ENN has declared an interim distribution of 7.3 cents per security for the half year period to 31 December 2015 (to be paid on 4 March 2016).

ENN’s net asset value per security increased to \$1.42 (30 June 2015: \$1.38) and net tangible assets increased to \$1.31 per security (30 June 2015: \$1.27). The Merrylands Property remains in the balance sheet at cost, with a current book value of \$14.8 million.

A summary of the key financials and a reconciliation of statutory earnings to Core Earnings for the period to 31 December 2015 is as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Net profit/(loss) after tax (\$'000)	6,271	(1,936)
Core Earnings (\$'000)	5,737	4,084
Distributions payable to security holders (\$'000)	5,163	3,675
Core Earnings per stapled security (cents)	8.12	5.78
Core Earnings per weighted average stapled security (cents)	8.12	6.61
Distributions (cents per unit)	7.31	5.20
Net tangible assets (\$ per stapled security)	1.31	1.10

<sup>1</sup> Based on the weighted average number of securities on issue for the period



<b>Reconciliation of Profit to Core Earnings:</b>	<b>31 December 2015 \$'000</b>	<b>31 December 2014 \$'000</b>
<b>Net profit/(loss) after tax (statutory)</b>	<b>6,271</b>	<b>(1,936)</b>
<i>Adjustments for items included in statutory profit/(loss)</i>		
Transaction, establishment costs and fair value decrements	-	6,115
Building depreciation expense	526	539
Fair value adjustments on investment property	-	-
Increase in equity accounted investments to reflect distributions received/receivable	379	-
John Cootes Furniture Insurance recovery adjustment	(1,524)	-
Straight lining of rental expense	15	-
Amortisation of intangibles	75	75
Tax adjustments	(5)	(709)
<b>Core Earnings</b>	<b>5,737</b>	<b>4,084</b>

<b>Balance Sheet Summary:</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Total Assets (\$'000)	147,401	135,650
Borrowings (\$'000)	36,750	30,719
Net Assets (\$'000)	100,070	97,437
Gearing (Net Debt / Total Assets less cash)	20.0%	18.1%
Number of securities on issue (million)	70.645	70.645
Net asset value per security (\$)	1.42	1.38
Net tangible assets per security (\$)	1.31	1.27

## **Operational Update**

### **Funds Management**

ENN's Funds Management division delivered material outperformance relative to the prior period, with EBITDA of \$4.1 million (1HY15: \$1.9 million) and the net increase in funds under management of \$44 million since 30 June 2015, to \$390 million.

ENN received acquisition fees, base management fees and performance fees from its managed funds. The Group established two new syndicates during the period being Elanor Retail Property Fund (sub-regional shopping centres in Taree, NSW and Glenorchy, TAS) and Limestone Street Syndicate (commercial office building in Ipswich, QLD). Elanor Retail Property Fund is a multi-asset retail property fund that comprises Manning Mall and Glenorchy Plaza shopping centre.

During the period the Group strengthened its internal asset management and investment management capabilities, and deepened its capital partner base to support the Group's strategic focus to deliver growth in funds under management and the performance of assets under management.



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ENN's managed funds continued to perform well during the period. ENN's strong track record and investor base continues to be evidenced by the demand from investors for ENN's newly established funds.

ENN remains positive in regard to its pipeline of funds management opportunities.

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

Overall, ENN's Hotels, Tourism and Leisure portfolio performed in line with budgets, with EBITDA for the half year of \$5.1 million (1HY15: \$3.9 million). Featherdale Wildlife Park and Mantra Wollongong Hotel performed ahead of budget, with strong earnings driven by operational improvements at these assets. Operations at Canberra Eaglehawk and Peppers Cradle Mountain Lodge were in line with budget.

### **Special Situations**

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

EBITDA from the John Cootes Furniture business was \$2.2 million for the period (1HY15: \$0.9 million). This result includes insurance recoveries in respect of the fire at the John Cootes Furniture warehouse in July 2015.

On 27 July 2015 the John Cootes Furniture warehouse in Orchardleigh Street, Yennora, sustained major damage as a result of a fire. The entire contents of the building, primarily stock and plant and equipment of the John Cootes Furniture business were destroyed and the building was unable to be recovered. The warehouse building is owned by the John Cootes Diversified Property Syndicate, a managed investment scheme managed by the Group. The property is fully insured, and the required business interruption insurances are also in place. In respect of the John Cootes Furniture business, claims for loss of stock and plant and equipment have been fully settled at \$2.0 million and \$1.7 million respectively. Two business interruption claims have been lodged that relate to lost sales from the date of the fire to 30 November 2015 along with claim preparation costs and additional costs of working. To date, progress payments of \$1.3 million have been received from the insurer. A further progress claim for lost sales and lost gross margin for December is expected to be lodged in February 2016.

The John Cootes Furniture business opened a new store in Fyshwick (ACT) in December 2015 and a further new store was opened in Warners Bay (NSW) in January 2016.

ENN remains optimistic that the business is positioned for growth in FY16 and beyond.

As part of the John Cootes Furniture acquisition, ENN acquired approximately 24,000sqm of land located at Merrylands, NSW, from which John Cootes Furniture operates its head office and main showroom ("Merrylands Property"). During the period, ENN has undertaken a considerable amount of work with respect to the Merrylands Property and its potential for residential development.

The Group lodged a Planning Proposal in respect of the Merrylands property, with Parramatta City Council ("Council") on 12 October 2015. The Planning Proposal was tabled at a Council meeting held on 7 December 2015.



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At that meeting, the Council unanimously resolved to endorse the Planning Proposal, including recommendations to:

- Forward the Planning Proposal to the Department of Planning and Environment for Gateway determination;
- Proceed with formal negotiations to prepare a Voluntary Planning Agreement;
- Rezone the subject site to B4 mixed use;
- Increase the maximum height of building control to 31 metres (9 storeys); and
- Increase the maximum floor space ratio to 2.25:1.

ENN is presently considering the most appropriate approach to realising value for the Merrylands property in the short term.

### **Outlook**

ENN is well positioned to continue to grow earnings and value for its security holders.

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

Based on the current operating performance of assets and the pipeline of potential funds management opportunities, ENN anticipates continued growth in Core Earnings in FY16.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ENN's half year result to 31 December 2015.

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### **Investor Briefing**

Elanor Investors Group will be holding an Investor Briefing Conference Call on 25 February 2016 at 10:30am, to present and discuss the Group's FY16 first half results. The Conference details are:

Dial In: 1800 123 296 or +61 2 8038 5221  
Conference ID: 5112 7323  
Commencement: 10:30am

ENDS

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