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# ELANOR RETAIL PROPERTY FUND

## Product Disclosure Statement

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Issued by Elanor Funds Management Limited  
(ABN 39 125 903 031, AFSL 398196)

14 OCTOBER 2016

Lead Manager and Underwriter

**MOELIS & COMPANY**

## IMPORTANT NOTICES

### THIS INFORMATION IS IMPORTANT AND REQUIRES YOUR ATTENTION.

It is important that you read this document carefully and in its entirety prior to making your investment decision with respect to the Offer. In particular you should pay careful consideration to the risk factors outlined in Section 12 and the tax implications in Section 11 of this document as they relate to your personal investment objectives, financial circumstances and needs. The potential tax effects of the Offer will vary between investors. Other risk factors may exist in addition to those identified in this document which should also be considered in light of your personal circumstances.

### THE ISSUER

This document is a product disclosure statement (the "PDS") for the purposes of Part 7.9 of the Corporations Act and has been issued by Elanor Funds Management Limited (ABN 39 125 903 031, AFSL 398196) ("Responsible Entity") as Responsible Entity of Elanor Retail Property Fund I (ARSN 615 291 220) and Elanor Retail Property Fund II (ARSN 615 291 284), (each a "Trust" and together the "Fund"). The offer contained in this PDS is an offer of units in each of the Trusts, which will be stapled together and trade as stapled securities ("Securities") (the "Offer").

### LODGEMENT AND LISTING

This PDS is dated 14 October 2016 and was lodged with the Australian Securities and Investments Commission ("ASIC") in accordance with Section 1013B of the Corporations Act on that date. The Responsible Entity will apply for the admission of the Fund to the official list of ASX and the quotation of the Securities on ASX within seven days of the date of this PDS. Neither ASIC nor ASX takes any responsibility for the contents of this PDS or the merits of the investment to which this PDS relates.

ASX reserves the right (but without limiting its absolute discretion) to remove one or more entities with Securities from the ASX Official List if any of their securities cease to be stapled together, or any equity securities are issued by one entity which are not stapled to equivalent securities in the other entity.

### REFERENCES TO THE FUND AND THE RESTRUCTURE

In connection with the Offer, the Trusts are undergoing a restructure that will involve, amongst other steps, the stapling of units in each of the Trusts (the "Restructure"). The Restructure is expected to complete around the time the Securities are allotted and issued pursuant to the Offer. Unless otherwise specified, this PDS has been prepared as if the Restructure has been completed. References to the Fund throughout this PDS are references to the Fund that will exist from Completion of the Proposed Transaction. For example, the Investment overview in Section 3 and the Overview of the Fund in Section 4 describe the Fund as if the Restructure has completed, and the Forecast Financial Information in Section 8 represents the combined Fund for the financial year ending 30 June 2017 and the calendar year ending 31 December 2017. Further details about the Restructure are set out in Section 4.5. The key terms of the Implementation Deed are summarised in Section 14.4. Securities issued under the Offer are being issued under this PDS.

### NOT INVESTMENT ADVICE

The information contained in this PDS should not be taken as financial product advice and has been prepared as general information only without consideration for your particular investment objectives, financial circumstances or particular needs.

In particular you should pay careful consideration to the risk factors outlined in Section 12 in light of your personal circumstances, recognising that other risk factors may exist in addition to those

identified and should also be considered before deciding whether to invest.

If you have any queries or uncertainties relating to aspects of this PDS or the Offer please consult your stockbroker, accountant or other independent financial adviser before deciding whether to invest.

Similarly the tax implications of your investment will vary depending on your personal financial circumstances and investment objectives. You should consider the tax implications outlined in Section 11 of this PDS and obtain your own professional taxation advice prior to deciding whether to invest in this Offer.

### EXPOSURE PERIOD

The Corporations Act prohibits the Responsible Entity from processing Applications in the seven day period after the date of lodgement of the PDS ("Exposure Period"). This period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this PDS to be examined by market participants before the sale of the Securities. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

### NO COOLING OFF RIGHTS

Cooling-off rights do not apply to an investment in the Securities pursuant to the Offer.

### RIGHTS AND LIABILITIES ATTACHED TO THE SECURITIES

From the date the Securities under the Offer are issued, all Securities will rank equally in all respects to the Securities on issue.

Details of the rights and liabilities attached to each Security are set out in Section 14.1 and in the Constitutions of the Trusts, copies of which are available for inspection at the registered office of the Responsible Entity within normal trading hours.

### ELECTRONIC PDS

An electronic copy of this PDS may be viewed online by Australian investors at [www.elanoroffer.com](http://www.elanoroffer.com) during the Retail Offer Period. If you access the PDS electronically please ensure that you download and read the PDS in its entirety. The Offer to which this PDS relates is available to persons receiving this PDS (electronically or otherwise) in Australia only. It is not available to persons in other jurisdictions other than under the Institutional Offer.

A paper form of this PDS can be obtained, free of charge, during the Retail Offer Period by contacting the Fund's Offer Information Line on 1300 437 365 (toll free within Australia) or +61 3 9415 4153 (outside Australia) between 9:00am and 5:00pm (Sydney time) Monday to Friday.

Applications for Securities will only be considered if applied for on an Application Form attached to or accompanied by a copy of this PDS (refer to Section 7 for further information).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is accompanied by this PDS in its paper form or the complete and unaltered electronic form.

### OVERSEAS INVESTORS

This PDS has been prepared to comply with the requirements of Australian law and is only being made to Australian resident Retail Investors and Institutional Investors in Australia, New Zealand, Hong Kong and Singapore and any other jurisdictions as determined by the Responsible Entity and Lead Manager. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Distribution of this PDS outside of Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this PDS

outside of Australia are required to observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable securities laws.

No action has been taken to register or qualify the Securities or the Offer, or to otherwise permit a public offering of Securities in any jurisdiction outside Australia. The Securities have not been, and will not be registered under the US Securities Act and may not be offered or sold in the United States or except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. This PDS may not be distributed in the United States or to any person in the United States.

Any person subscribing for Securities in the Offer shall by virtue of such subscription be deemed to represent that they are not in a jurisdiction which does not permit the making of an offer or invitation as detailed in this PDS, and are not acting for the account or benefit of a person within such jurisdiction.

None of the Responsible Entity, the Lead Manager, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

See Section 7.9 for further details.

### UPDATED INFORMATION

Information regarding the Offer may need to be updated from time to time. Any updated information about the Offer that is considered not materially adverse to investors will be made available on the Fund's website at [www.elanoroffer.com](http://www.elanoroffer.com).

The Responsible Entity will provide a copy of the updated information free of charge to any eligible investor who requests a copy by contacting the Fund's Offer Information Line on 1300 437 365 (toll free within Australia) or +61 3 9415 4153 (outside Australia) between 9:00am and 5:00pm (Sydney time) Monday to Friday during the Retail Offer Period.

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction to this PDS prior to making any investment decision.

### VARIATION OF THE OFFER

At any time prior to the allocation of the Securities contemplated in this PDS, the Responsible Entity reserves the right in its absolute discretion, without advance notice and without liability, to vary the Offer or its procedures or to postpone or cancel the Offer.

### FINANCIAL INFORMATION

Section 8 of this PDS sets out in detail the financial information referred to in this PDS and the basis of preparation of that information.

The Forecast Financial Information included in this PDS comprises the year ending 30 June 2017 and the six months from 1 July 2017 to 31 December 2017, together with pro forma forecasts for the period from Allotment Date to 30 June 2017 and the 2017 calendar year.

The statutory forecast for the year ending 30 June 2017 comprises the actual but unaudited financial results of Elanor Retail Property Fund I and Elanor Retail Property Fund II for the period from 1 July 2016 to 31 August 2016 and the forecast financial results from 1 September 2016 to Allotment Date, together with the forecast financial results of Elanor Retail Property Fund I and Elanor Retail Property Fund II, including the forecast results related to the property acquisitions contemplated under this Offer, for the period from Allotment Date to 30 June 2017, based on the best estimate assumptions of the Directors. The Forecast Financial Information

is prepared and presented in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, except where otherwise stated.

The Financial Information in this PDS should be read in conjunction with, and is qualified by reference to, the information contained in Section 8.

All financial amounts contained in this PDS are expressed in Australian dollars and rounded to the nearest \$0.1 million unless otherwise stated. Some numerical figures included in this PDS have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this PDS are due to rounding.

All fees in the PDS are quoted exclusive of GST unless otherwise stated.

All financial information, operational information, and Portfolio statistics contained in this PDS are believed to be current as at the date of this PDS.

#### **Non-IFRS financial information**

Investors should be aware that certain financial data included in this PDS is 'non-IFRS financial information' under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. The Directors believe this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Fund. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this PDS.

Unless otherwise stated or implied, all pro forma data in this PDS gives effect to the pro forma adjustments referred to in Section 8.

#### **FORWARD-LOOKING STATEMENTS**

Certain "forward-looking statements" have been provided in this PDS. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Preparation of these forward-looking statements was undertaken with due care and attention, however, forward-looking statements remain subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Responsible Entity and its officers, employees, agents and advisers. Consequently, such factors may impact the performance of the Fund such that actual performance differs materially to any performance indicated in the forward looking statements. Some of the risk factors that impact on forward looking statements in this PDS are set out in Section 12. No assurance can be provided that actual performance will mirror the guidance provided.

Other than as required by law, none of the Responsible Entity, its directors, officers, employees or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this PDS will actually occur. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this PDS reflect the views held only immediately before the date of this PDS, unless otherwise stated. Subject to the Corporations Act and any other applicable law, each of the Responsible Entity, its directors, officers, employees and advisers disclaim any

duty to disseminate after the date of this PDS any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

#### **INDEPENDENT VALUATIONS**

This PDS contains information regarding the independent valuations of the Properties by independent valuers Knight Frank and CBRE. Refer to Section 10 for details of the valuation dates for each Property in the Portfolio. Valuations are an opinion of the market value payable by a willing buyer at a point in time, not a guarantee of current or future market value. By necessity, valuations require the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser or another valuer.

Independent valuations are subject to a number of assumptions and conditions, which are set out in the summary of the valuations in Section 10.

Property values can change substantially, even over short periods of time, and an independent valuer's opinion of value could differ significantly if the date of valuation were to change. A high degree of volatility in the real estate market may lead to fluctuations in values over a short period of time.

#### **UNDERWRITING AGREEMENT**

Moelis Australia Advisory Pty Limited (ACN 142 008 446, AFSL 345 499) has been appointed by the Responsible Entity as Lead Manager and Underwriter to the Offer, subject to certain terms and conditions stipulated in the Underwriting Agreement.

The Underwriting Agreement sets out a number of circumstances where the Lead Manager may terminate the agreement and its obligations. For further information on the terms and conditions of the Underwriting Agreement you should refer to Section 14.6.

#### **PHOTOGRAPHS, DIAGRAMS AND ARTIST'S RENDERINGS**

Photographs, diagrams and artist's renderings contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only. They should not be interpreted to mean an endorsement of this PDS or its contents by any person shown in these images. Furthermore assets not accompanied by a description should not be interpreted as being owned by the Fund.

Diagrams used in this PDS are also intended for illustrative purposes only and may not be drawn to scale.

#### **DEFINITIONS, ABBREVIATIONS AND OTHER INFORMATION**

Explanations of defined terms and abbreviations used throughout this PDS can be found in the PDS Glossary (Section 16).

Unless otherwise stated or implied, references to times in this PDS are Sydney, Australia time. Similarly, references to dates or years in this PDS are financial years unless otherwise stated or implied.

#### **PRIVACY**

By filling out an Application Form to apply for Securities, you are providing personal information to the Responsible Entity through the Registry that may be personal information for the purposes of the Privacy Act 1988 (as amended). The Responsible Entity and the Registry on its behalf, collect, hold and use that personal information in order to process your Application. The Responsible Entity may also collect, hold and use that personal information in order to service your needs as a Security Holder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Responsible Entity and/or the Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Responsible Entity, or entities within the Fund which it considers may be of interest to you.

Your personal information may also be provided to the Responsible Entity's agents and service providers on the basis that they deal with such information in accordance with their respective privacy policies. These agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Lead Manager in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Fund's Security Holder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Securities and for associated actions.

Under the Privacy Act 1988 (as amended), you may request access to your personal information held by (or on behalf of) the Responsible Entity. You may be required to pay a reasonable charge to the Registry in order to access your personal information. You can request access to your personal information by telephoning the Registry on +61 3 9415 4153. If any of your information is not correct or has changed, you may request it to be corrected.

By submitting an Application, you agree that the Responsible Entity and the Registry may communicate with you in an electronic form or contact you by telephone in relation to the Offer.

#### **DISCLAIMER**

No person is authorised to give any information, or to make any representation, in connection with the Offer that is not contained in this PDS.

Any information or representation that is not in this PDS may not be relied on as having been authorised by the Responsible Entity in connection with the Offer. Except as required by law, and only to the extent so required, neither the Responsible Entity, nor any other person, warrants or guarantees the future performance of the Fund or the repayment of capital, or any return on any investment made pursuant to this information.

The Lead Manager has not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this PDS and does not make or purport to make any statement in this PDS and there is no statement in this PDS which is based on any statement by the Lead Manager. The Lead Manager and its affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this PDS and make no representation or warranty as to the currency, accuracy, reliability or completeness of this PDS.

#### **FURTHER QUESTIONS**

If you have any queries relating to aspects of this PDS please call the Fund's Offer Information Line on 1300 437 365 (toll free within Australia) or +61 3 9415 4153 (outside Australia) between 9:00am and 5:00pm (Sydney time) Monday to Friday (excluding public holidays during the Retail Offer Period).







An aerial photograph of a city, likely Melbourne, showing a mix of residential and commercial buildings. In the foreground, there's a train on tracks. A large green field, possibly a sports ground, is visible in the middle ground. The city is densely packed with houses and apartment buildings.

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### KEY DATES FOR THE OFFER

EVENT	DATE
PDS lodgement date with ASIC	14 October 2016
Retail Offer Opening Date (Elanor Offer and Broker Firm Offer)	24 October 2016
Retail Offer Closing Date (Elanor Offer and Broker Firm Offer)	4 November 2016
Settlement of the Offer	8 November 2016
Issue and allotment of Securities	9 November 2016
Deferred settlement trading of Securities on the ASX	9 November 2016
Dispatch of holding statements	10 November 2016
Settlement of the Acquisitions	10 November 2016
Normal trading of Securities on the ASX	11 November 2016

The Responsible Entity, in consultation with the Lead Manager, reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to vary the dates of the Offer, including closing the Offer early, extending the Offer or accepting late Applications, either generally or in particular cases, without notice. Accordingly, you are encouraged to submit your Application Form as soon as possible after the Offer opens.

### KEY OFFER INFORMATION

KEY OFFER STATISTICS	
Offer Price per Security	\$1.35
Securities available under the Offer <sup>1</sup>	81.3 million
Total Securities on issue at Completion	128.7 million
Market capitalisation at the Offer Price <sup>2</sup>	\$173.8 million
Forecast CY17 Distributable Earnings Yield <sup>3, 4, 5</sup>	7.9%
Forecast CY17 Distribution Yield <sup>3</sup>	7.5%
NTA per Security at Completion	\$1.25
Pro forma Gearing at Completion <sup>6</sup>	33.7%

1 Based on the expected participation of Existing Investors of 92% in the Restructure (based on election notices received from those investors prior to the date of this PDS).

2 Calculated as the total number of Securities on issue following Completion multiplied by the Offer Price.

3 The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 8, and is subject to the risks set out in Section 12. There is no guarantee that the forecasts will be achieved.

4. Distributable Earnings represents the profit reported in accordance with International Financial Reporting Standards after excluding property revaluations, mark to market adjustments for derivative financial instruments, transaction costs, capital profits and losses and tax thereon, deferred tax expense and adjustments for non-cash items including straight-lining of rental income and amortisation of Rental Guarantees.

5. Distributable Earnings Yield is the rate of return derived by dividing the Distributable Earnings per Security by the Offer Price.

6. Gearing is defined as drawn debt less cash divided by total assets less cash.



## KEY PORTFOLIO STATISTICS

Number of properties	5
Independent valuation <sup>7</sup>	\$243.2m
Number of tenancies	206
Number of tenants	179
Gross lettable area ("GLA")	65,030 m <sup>2</sup>
Occupancy <sup>8</sup>	96.7%
Weighted average capitalisation rate ("WACR") <sup>9</sup>	7.7%
Weighted average lease expiry ("WALE") <sup>10</sup>	5.1 years
% National / chain retailers <sup>11</sup>	85%
% Non-Discretionary retailers <sup>12</sup>	45%

<sup>7</sup> Refer to Section 10 for details of the independent valuations.

<sup>8</sup> By GLA and includes Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio is 94.2%.

<sup>9</sup> Weighted Average Capitalisation Rate adopted in the independent valuation of the property(ies), represents the capitalisation rate of the Portfolio weighted by the independent valuation of each Property. The return of a property or portfolio of properties calculated by dividing the level of Net Operating Income of that property or portfolio by the assessed independent valuation of that property or portfolio.

<sup>10</sup> By GLA. Portfolio WALE by base rental income is 4.6 years.

<sup>11</sup> By GLA. National / chain retailers includes retailers that operate more than one retail floor space across multiple locations either nationally or across multiple locations in shopping centres.

<sup>12</sup> By GLA. Non-discretionary sales includes supermarkets, fresh and prepared foods and other essential services. Discretionary sales includes apparel, household goods and other general retail sales.





14 October 2016

Dear Investor,

On behalf of the Board of the Responsible Entity, it is my pleasure to invite you to become an investor in the Elanor Retail Property Fund (the "Fund"). The Fund is an Australian real estate investment fund initially consisting of a portfolio of five high quality retail shopping centre properties located in New South Wales (3), Tasmania (1), and Queensland (1), which have been independently valued at \$243.2 million.

The Fund will be externally managed by Elanor Investors Group ("Elanor"). Elanor is an ASX-listed investment and funds management business focused on generating strong absolute and risk-adjusted returns for its investors. As at 30 June 2016, Elanor had approximately \$485 million of funds under management and held \$107 million of direct investments spanning across retail, office, hospitality and accommodation property assets.

The Fund will be formed by the stapling of two existing funds currently managed by Elanor, being the Elanor Retail Property Fund I and the Elanor Retail Property Fund II, and by the acquisition of two New Properties, Tweed Mall and Northway Plaza.

The Fund will offer investors:

- An attractive forecast CY17 Distributable Earnings Yield of 7.9% and CY17 Distribution Yield of 7.5%<sup>1</sup>;
- Stable and secure rental income backed by quality anchor tenants<sup>2</sup>;
- Strong exposure to Non-Discretionary retailers;
- Access to Elanor's asset management platform and experienced investment management team who have demonstrated a track record of delivering strong investment returns to investors; and
- Significant potential for development and operational repositioning upside in the Portfolio.

The Fund's objective is to provide investors with stable, secure and growing income returns and potential for capital growth in the Portfolio and in other retail properties that may be acquired in the future. To achieve this objective, the Fund's strategy is to:

- Invest in retail properties that provide stable earnings from rental income across a diversified retail tenant mix, with a focus on Non-Discretionary retailers;
- Implement leasing and active asset management to grow the income and value of the retail properties;
- Acquire additional investment quality retail properties with a significant component of Non-Discretionary retailers;
- Implement development and repositioning strategies in the Portfolio and in additional retail properties that may be acquired in the future; and
- Maintain a conservative capital structure with a target Gearing range of between 30% and 40%.

The Fund's forecast CY17 Distributable Earnings Yield is 7.9% and forecast Distribution Yield over the same period is 7.5%, which compares favourably to other representative ASX-listed retail property funds<sup>3</sup>.

The Fund is undertaking an Offer of 81.3 million Securities at an Offer Price of \$1.35 each to raise approximately \$109.7 million<sup>4</sup>. The Offer is being conducted to enable the Fund to acquire the New Properties, to provide Existing Investors with an opportunity to realise their investment, and to fund Offer and acquisition related costs. The Offer is fully underwritten by Moelis Australia Advisory Pty Limited<sup>5</sup>. The Offer will entail an Elanor Offer (incorporating a priority allocation to Existing Investors), a Broker Firm Offer and an Institutional Offer. On Completion, Elanor will be substantially aligned with investors through its approximate 15% Security Holding in the Fund.

<sup>1</sup> The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 8, and is subject to the risks set out in Section 12. There is no guarantee that the forecasts will be achieved.

<sup>2</sup> A major tenant that occupies a significant component of the shopping centre and is a primary driver for individuals shopping at the centre. Typically a supermarket, department store or discount department store.

<sup>3</sup> Based on consensus estimates for representative ASX-listed retail property funds which include Aventus Retail Property Fund (ASX: AVN), Charter Hall Retail REIT (ASX: CQR), Shopping Centres Australasia Property Group (ASX: SCP), Vicinity Centres (ASX: VCX), BWP Trust (ASX: BWP) and Scentre Group (ASX: SCG).

<sup>4</sup> Based on the expected participation of Existing Investors of 92% in the Restructure (based on election notices received from those investors prior to the date of this PDS).

<sup>5</sup> Subject to the terms of the Underwriting Agreement. Refer to Sector 14.6 for further details.



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This PDS contains detailed information about the Fund, the Offer and the key risks involved in an investment of this nature. The key risks associated with an investment in the Fund are set out in Section 12 and include, among other things, risks associated with adverse affects on rental income, re-leasing and vacancies, operating in a single industry sector, funding requirements and the ability to refinance the Fund's debt facilities and the reliance on Elanor Investors Group as manager of the Fund.

If you have questions you should seek relevant professional advice before making an investment decision. You can also contact the Fund's Offer Information Line on 1300 437 365 (toll free within Australia) or +61 3 9415 4153 (outside Australia) between 9:00am and 5:00pm (AEST) Monday to Friday during the Retail Offer Period.

On behalf of my fellow Directors of the Responsible Entity, I encourage you to consider this investment opportunity and look forward to welcoming you as an investor in Elanor Retail Property Fund.

A handwritten signature in black ink, appearing to read 'PB', followed by a long horizontal flourish.

Yours sincerely,

**Paul Bedbrook,**

Chairman





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## 3. INVESTMENT OVERVIEW



OVERVIEW OF ELANOR RETAIL PROPERTY FUND		
<b>What is the Elanor Retail Property Fund?</b>	<p>The Fund is an externally managed real estate investment fund investing in Australian retail property, focusing predominantly on quality, high yielding neighbourhood and sub-regional shopping centres. The Fund will initially own a Portfolio of five quality retail shopping centres located in New South Wales (3), Tasmania (1), and Queensland (1). The Fund will offer Security Holders:</p> <ul style="list-style-type: none"> <li>• An attractive CY17 forecast Distributable Earnings Yield of 7.9%<sup>1</sup>;</li> <li>• Stable and secure rental income backed by quality anchor tenants who contribute to 41% of the Portfolio's base rental income;</li> <li>• Strong exposure to Non-Discretionary retailers which contribute 45% of the Portfolio by GLA;</li> <li>• Access to Elanor's asset management platform and experienced investment management team who have demonstrated a track record of delivering strong investment returns to investors; and</li> <li>• Significant potential for development and operational repositioning upside in the Portfolio.</li> </ul> <p>An application will be made for the Fund to be admitted to the Official List of ASX and for the Securities to be granted Official Quotation.</p>	Section 4.1
<b>What assets will comprise the Portfolio?</b>	<p>The Portfolio will initially comprise the:</p> <ul style="list-style-type: none"> <li>• <b>Auburn Central Shopping Centre</b>, Auburn, NSW;</li> <li>• <b>Tweed Mall Shopping Centre</b>, Tweed Heads, NSW;</li> <li>• <b>Manning Mall Shopping Centre</b>, Taree, NSW;</li> <li>• <b>Glenorchy Plaza Shopping Centre</b>, Glenorchy, TAS; and</li> <li>• <b>Northway Plaza Shopping Centre</b>, Bundaberg, QLD.</li> </ul> <p>The Portfolio has been independently valued at \$243.2 million, reflecting a WACR of 7.7%.</p>	<p>Section 4.1</p> <p>Section 5</p> <p>Section 10</p>

<sup>1</sup> The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 8, and is subject to the risks set out in Section 12. There is no guarantee that the forecasts will be achieved.

### 3. INVESTMENT OVERVIEW (continued)

<p><b>What is the intended structure of the Fund?</b></p>	<p>A simplified corporate ownership structure and property interest of the Fund on Completion is shown below:</p>	<p>Section 4.4</p>
<p><b>What is a Security?</b></p>	<p>A Security in the Fund comprises a Unit in the Elanor Retail Property Fund I stapled to a Unit in Elanor Retail Property Fund II, such that the Units can only be purchased and sold together.</p>	<p>Section 7.3 Section 14.1</p>
<p><b>What is the investment objective and strategy of the Fund?</b></p>	<p>The Fund’s objective is to provide investors with a quality, high yielding investment by investing in the Portfolio and additional retail properties that may be acquired in the future. To achieve this objective, the Fund’s strategy is to:</p> <ul style="list-style-type: none"> <li>• Invest in retail properties that provide stable earnings from rental income across a diversified retail tenant mix, with a focus on Non-Discretionary retailers;</li> <li>• Implement leasing and active asset management to grow the income and value of the retail properties;</li> <li>• Acquire additional investment quality retail properties with a significant component of Non-Discretionary retailers;</li> <li>• Implement development and repositioning strategies in the Portfolio and additional properties that may be acquired in the future; and</li> <li>• Maintain a conservative capital structure with a target Gearing range of between 30% and 40%.</li> </ul> <p>In executing the investment objectives and strategy, the Manager of the Fund (as described below) will take a proactive approach towards investment origination, acquisition, funds management, property and development management and leasing with the aim of delivering strong returns to investors.</p>	<p>Section 4.3</p>



<b>What is the Fund's policy for acquiring additional properties?</b>	<p>The Fund's strategy will be to selectively acquire additional retail property assets, with a focus primarily on neighbourhood and sub-regional shopping centres. The Manager will assess potential acquisitions against the following investment criteria:</p> <ul style="list-style-type: none"> <li>• Generating strong, stable and secure rental income provided by quality national retailers focusing on Non-Discretionary sales;</li> <li>• Opportunity to add value through active asset management;</li> <li>• Prominent centres within their catchment areas with limited new competition;</li> <li>• Enhancing the geographic and tenant diversification across the Portfolio;</li> <li>• Provide the ability to leverage existing tenant relationships; and</li> <li>• Potential for income and capital growth to enhance risk-adjusted returns to investors.</li> </ul>	Section 4.3.3
<b>Will the Fund undertake development activities?</b>	Yes, the Fund may undertake development activities in respect of the Portfolio where appropriate. The Manager will actively seek to improve the value of the Portfolio through value-enhancing capital works. In particular, the Manager will assess potential development opportunities for Tweed Mall, Northway Plaza and Manning Mall.	Section 4.2.5 Section 4.3.2
<b>Who is the issuer of this PDS and the Securities?</b>	Elanor Funds Management Limited (ABN 39 125 903 031; AFSL 398196) in its capacity as Responsible Entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II is the issuer of the PDS.	
MANAGEMENT OF THE FUND		
<b>Who is the Responsible Entity of the Fund?</b>	<p>Elanor Funds Management Limited is the Responsible Entity of the Fund.</p> <p>The Responsible Entity is a member of the Elanor Investors Group and is also the trustee and manager of a number of managed funds in the Elanor Investors Group.</p>	Section 6.1
<b>Who is Elanor Investors Group?</b>	<p>Elanor Investors Group (ASX: ENN) is an ASX-listed investment and funds management business focused on generating strong absolute and risk-adjusted returns for its investors.</p> <p>As at 30 June 2016, Elanor had approximately \$485 million of funds under management and held \$107 million of direct investments spanning across retail, office, hospitality and accommodation property assets.</p>	Section 6.2
<b>What are the management arrangements for the Fund?</b>	From completion of the Offer, Elanor Asset Services Pty Limited, a wholly owned subsidiary of the Elanor Investors Group, will assume the provision of fund and property and development management services in respect of the Portfolio.	Section 6.2
<b>What are the responsibilities of the Responsible Entity?</b>	<p>The key responsibilities of the Responsible Entity in relation to the Fund include:</p> <ul style="list-style-type: none"> <li>• investment evaluation and implementation;</li> <li>• financial management and administration; and</li> <li>• governance and regulatory compliance.</li> </ul> <p>In consideration for these services, the Responsible Entity will be entitled to fees under the Constitutions as described in Sections 13 and 14.</p>	Section 6.1 Section 13 Section 14

### 3. INVESTMENT OVERVIEW (continued)

<b>What is the role of the Manager?</b>	<p>The Fund will be managed by Elanor Asset Services Pty Limited, under the supervision of the Responsible Entity. The services for which the Manager will be responsible include investment management, acquisition and divestment management, debt finance management, day-to-day administration, financial reporting, Security Holder relations, ASX listing management, related compliance management, investor relations and other incidental fund management services.</p> <p>The Manager will also be responsible for managing each property in the Portfolio from time to time, including by providing services in respect of leasing, tenant liaison, property maintenance, regulatory compliance, insurance and other usual services provided by a property manager. The Manager will also be responsible for development activities including development and capital expenditure, management, preparation of development proposals, implementation and management of development works, and other usual services provided by a development manager.</p> <p>In consideration for these services, the Manager will be entitled to fees under the Investment Management Agreement and Property and Development Management Agreement (together the “Management Agreements”) as described in Sections 13.4.3 and 13.4.4. The Management Agreements are for initial terms of 10 years and cannot be terminated by the Responsible Entity during that 10 year term other than for cause and then (in certain circumstances) on a required period of notice and with payment of compensation to the Manager. Further details are contained in Section 14.7 and Section 14.8.</p>	<p>Section 6.2</p> <p>Section 13</p> <p>Section 14.7</p> <p>Section 14.8</p>
<b>Who are the Directors of the Board of the Responsible Entity?</b>	<p>The Board of the Responsible Entity comprises four directors. These directors are also the directors of the entities that make up the Elanor Investors Group.</p> <p>The directors of the Board of the Responsible Entity are:</p> <ul style="list-style-type: none"> <li>– <b>Paul Bedbrook</b>, Non-Executive Chairman</li> <li>– <b>Glenn Willis</b>, CEO and Managing Director</li> <li>– <b>Nigel Ampherlaw</b>, Non-Executive Director</li> <li>– <b>William (Bill) Moss AO</b>, Non-Executive Director</li> </ul>	<p>Section 6.3</p>
<b>Who are the senior management team of Elanor Investors Group?</b>	<p>The key executives who will be responsible for the management and operation of the Fund are:</p> <ul style="list-style-type: none"> <li>– <b>Glenn Willis</b>, CEO and Managing Director</li> <li>– <b>Michael Baliva</b>, Fund Manager</li> <li>– <b>Marianne Ossovani</b>, Chief Investment Officer, Head of Hotels, Tourism and Leisure</li> <li>– <b>Paul Siviour</b>, Chief Operating Officer</li> <li>– <b>Symon Simmons</b>, Chief Financial Officer</li> <li>– <b>Robert Bishop</b>, Chair of the Fund’s Compliance Committee</li> <li>– <b>Blake McNaughton</b>, Asset Manager</li> <li>– <b>Alvin Chan</b>, Financial Controller, Managed Funds</li> </ul>	<p>Section 6.4</p>
<b>Who appoints the Directors of the Responsible Entity?</b>	<p>As the Responsible Entity is a member of Elanor Investors Group, the Directors are appointed by Elanor Investors Group. Security Holders in the Fund will not have the right to appoint or re-elect Directors to the board of the Responsible Entity.</p>	<p>Section 6.3</p>



<b>Can the Responsible Entity be changed?</b>	<p>Yes, by a majority vote of Security holders.</p> <p>A change of the responsible entity of the Fund (where the new responsible entity is not a member of the Elanor Investors Group) will trigger termination rights and compensation payments to the Manager under the terms of the Management Agreements.</p>	<p>Section 14.7</p> <p>Section 14.8</p>
<b>Will the Elanor Investors Group hold Securities in the Fund?</b>	Yes. Elanor Investors Group is expected to have an investment in the Fund of approximately 15% at Allotment and is therefore strongly aligned to the Fund's performance.	Section 4.2.4
<b>What fees will the Elanor Investors Group receive?</b>	<p>The Manager will be entitled under the Investment Management Agreement to a Management Fee equal to 0.65% per annum of GAV.</p> <p>The Manager will also be entitled to a Performance Fee equal to 20% of the amount (if any) by which the total return of the Fund exceeds a hurdle of 12%. The first Performance Fee (if any) will become payable after 30 June 2019, with fees calculated and payable annually thereafter.</p> <p>Under the Property Management and Development Agreement, the Manager will be entitled to the following fees for services provided, including:</p> <ul style="list-style-type: none"> <li>• a property management fee equal to 4% of gross rental billing for each month;</li> <li>• leasing fees related to new tenants, lease renewals and market rent reviews (each calculated as a percentage of face rental under the relevant lease);</li> <li>• a development management fee equal to 5% of total cost of any development works undertaken in respect of a Property; and</li> <li>• fees related to the supervision and management of external service providers appointed to assist in the delivery of property management services.</li> </ul> <p>Certain costs and expenses of the Responsible Entity and the Manager will also be paid or reimbursed from assets of the Fund, pursuant to the Constitutions and the Management Agreements.</p>	Section 13

### 3. INVESTMENT OVERVIEW (continued)

<p><b>Will there be ongoing related party transactions with Elanor Investors Group?</b></p>	<p>Elanor Investors Group will maintain an ongoing relationship with the Fund in the following manner:</p> <ul style="list-style-type: none"> <li>• Elanor Funds Management Limited is the Responsible Entity of the Fund and will be entitled to receive fees under the Constitutions as consideration for its services to the Fund; and</li> <li>• Elanor Asset Services Pty Limited will be the Manager and Property Manager of the Fund, and will be entitled to receive fees for services provided under the terms of the Management Agreements.</li> </ul> <p>Details regarding the fees payable under the Management Agreements are contained in Section 13 and details regarding other key terms and termination rights under these agreements are contained in Section 14. In addition, fees and expenses payable to the Responsible Entity and the Manager under the Constitutions or the Investment Management Agreement may in certain circumstances be satisfied by the issue of Securities.</p> <p>Elanor Investment Nominees Pty Limited (a wholly owned subsidiary of the Elanor Investors Group) is also the trustee of two of the Sub-Trusts of the Fund, being the Northway Plaza Property Trust and the Tweed Heads Property Trust. The Responsible Entity is the trustee of remaining Sub-Trust, the Glenorchy Plaza Property Trust. The trustees will be entitled to reimbursement of costs and expenses incurred in their capacity as trustee of the Sub-Trusts.</p> <p>The Directors of the Board of the Responsible Entity are also the directors of the Elanor Investors Group.</p> <p>In addition, entities associated with Elanor Investors Group will hold approximately 15% of the Securities on issue on Allotment. Entities associated with Elanor Investors Group may hold additional Securities in the future.</p>	<p>Section 6 Section 13 Section 14</p>
<p><b>What are the key governance arrangements for the Fund?</b></p>	<p>The Board has established governance arrangements to ensure that the Fund is managed in a manner that is properly focused on its investment objectives and the interests of Security Holders as well as conforming to regulatory requirements.</p>	<p>Section 6.9</p>
<p><b>Will annual and half-yearly financial reports be provided to Security Holders?</b></p>	<p>Yes. For both tax and reporting purposes, the Fund will report on a 30 June financial year end basis. Formal reporting will be provided to Security Holders as at 30 June (full year) and 31 December (interim) each year.</p>	<p>Section 4.13</p>
<p><b>Will the Fund hold annual general meetings?</b></p>	<p>The Fund is not required to hold annual general meetings. General meetings will be held by the Fund as and when required.</p>	



BENEFITS AND RISKS		
<b>What are the main benefits associated with an investment in the Fund?</b>	<b>An attractive forecast CY17 Distributable Earnings Yield</b>	Section 4
	The Fund offers an attractive forecast Distributable Earnings Yield of 7.9% for the calendar year ending 31 December 2017.	Section 5
	The forecast Distribution Yield of the Fund is 7.5% for the calendar year ending 31 December 2017. <sup>2</sup>	Section 8.3
	<b>Stable and secure income backed by quality anchor tenants</b>	
	The Portfolio is anchored by quality national tenants supported by long term lease covenants from major corporations including Woolworths Limited, Wesfarmers Group or Metcash. These major tenants contribute 66% of the Portfolio's occupied GLA and 41% of base rental income.  The Portfolio WALE is 5.1 years <sup>3</sup> with 8% of the Portfolio by GLA either vacant or on holdover, 41% of which is covered by Rental Guarantees (in relation to Tweed Mall and Northway Plaza) which will be available for a two year period to November 2018.	
	<b>Strong exposure to Non-Discretionary<sup>4</sup> retailers</b>	
	The Fund will predominantly be focused on Non-Discretionary retailing through its ownership and management of a quality portfolio of shopping centres. Non-Discretionary retailers represent 45% of the Portfolio by GLA and 60% by base rental income.  Over the past 10 years, Non-Discretionary retail sales have significantly outperformed Discretionary sales (See Section 4.2.3).	
	<b>Access to Elanor's asset management platform and experienced investment management team who have demonstrated a track record of delivering strong investment returns to investors</b>	
	Elanor has a proven track record of providing value through:	
	<ul style="list-style-type: none"> <li>Identifying, undertaking due diligence and acquiring potential future assets by utilising Elanor's fund management and asset management teams; and</li> <li>Active property asset management, development and leasing across a portfolio by utilising Elanor's strong and proven asset management capabilities and extensive networks.</li> </ul>	

<sup>2</sup> The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 8, and is subject to the risks set out in Section 12. There is no guarantee that the forecasts will be achieved.

<sup>3</sup> By GLA. Portfolio WALE by base rental income is 4.6 years.

<sup>4</sup> By GLA. Non-Discretionary sales includes supermarkets, fresh and prepared foods and other essential services. Discretionary sales includes apparel, household goods and other general retail.

#### Significant potential for development and repositioning upside in the Portfolio

The Manager will seek to improve the value of the Portfolio through value-enhancing capital works. In particular, the Manager will assess potential development opportunities for:

- **Tweed Mall:** The centre's large site has favourable town planning approvals for the property, which provides opportunities for future development into a significant mixed-use scheme.
- **Northway Plaza:** The centre has vacant land of approximately 5,000m<sup>2</sup> across three pad sites, providing opportunities for additional development of complementary uses.
- **Manning Mall:** Repositioning and redevelopment strategies to introduce additional mini-majors and specialty retailers at higher rentals in the event that Target does not renew its lease upon expiry in November 2018.

The Manager will actively assess development capital expenditure opportunities to ensure leasing occupancy is maximised and the highest quality tenants are sourced.

Any financial upside from the development potential of the above and other assets in the Portfolio has not been reflected into the Financial Forecast Information detailed in Section 8.

#### What are the main risks associated with an investment in the Fund?

There are a number of risks associated with the Fund's business, each of which could materially adversely affect the Fund's financial performance and Distributions. Some of these key risks are summarised below and are further described in Section 12 of this PDS, along with other key risks:

Section 12

#### Rental Income

Distributions made by the Fund are largely dependent upon the rents received from its property Portfolio and the expenses incurred during operations. Rental income may be adversely affected by a number of factors, including overall macroeconomic conditions, local real estate conditions, the financial condition of tenants and their turn-over, increases in rental arrears and vacancy periods and additional expenses associated with re-leasing the tenancy or enforcement action.

#### Re-leasing and vacancy

The Portfolio's leases come up for renewal on a periodic basis, and there is a risk that the Fund may not be able to negotiate suitable lease renewals with existing tenants, maintain existing lease terms, or replace outgoing tenants with new tenants. Further, the Fund could lose key tenants due to a range of events including as a result of failure to renew a lease, the termination of a lease due to change of control, deterioration in the level of service provided to tenants or insolvency of tenants.

#### Sector concentration

It is intended that the Fund will predominantly invest in shopping centres in the Australian market. Accordingly, the Fund's performance will depend, in part, on the general performance of the Australian retail property sector as well as the performance of individual geographical segments within a particular catchment area.

The performance of the retail property sector is correlated to retail sales which are affected by consumer sentiment. A decline in consumer sentiment could impact the demand for the product offering of the Portfolio's key tenants and have an adverse effect on their sales revenue, which in turn could affect rental income.



#### **Tenant concentration**

In aggregate, approximately 50% of base rent of the Fund is generated from the top ten tenants. There is a risk that if one or more of the major tenants ceases to be a tenant, the Fund may not be able to find a suitable replacement tenant or may not be able to secure lease terms that are as favourable as current terms.

#### **Acquisitions**

In addition to acquiring Tweed Mall and Northway Plaza, the Fund will continue to seek to identify new retail property assets for acquisition. There is a risk that the Fund will be unable to identify future properties that meet the Fund's investment objectives, or if such properties are identified, that they cannot be acquired on appropriate terms, thereby potentially limiting the growth of the Fund.

The Fund will endeavour to conduct all reasonable and appropriate due diligence on potential acquisition properties. The Fund will seek to obtain customary warranties and indemnities from vendors of the acquired properties, however there is a risk that potential unforeseen issues are uncovered subsequent to due diligence and that these risks cannot be fully mitigated by the warranties and indemnities in the sale and purchase agreements for those acquisitions. There can be no assurance that any future acquisitions will enhance the investment returns of Security Holders.

#### **Funding and refinancing**

In order to fund new acquisitions, capital expenditure or other material capital events, the Fund intends to rely on funding options including equity, debt or a combination of both. An inability to attract funding may adversely affect the Fund's ability to make future acquisitions or to meet future capital expenditure needs that in turn could adversely affect the growth prospects of the Fund or even the Fund's ability to maintain Properties to the requisite standard (which in turn may affect its ability to retain existing tenants or to attract new tenants).

In addition, an inability to refinance the Fund's existing debt facilities (either on acceptable terms or at all), or any increase in the cost of such funding, may also adversely impact the financial performance and financial position of the Fund.

#### **Responsible Entity and management**

The Responsible Entity has delegated the day to day management of the Fund and the Portfolio to the Manager, as well as to other external service providers.

Accordingly, the Fund is reliant on the management expertise, support, experience and strategies of the key executives of the Elanor Investors Group and other third parties, which cannot be assured. If the Manager and other third parties do not perform as service providers this could have an adverse impact on the management and performance of the Fund and therefore Distributions and the Security price. The past performance of the Elanor Investors Group is not a guarantee of the future performance of the Fund.

### 3. INVESTMENT OVERVIEW (continued)

#### Others

A number of other key risks relating specifically to an investment in the Fund and generally to an investment in the Securities are included in Section 12, including risks associated with development activities, the impact of interest rates and hedging, gearing and financial covenants, taxation, capital expenditure, property valuations, operational risks (such as illiquidity of property assets, insurance and competition), environment and contamination risk and conflicts of interest.

#### FINANCIAL INFORMATION

<b>What is the forecast net tangible assets (NTA) per Security on Completion?</b>	The Fund is expected to have an NTA of \$1.25 per Unit at Completion.	Section 8.3.4
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<b>What will be the Gearing level of the Fund?</b>	The Fund's target Gearing range will be between 30% and 40%, with Gearing of approximately 33.7% at Completion.	Section 8.3.4
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#### DISTRIBUTIONS

<b>What is the Fund's forecast Distributable Earnings Yield and forecast Distribution Yield?</b>	<p>The forecast Distributable Earnings Yield of the Fund is:<sup>5</sup></p> <ul style="list-style-type: none"> <li>• 7.8% pro forma annualised for the period from the Allotment Date to 30 June 2017</li> <li>• 7.9% for the calendar year ending 31 December 2017</li> </ul> <p>The forecast Distribution Yield of the Fund is:<sup>5</sup></p> <ul style="list-style-type: none"> <li>• 7.4% pro forma annualised for the period from the Allotment Date to 30 June 2017</li> <li>• 7.5% for the calendar year ending 31 December 2017</li> </ul> <p>The first Distribution payment forecast of 1.4 cents per Security is expected to be paid in February 2017. Note that this first Distribution payment relates to the approximately two month period from the Allotment Date to 31 December 2016 and accordingly will not be representative of ongoing Distributions that will be paid in respect of half year periods.</p>	<p>Section 4.2.1</p> <p>Section 8.3</p>
<b>What portion of the Distributions will be tax deferred for Australian tax purposes?</b>	<p>The proposed Distribution from the Allotment Date to 30 June 2017 is expected to be between 55% and 65% tax deferred.</p> <p>The tax deferred component of Distributions may vary in the future depending on the age and composition of the Portfolio.</p>	

<sup>5</sup> The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 8, and is subject to the risks set out in Section 12. There is no guarantee that the forecasts will be achieved.

<b>What is the Fund's Distribution policy?</b>	<p>The Fund intends to make Distributions on a half yearly basis with the first Distribution to be made for the period from the Allotment Date to 31 December 2016. Distributions will be determined with reference to the Fund's Distributable Earnings, with a target range for Distributions of between 90% and 100% of Distributable Earnings.</p> <p>The Responsible Entity intends to establish a distribution reinvestment plan ("DRP") under which any Security Holder may elect that the Distributions payable by the Fund be reinvested in whole or part by a subscription of Securities at a price to be determined by the Board from time to time. While the Responsible Entity intends to establish a DRP, it has been assumed that the DRP will not be activated by the Responsible Entity during the Forecast Period.</p>	Section 4.12
<b>What is Distributable Earnings?</b>	Distributable Earnings is a proxy for cash available for distribution to Security Holders, being net profit adjusted for non-cash items, one-off and non-recurring items.	
DETAILS OF THE RESTRUCTURE AND FORMATION OF THE FUND		
<b>How will the Fund be formed?</b>	<p>The Fund is made up of two managed investment schemes that were registered with ASIC on 13 October 2016, namely the Elanor Retail Property Fund I and Elanor Retail Property Fund II ("Trusts"). Prior to the Restructure, units in those Trusts are held by 172 Existing Investors. The Fund will be formed as a result of undertaking the Restructure, in the manner set out in the Implementation Deed.</p> <p>The Implementation Deed is summarised in Section 14.4.</p>	Section 4.5 Section 14.4
<b>What is the Restructure?</b>	<p>Under the Restructure, the Responsible Entity has offered Existing Investors in the Trusts the opportunity to elect whether to retain their holding in the Trusts (in whole or part), or to have their holding in the Trusts redeemed by the Responsible Entity (in whole or part) prior to the Allotment Date. As part of the Restructure, there will be a reorganisation of the capital of the Trusts, following which the Units in the Trusts will be stapled together to form the Securities of the Fund.</p> <p>Existing Investors can also apply to subscribe for additional Securities under the Elanor Offer.</p>	Section 4.5 Section 14
<b>When will the Restructure be implemented?</b>	The Restructure will be completed shortly prior to Allotment occurring under the Offer.	Section 4.5 Section 14
OVERVIEW OF THE OFFER		
<b>What is the Offer?</b>	<p>An Offer of 81.3 million Securities at a price of \$1.35 to raise \$109.7 million.</p> <p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>• An Elanor Offer, open to Eligible Existing Investors (who will receive a priority allocation), Eligible ENN Security Holders and other investors who have received a personal invitation from the Responsible Entity to participate in the Elanor Offer;</li> <li>• A Broker Firm Offer to Australian resident investors who receive a firm allocation of Securities from their Broker; and</li> <li>• An Institutional Offer to Institutional Investors in Australia and certain other jurisdictions as managed by the Lead Manager.</li> </ul>	Section 7.1
<b>What is the Offer Price?</b>	\$1.35 per Security	Section 7.3



### 3. INVESTMENT OVERVIEW (continued)

<b>How will the proceeds of the Offer be used?</b>	<p>The proceeds of the Offer will be used, together with borrowings under the Debt Facility, to:</p> <ul style="list-style-type: none"> <li>– enable the Fund to acquire the New Properties;</li> <li>– provide Existing Investors with an opportunity to realise their investment under the Restructure; and</li> <li>– fund the costs of the Offer and other costs relating to the Proposed Transaction.</li> </ul>	Section 7.2
Sources	\$ million	Uses
<b>Cash and equity</b>		<b>Cash and equity</b>
Issue of New Securities to investors under the Offer, including to Existing Investors <sup>6</sup>	90.8	Payment of redemption amounts to Existing Investors under the Restructure <sup>10</sup>
Securities retained by Existing Investors under the Restructure <sup>7</sup>	57.0	Net assets in the Fund owned by Existing Investors
Securities retained by entities associated with Elanor Investors Group <sup>7</sup>	7.1	Acquisition of the New Properties
Issue of New Securities to Elanor Investors Group <sup>8</sup>	18.9	Costs of the Offer and the Proposed Transaction
Additional debt drawn down under the Debt Facility on Completion	7.7	
<b>Total sources of cash and equity</b>	<b>181.5</b>	<b>Total uses of cash and equity</b>
<b>Debt</b>		<b>Debt</b>
Existing Debt drawn under the Debt Facility <sup>9</sup>	74.8	Debt funding of the Existing Properties
<b>Total Sources</b>	<b>256.3</b>	<b>Total Uses</b>
		<b>256.3</b>

<sup>6</sup> Excludes New Securities, issued to Elanor Investors Group, under the Elanor Offer.

<sup>7</sup> Refers to the equity value in the Trusts retained by Existing Investors under the Restructure. Based on the expected participation of Existing Investors of 92% in the Restructure (based on election notices received from those investors prior to the date of this PDS).

<sup>8</sup> Refers to the equity value in the Trusts retained by the Elanor Investors Group under the Restructure.

<sup>9</sup> Represents the amount of debt drawn by the Fund against the Properties in the Portfolio prior to Completion.

<sup>10</sup> Based on the expected participation of Existing Investors of 92% in the Restructure (based on election notices received from those investors prior to the date of this PDS).

The respective ownership interests in the Fund on Allotment are as follows:

	Pre-Allotment <sup>11</sup>			On Allotment		
	Securities held (m)	Value of Securities (\$m) <sup>12</sup>	% Total	Securities held (m)	Value of Securities (\$m) <sup>12</sup>	% Total
Existing Investors (excluding Elanor Investors Group stake) <sup>13</sup>	42.2	57.0	89%	51.1	69.0	40%
Elanor Investors Group	5.3	7.1	11%	19.3	26.1	15%
New Investors	-	-	-	58.3	78.8	45%
<b>Total Securities on Issue</b>	<b>47.5</b>	<b>64.1</b>	<b>100%</b>	<b>128.7</b>	<b>173.8</b>	<b>100%</b>

<b>Can the Offer be withdrawn?</b>	Yes. The Offer can be withdrawn at any time.	Section 7.3
<b>Is there a cooling-off period?</b>	No. Cooling-off rights do not apply to an investment in Securities pursuant to the Offer.	Section 7.3
<b>Who can participate in the Offer?</b>	<p>The Elanor Offer is open to Eligible Existing Investors (who will receive a priority allocation), Eligible ENN Security Holders and selected persons invited to participate by the Responsible Entity, all of whom have a registered address in Australia.</p> <p>The Broker Firm Offer is open to all persons who have received a firm allocation of Securities from their Broker and who have a registered address in Australia.</p> <p>The Lead Manager has invited certain Institutional Investors to bid for Securities in the Institutional Offer. The Institutional Offer will comprise an invitation to Australian resident Institutional Investors and other Institutional Investors in eligible jurisdictions to bid for Securities, made under this PDS. The Lead Manager has separately advised Institutional Investors of the application procedure for the Institutional Offer.</p>	Section 7

<sup>11</sup> Represents ownership interests following completion of the Restructure, immediately prior to Allotment.

<sup>12</sup> Based on the Offer Price of \$1.35 per Security.

<sup>13</sup> Based on the expected participation of Existing Investors of 92% in the Restructure and additional Securities to be subscribed for by Existing Investors (based on election notices received from those investors prior to the date of this PDS).

### 3. INVESTMENT OVERVIEW (continued)

<p><b>What are the minimum and maximum Application amounts under the Offer?</b></p>	<p>For Applicants applying under the Elanor Offer or the Broker Firm Offer, the minimum Application amount is at least \$2,000, and in increments of \$500 thereafter.</p> <p>Applicants under the Institutional Offer have been provided with additional information regarding the Institutional Offer (including any minimum Application amounts) by the Lead Manager.</p> <p>There is no maximum Application amount.</p>	<p>Section 7.3</p>
<p><b>What is the allocation policy under the Offer?</b></p>	<p><b>Elanor Offer:</b> The allocation of Securities among Applicants in the Elanor Offer will be determined by the Responsible Entity in consultation with the Lead Manager, with priority given to applications from Existing Investors over other Applicants.</p> <p><b>Broker Firm Offer:</b> Securities which have been allocated to Brokers for allocation to their Australian resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Responsible Entity and the Lead Manager to reject or scale back Applications). It will be a matter for the Brokers how they allocate firm stock among their eligible clients and they (and not the Responsible Entity or the Lead Manager) will be responsible for ensuring that clients who have received a firm allocation from them receive the relevant Securities.</p> <p><b>Institutional Offer:</b> The allocation of Securities among Applicants in the Institutional Offer will be determined by the Responsible Entity, in consultation with the Lead Manager.</p>	<p>Section 7.3</p>
HOW TO APPLY		
<p><b>How can I apply under the Offer?</b></p>	<p>Elanor Offer Applicants may apply for Securities by lodging a valid Application Form in accordance with their personalised invitation to participate in the Elanor Offer. Elanor Offer Application Forms are available online at <a href="http://www.elanoroffer.com">www.elanoroffer.com</a>.</p> <p>If you are a Broker Firm Applicant, you should complete and lodge your Application Form with the Broker from whom you received your allocation in accordance with the instructions received from the Broker. Applications for Securities may only be made on an Application Form attached to or accompanying this PDS.</p> <p>The Lead Manager has separately advised Institutional Investors of the application procedure for the Institutional Offer.</p>	<p>Section 7.4</p> <p>Section 7.5</p>
<p><b>When do I apply?</b></p>	<p>The key dates for the Offer are set out in Section 1.</p> <p>Applications under the Elanor Offer and Broker Firm Offer will only be accepted during the Retail Offer Period which is open from 9.00am (Sydney time) 24 October 2016 to 5.00pm (Sydney time), 4 November 2016.</p> <p>The Responsible Entity, in consultation with the Lead Manager, may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible.</p>	<p>Section 7.4</p> <p>Section 7.5</p>
FEES, COSTS AND UNDERWRITING		
<p><b>Is the Offer underwritten?</b></p>	<p>Yes. The Lead Manager has fully underwritten the Offer. Details of the Underwriting Agreement are set out in Section 14.</p>	<p>Section 14.6</p>



<b>What are the Fees and Transaction Costs associated with the Offer?</b>	Total fees and costs of \$12.9 million are expected to be incurred in connection with the Proposed Transaction. The Fund will be responsible for these fees and costs.	Section 15.5
<b>Is there any broker commission or stamp duty payable by Applicants?</b>	<p>No brokerage, commissions or stamp duty is payable by Applicants on the issue of Securities under the Offer.</p> <p>Various fees in relation to the Offer may be payable by the Fund to the Lead Manager. Further details of fees payable to the Lead Manager are set out in Sections 14.6 and 15.5.</p> <p>The Lead Manager will pay a handling fee of 1.5% of the gross proceeds of the Securities allocated to each Broker under the Broker Firm Offer. These fees are payable by the Lead Manager and will not be payable by investors or directly by the Fund.</p>	Section 15.7
<b>TAXATION IMPLICATIONS</b>		
<b>What are the Australian tax implications of the acquisition of Securities under the Offer?</b>	The acquisition of Securities under the Offer may have Australian taxation implications for investors participating in the Offer. These implications will vary depending on the individual circumstances of each investor who participates in the Offer.	Section 11
<b>OTHER INFORMATION</b>		
<b>Will the Securities be quoted?</b>	<p>The Responsible Entity will apply within seven days of the lodgement of this PDS for the Fund to be admitted to the Official List of the ASX and for the Securities to be granted Official Quotation.</p> <p>If ASX listing approval is granted, trading of the Securities is expected to commence on a deferred settlement basis on 9 November 2016 and on a normal basis on 11 November 2016. The Fund's expected ASX code will be ERF.</p> <p>If listing approval is not given, the Offer will be withdrawn and all Application Monies received will be refunded without interest in compliance with the Corporations Act.</p>	Section 7.11
<b>When can I sell my Securities on ASX?</b>	<p>Following Completion, Security Holders will be sent a holding statement that sets out the number of Securities that have been allocated to them. This statement will also provide details of a Security Holder's Holder Identification Number (or HIN) for CHESS holders or, where applicable, the Security Holder Reference Number (or SRN) of issuer sponsored holders. Security Holders will subsequently receive statements showing any changes in their Security holding. It is the responsibility of each person who trades in Securities to confirm their holding before trading in Securities.</p> <p>If you sell Securities before receiving a holding statement, you do so at your own risk. The Responsible Entity, the Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Securities before receiving your holding statement, even if you obtained details of your holding from the Fund's Offer Information Line or confirmed your firm allocation through a Broker.</p>	
<b>Where can I find further information?</b>	If you have further enquires regarding the Offer, please contact the Fund's Offer Information Line on 1300 437 365 (toll free within Australia) or +61 3 9415 4153 (outside Australia) between 9:00am and 5:00pm (Sydney time) Monday to Friday (excluding public holidays) during the Retail Offer Period.	Section 7.3



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## 4. OVERVIEW OF THE FUND

## 4.1 OVERVIEW OF ELANOR RETAIL PROPERTY FUND

The Fund has been established as an externally managed real estate investment fund to invest in Australian retail property, focusing predominantly on quality, high yielding neighbourhood and sub-regional shopping centres. The Fund will initially own a portfolio of five shopping centres situated in New South Wales (3), Queensland (1) and Tasmania (1) (the “Portfolio”). The properties are independently valued at \$243.2 million, reflecting a WACR of 7.7%.

The Portfolio will initially comprise:

- Auburn Central Shopping Centre, Sydney, New South Wales;
- Tweed Mall Shopping Centre, Tweed Heads, New South Wales;
- Manning Mall Shopping Centre, Taree, New South Wales;
- Glenorchy Plaza Shopping Centre, Glenorchy, Tasmania; and
- Northway Plaza Shopping Centre, Bundaberg, Queensland.

Elanor Funds Management Limited is the Responsible Entity of the Fund. The Fund will be managed by Elanor Asset Services Pty Limited (“Manager”), who will provide both investment, property and development management services to the Fund. Both the Responsible Entity and the Manager are part of the ASX-listed Elanor Investors Group (ASX:ENN) (“Elanor”). The Responsible Entity is also the trustee and manager of a number of Elanor managed funds. For further detail on the management arrangements of the Fund, refer to Section 6.7 and the summaries of the Management Agreements in Sections 14.7 and 14.8.

A summary of the Portfolio is below, with further detail of each property provided in Section 5.

Key Portfolio Statistics	
Number of properties	5
Independent valuation <sup>1</sup>	\$243.2m
Number of tenancies	206
Number of tenants	179
Gross lettable area (“GLA”)	65,030 m <sup>2</sup>
Occupancy <sup>2</sup>	96.7%
Weighted average capitalisation rate (“WACR”)	7.7%
Weighted average lease expiry (“WALE”) <sup>3</sup>	5.1 years
% National / chain tenants <sup>4</sup>	85%
% Non-Discretionary retailers <sup>5</sup>	45%

## 4.2 BENEFITS OF AN INVESTMENT IN THE FUND

An investment in the Fund will offer Security Holders:

- An attractive forecast CY17 Distributable Earnings Yield;
- Stable and secure income backed by quality anchor tenants;
- Strong exposure to Non-Discretionary retailers;
- Access to Elanor’s asset management platform and experienced investment management team who have demonstrated a track record of delivering strong investment returns to investors; and
- Significant potential for development and repositioning upside in the Portfolio.

<sup>1</sup> Refer to Section 10 for details of the independent valuations

<sup>2</sup> By GLA and includes Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio is 94.2%

<sup>3</sup> By GLA. Portfolio WALE by base rental income is 4.6 years.

<sup>4</sup> By GLA. National / chain retailers include retailer that operate more than one retail floor space across multiple locations either nationally or across multiple locations in shopping centres

<sup>5</sup> By GLA. Non-Discretionary sales includes supermarkets, fresh and prepared foods and other essential services. Discretionary sales includes apparel, household goods and other general retail sales.



## 4. OVERVIEW OF THE FUND (continued)

### 4.2.1 AN ATTRACTIVE CY17 FORECAST DISTRIBUTABLE EARNINGS YIELD

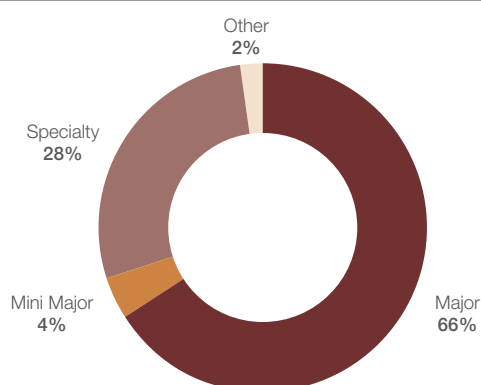
The forecast Distributable Earnings Yield of the Fund is 7.9% for the calendar year ending 31 December 2017.

The forecast Distribution Yield of the Fund is 7.5% for the calendar year ending 31 December 2017<sup>6</sup>.

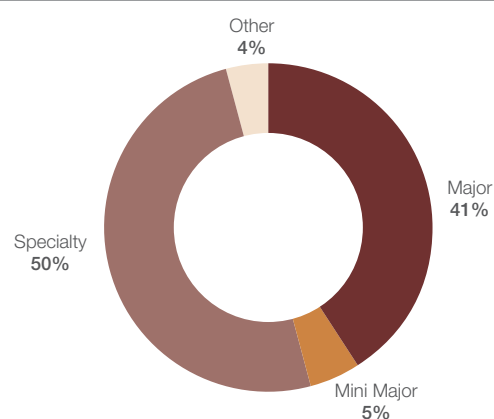
### 4.2.2 STABLE AND SECURE INCOME BACKED BY QUALITY TENANTS

The Portfolio is anchored by quality national tenants supported by long term lease covenants from major corporations including Woolworths Limited, Wesfarmers Group or Metcash. These major tenants contribute 66% of the Portfolio's occupied GLA and 41% of base rental income.

Tenant mix by occupied GLA

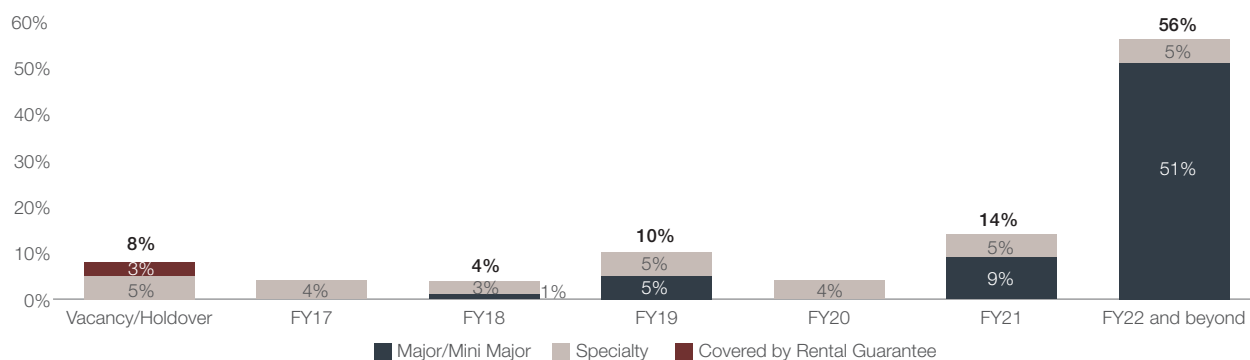


Tenant mix by base rental income



The Portfolio WALE<sup>7</sup> is 5.1 years with a staggered profile where no more than 14% of leases by GLA expires in any single year through to FY21. 8% of the Portfolio by GLA is either vacant or on holdover, 41% of which is covered by Rental Guarantees, which will be available for a two year period to November 2018.

Portfolio lease expiry by GLA



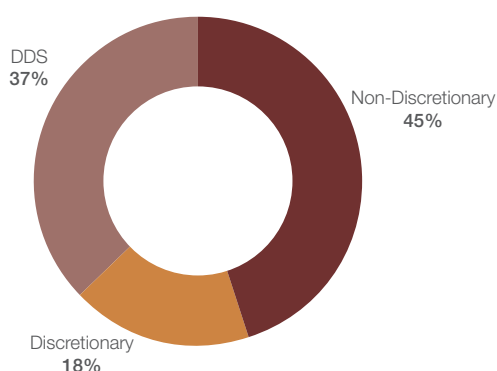
<sup>6</sup> The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 8, and is subject to the risks set out in Section 12. There is no guarantee that the forecasts will be achieved.

<sup>7</sup> By GLA. Portfolio WALE by base rental income is 4.6 years.

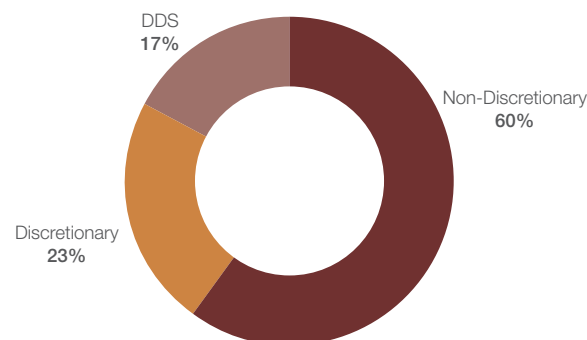
### 4.2.3 STRONG EXPOSURE TO NON-DISCRETIONARY RETAILERS

The Fund will predominantly be focused on Non-Discretionary retailing through its ownership and management of a quality portfolio of shopping centres. Non-Discretionary retailers represents 45% of the Portfolio by GLA and 60% by base rental income<sup>8</sup>. In addition, Discount Department Store (DDS) sales represents 37% of the Portfolio by GLA and are considered to comprise both Discretionary and Non-Discretionary retail sales.

% Non-Discretionary by GLA

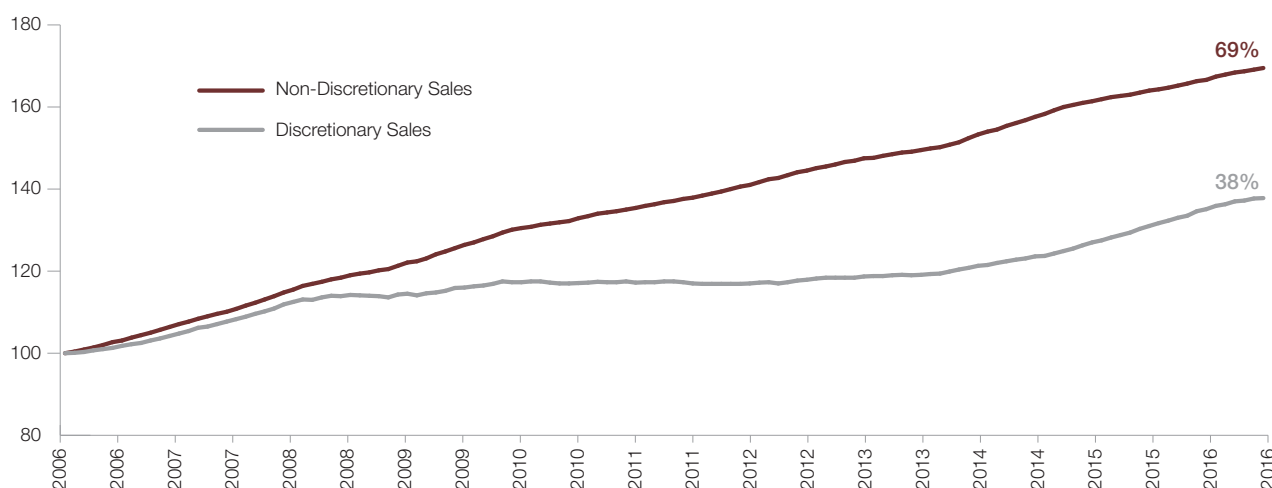


% Non-Discretionary by base rental income



Over time, neighbourhood and sub-regional shopping centres have proven to be resilient to economic cycles due to their exposure principally to Non-Discretionary retail tenants. Non-Discretionary retailers, such as supermarkets, are typically on long term leases supported by the relative stability of Non-Discretionary sales. The charts below show the consistent growth in Australian historical Non-Discretionary sales and the outperformance of Non-Discretionary sales over Discretionary sales over the past 10 years.

Australian Non-Discretionary sales outperformance<sup>9</sup>



<sup>8</sup> Non-Discretionary sales includes supermarkets, fresh and prepared foods and other essential services. Discretionary sales includes apparel, household goods and other general retail.

<sup>9</sup> Source: Australian Bureau of Statistics. Rebased to 100 as at January 2006.

## 4. OVERVIEW OF THE FUND (continued)

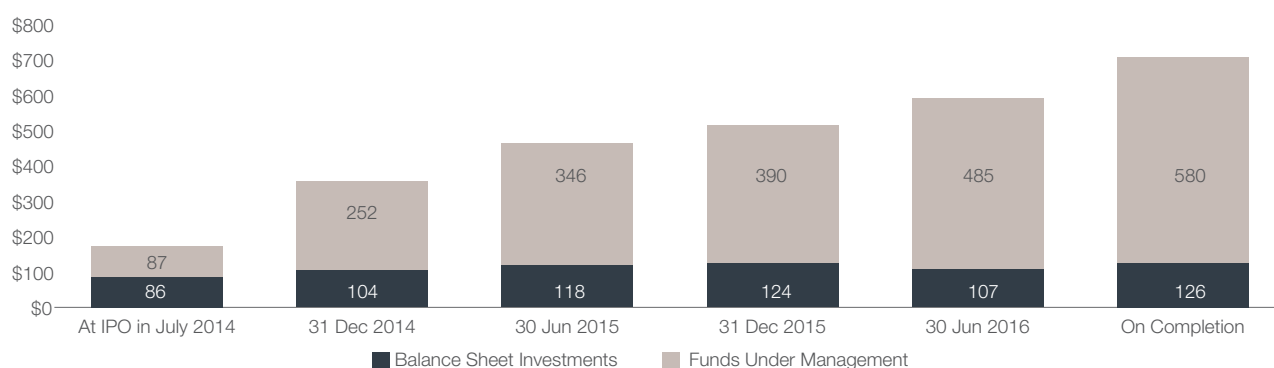
### 4.2.4 ACCESS TO ELANOR'S ASSET MANAGEMENT PLATFORM AND EXPERIENCED INVESTMENT MANAGEMENT TEAM

Elanor Investors Group and its management team provide a strong property investment management platform with significant breadth and scope. Elanor's team has significant experience in key investment management functions including investment origination, acquisition, property asset management, leasing, marketing, development and repositioning, and realisation of value. Elanor has a proven track record of delivering value-add through:

- Identifying, undertaking due diligence and acquiring assets by utilising Elanor's fund management and asset management teams; and
- Active property asset management, leasing across a portfolio by utilising Elanor's strong and proven asset management capabilities and extensive networks.

Since listing in July 2014, Elanor Investors Group has grown into an investment and funds management business with \$485 million funds under management and \$107 million<sup>10</sup> of direct asset investments spanning across retail, office, and hospitality and accommodation property assets. In addition, Elanor's team have generated a weighted average total return (IRR) of 24% per annum (post fees and pre-tax) on realised unlisted funds investing in retail shopping centres.

Elanor Investors Group portfolio growth since listing – Funds under management



Elanor's interests will be strongly aligned with the Fund's performance through its Security Holding in the Fund and through the performance fee structure that is contained in the Investment Management Agreement. At Allotment, Elanor Investors Group will hold approximately 15% of the Securities on issue in the Fund.

### 4.2.5 SIGNIFICANT POTENTIAL FOR DEVELOPMENT AND REPOSITIONING UPSIDE IN THE PORTFOLIO

The Manager will actively seek to improve the value of the Portfolio through value-enhancing capital works. In particular, the Manager will assess potential development opportunities for:

- **Tweed Mall:** The centre's large site has favourable town planning approvals for its property which provides opportunities for future development into a significant mixed-use scheme.
- **Northway Plaza:** The centre has vacant land of approximately 5,000m<sup>2</sup> across three pad sites, providing opportunities for additional development of complementary uses.
- **Manning Mall:** Implement repositioning and redevelopment strategy to introduce additional mini-majors and specialty retailers at higher rentals in the event that Target does not renew its lease upon expiry in November 2018.

The Manager will actively assess development capital expenditure opportunities to ensure leasing occupancy is maximized and the highest quality tenants are sourced.

<sup>10</sup> As at 30 June 2016.



Any financial upside from the development potential of the above and other assets in the Portfolio has not been reflected into the Financial Forecast Information detailed in Section 8.

## 4.3 INVESTMENT OBJECTIVES AND STRATEGIES

The Fund's objective is to provide investors with a quality, high yielding investment by investing in the Portfolio and additional retail properties that may be acquired in the future. To achieve this objective, the Fund's strategy is to:

- Invest in retail properties that provide a stable earnings profile from rental income across a diversified retail tenant mix, with a focus on Non-Discretionary retailers;
- Implement leasing and active asset management to grow the income and value of the retail properties;
- Acquire additional investment quality retail properties with a significant component of Non-Discretionary retailers;
- Implement development and repositioning strategies in the Portfolio and in additional retail properties that may be acquired in the future; and
- Maintain a conservative capital structure with a target Gearing range of between 30% and 40%.

The Manager will actively assess development capital expenditure opportunities to ensure leasing occupancy is maximised and the highest quality tenants are sourced.

In executing the investment objectives and strategies, the Manager will take a proactive approach towards acquisition, investment origination, funds management, property management and leasing with the aim of delivering strong returns to investors.

### 4.3.1 FUNDS MANAGEMENT STRATEGIES

With respect to managing the Fund's Portfolio, the Manager will take a proactive approach by:

- Undertaking active management of the assets within the Portfolio to enhance income and capital returns which may also include development, disposal and acquisition opportunities;
- Utilising management's proven expertise and industry relationships to source strategically and financially compelling additional investment opportunities;
- Implementing value-add initiatives in relation to active asset management to enhance the value and quality of the Portfolio;
- Actively managing the Fund's capital structure to maximise return on equity, having regard to cost of capital and appropriate liquidity levels to allow for capital expenditure and acquisition opportunities; and
- Managing the Fund's debt maturity and hedging profile to minimise interest expense and refinancing risk.

### 4.3.2 PROPERTY MANAGEMENT STRATEGIES

With respect to managing the properties within the Portfolio, the Manager will seek to maximise stable income returns and capital growth by:

- Proactively managing leasing to increase and improve cash flows (including their sustainability) and lease terms;
- Utilising the Manager's retailing expertise to optimise tenant relationships and achieve favourable occupancy and leasing outcomes;
- Maximising occupancy by letting up vacancies and actively managing lease expiries;
- Managing existing and prospective tenancy mix to enhance shopper experience;
- Investing in centre marketing to encourage in-centre activity and promote the centres in their trade areas using technology and social media in its communication;
- Recommending refurbishment works and other capital expenditure programs to optimise a property's potential to attract quality tenants and achieve capital growth;

## 4. OVERVIEW OF THE FUND (continued)

- Pursuing development opportunities to enhance income and capital returns of the Portfolio while having regard to the risk profile of the Fund; and
- Managing capital expenditure requirements in a financially sustainable manner.

### 4.3.3 ACQUISITION STRATEGIES

The Manager will seek to identify acquisition opportunities with the potential to enhance the value of the Fund's Portfolio.

The Fund's acquisition strategy will be to selectively acquire additional retail property assets, with a focus primarily on neighbourhood and sub-regional shopping centres. The Fund will assess additional acquisition opportunities in the retail property sector, to the extent these complement the Portfolio and are consistent with the Fund's investment objectives.

Where the Manager or another Elanor entity has identified an investment opportunity which may be an appropriate investment for the Fund, having regard to the Fund's investment strategy in respect of neighbourhood and sub-regional shopping centres, the Manager intends to first offer that opportunity to the Fund.

The Manager will assess potential acquisitions against the following investment criteria (subject to the Fund's investment objectives):

- Generating strong, stable and secure rental income provided by quality national retailers focusing on Non-Discretionary sales;
- Opportunity to add value through active asset management;
- Prominent centres within their catchment areas with limited new competition;
- Enhancing the geographic and tenant diversification across the Portfolio;
- Provide the ability to leverage existing tenant relationships; and
- Potential for income and capital growth to enhance risk-adjusted returns to investors.

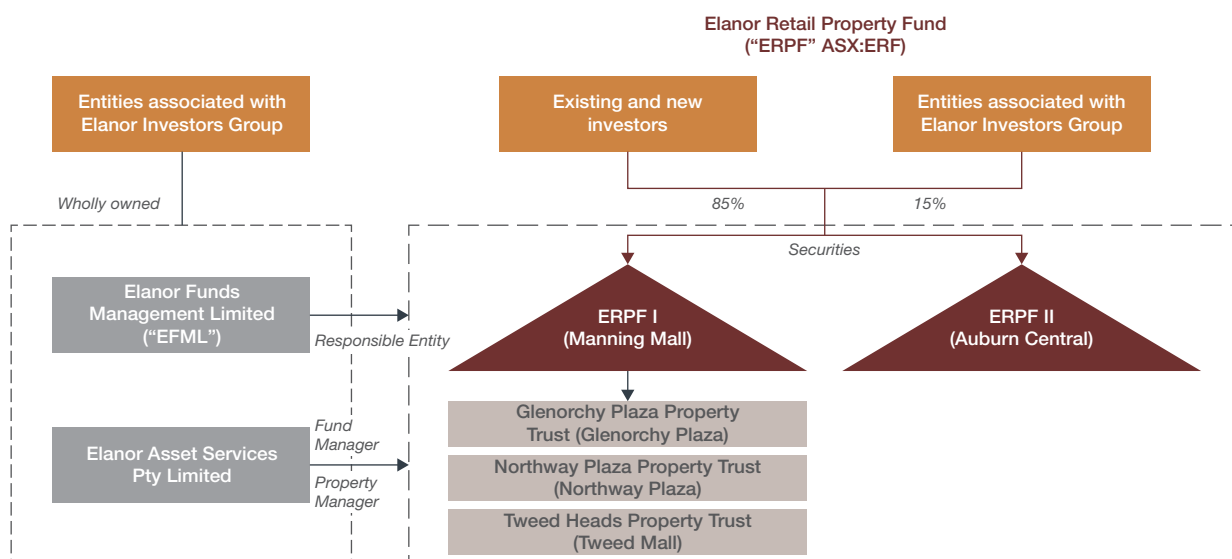
## 4.4 STRUCTURE OF THE FUND

Each of the Trusts are managed investment schemes which were registered with ASIC on 13 October 2016.

Elanor Retail Property Fund I currently owns a 100% interest in Manning Mall, and (through a sub-trust) a 100% interest in Glenorchy Plaza. Elanor Retail Property Fund II owns a 100% interest in the Auburn Central property. Entities in the Fund have entered into contracts to acquire 100% of the interests in the Tweed Mall and Northway Plaza properties.

The diagram below shows the structure of the Fund at Completion following implementation of the Proposed Transaction.

### Ownership and Corporate Structure



## 4.5 IMPLEMENTATION OF THE PROPOSED TRANSACTION

As part of the Proposed Transaction, Existing Investors in the Trusts (being ERPF I and ERPF II) will be provided with the opportunity to:

- retain some or all of their existing Units in the Trust(s) so as to participate in the Fund in its new stapled and ASX listed form; or
- have some or all of their existing Units in the Trust(s) redeemed by the Responsible Entity for cash and not participate in the Fund following that redemption.

Redemptions will be made at a price based on the relevant Trust's net tangible asset value per Unit prior to implementation of the Proposed Transaction.

In order to implement the Proposed Transaction, the following steps will be undertaken on and from the Allotment Date in accordance with the terms of the Implementation Deed (and subject to Allotment occurring under the Offer):

### The Restructure

1. The Trusts will make a distribution of earnings to Existing Investors for the period from 1 October 2016 to the day prior to the Allotment Date.
2. Existing Investors who have elected to have all or some of their Units in a Trust redeemed ("Exiting Investors"), will have their redemption requests accepted by the Responsible Entity. The Units of Exiting Investors will then be cancelled.
3. The Trusts will then undertake a capital distribution and Unit equalisation, such that Existing Investors who have elected to retain all or some of their Units ("Retained Units") will hold an equal number of Units in each Trust.
4. The Retained Units of the Trusts will be stapled together.
5. Exiting Investors will be paid their redemption amounts.

### The Offer

6. New Securities will be issued to successful Applicants under the Offer.
7. The Securities will be listed on the ASX.

### Settlement of Acquisitions

8. Settlement of the acquisition of the New Properties will occur as soon as practicable following the issue of Securities under the Offer.

## 4.6 MANAGEMENT OF THE FUND

The Fund will be managed by the Elanor Investors Group. Elanor Asset Services Pty Limited, a wholly owned subsidiary of Elanor Investors Group will be the Manager of the Fund and will be responsible for providing services which include investment management, acquisition and divestment management, debt finance management, day-to-day administration, financial reporting, Security Holder relations, ASX listing management, property management, related compliance management and other incidental fund management services. In consideration for these services, the Manager will be entitled to fees under the Investment Management Agreement as described in Sections 13 and 14.7.

The Manager has also been appointed to provide property and development management services to the Fund under a Property and Development Management Agreement. These services include leasing, tenant levies, property maintenance and development management. In consideration for these services, the Property Manager will be entitled to fees under the Property and Development Management Agreement as described in Sections 13 and 14.8. The key terms of the Management Agreements are summarised in Section 14, including details of the termination rights.

### 4.7 RENTAL GUARANTEES

The Fund will have the benefit of Rental Guarantees for nominated vacancies in respect of Tweed Mall and Northway Plaza (comprising a net present value of \$1.8m<sup>11</sup> as at the Allotment Date which is expected to be utilised over a period of two years). Further details are outlined in the summaries of the Acquisition Agreements in Section 14.11 and 14.12.

### 4.8 FINANCING ARRANGEMENTS

Each of the Trusts currently have existing debt facilities in place with a major Australian financial institution. In connection with the Offer, that financial institution and the Fund have entered into a credit approved commitment letter for the provision of a secured debt facility of up to a maximum drawn amount of \$90.0m in total ("Debt Facility"), comprising two tranches:

- the existing ERPF II facility of \$41.7 million, which has a maturity of May 2020; and
- the existing ERPF I facility of \$36.1 million, with an additional facility of \$12.2 million, of which \$7.7 million is to be used for the acquisition of Northway Plaza. This tranche matures in December 2018.

On Completion, it is expected that the Debt Facility will be drawn to \$82.5m. The Debt Facility may be drawn by the Fund in the future for real estate investment and general corporate purposes, including for the purposes of funding capital expenditure, real estate investments and acquisitions.

The commitment to provide the Debt Facility is subject to satisfactory documentation being entered into and satisfaction of typical conditions precedent.

The Debt Facility will be secured by a first ranking mortgage over assets in the Portfolio as well as a first ranking general security interest over all the assets and undertakings of the Fund.

Key lending covenants under the Debt Facility are as follows:

- Loan to Value ratio (LVR) to be  $\leq 50\%$ . LVR is calculated as drawn debt divided by the value of the properties in the Portfolio. The Fund's LVR at completion will be 33.9%; and
- Interest Cover ratio (ICR) to be  $\geq 2.00x$ , assessed semi-annually. ICR is calculated as net rental income from the properties in the Portfolio divided by interest expense. The Fund's ICR will be 5.48x based on CY17 financial forecasts.

During the Forecast period, the Fund's borrowings under the Debt Facility will incur an average interest rate of 3.8% (inclusive of margin and hedging arrangements). It is anticipated that approximately 91% of drawn debt at the Allotment Date will be hedged. This interest rate compares favourably to the rate currently being paid by the Trusts in respect of their existing borrowings. Refer to section 4.10 below for details of the Fund's hedging policies, Section 8 for further information on the interest expense assumptions for the Forecast Period and Section 14.13 for further details of the key terms of the Debt Facility.

### 4.9 CAPITAL MANAGEMENT POLICY

The Fund intends to adopt the following approach to capital management:

- Maintain a target Gearing range of between 30% and 40% over the medium term;
- Maintain sufficient head room relative to key loan covenants (including gearing ratios and interest coverage);
- Consider spreading the loan refinancing risk by seeking different loan maturity dates and different loan counterparties; and
- Monitor and implement an appropriate hedging strategy to manage the Fund's interest rates.

This policy will continue to be reviewed in the context of any future indebtedness and the prevailing market conditions. The Directors of the Responsible Entity will continue to monitor the appropriateness of this policy to ensure that it meets the ongoing objectives of the Fund and is in the best interest of Security Holders.

<sup>11</sup> The gross amount of the Rental Guarantees equates to \$2.5 million, of which \$2.0 million is expected to be utilised under the financial forecast. The net present value of this utilised \$2.0 million is \$1.8m. Refer to Section 8 for further detail on the Forecast Financial Information.



## 4.10 HEDGING POLICY

The Fund intends to implement an interest rate hedging policy to reduce the volatility of future Distributable Earnings due to movements in interest rates. It will manage this exposure by:

- Targeting a range for fixed interest rate exposure of between 70% and 100% of drawn borrowings;
- The use of derivative contracts and/or other agreements to fix interest payment obligations; and
- Considering reducing the reset risk by seeking different maturity dates for the fixed rate agreements.

This policy will continue to be reviewed in the context of any future indebtedness and the prevailing market conditions. The Directors of the Responsible Entity will continue to monitor the appropriateness of this policy to ensure that it meets the ongoing objectives of the Fund and is in the best interest of Security Holders.

It is anticipated that approximately 91% of the drawn debt at Allotment Date will be hedged. Refer to Section 8 for further information on the interest expense assumptions for the Forecast Period.

## 4.11 VALUATION POLICY

The fair value of the Properties will be reviewed by the Directors of the Responsible Entity at each reporting date. The Directors assessment of fair value will be periodically confirmed by engaging an independent expert valuer to assess the fair value of individual Properties:

- At least every three years on a rotating basis in accordance with relevant industry standards; and
- If there is reason to believe that the fair value of a property has materially changed from its book value (e.g. as a result of changes in market conditions, leasing activity in relation to the property or capital expenditure).

The Properties may be independently valued more frequently in volatile markets.

The valuer's assessment for each investment property will include:

- The fair market value of the investment property, assuming knowledgeable, willing parties in an arm's length transaction; and
- The use of an appropriate valuation methodology, such as the capitalisation of net income or a discounted future cash flow approach and include an assessment of market conditions and comparable property transactions.

## 4.12 DISTRIBUTION POLICY

The Fund's Distribution policy will be formulated with regard to a range of factors including:

- General business and financial conditions;
- The certainty of the Portfolio cash flow having regard to vacancy rates in the portfolio, the average lease duration and the timing of significant lease expiries;
- Medium term capital expenditure requirements of the Portfolio;
- Taxation considerations;
- Working capital requirements; and
- Other factors that the Directors of the Responsible Entity consider relevant.

The Fund intends to make Distributions on a half yearly basis with the first Distribution to be made for the period from the Allotment Date to 31 December 2016. Distributions will be determined with reference to the Fund's Distributable Earnings, with a target range for Distributions of between 90% and 100% of Distributable Earnings.

The Directors of the Responsible Entity will continue to monitor the appropriateness of this policy to ensure that it meets the ongoing objectives of the Fund and is in the best interest of Security Holders.

The first Distribution payment relating to the period ending 31 December 2016 is expected to be paid in February 2017.

The Responsible Entity intends to establish a distribution reinvestment plan ("DRP") under which any Security Holder may elect that the Distributions payable by the Fund be reinvested in whole or part by a subscription of Securities at a price to be determined by the Responsible Entity from time to time. While the Responsible Entity intends to establish a DRP, it has been assumed that the DRP will not be activated by the Responsible Entity during the Forecast Period.

### 4.13 REPORTING

The Fund will operate on a 30 June financial year end basis for accounting and financial reporting purposes.

Formal financial reporting will be provided to Security Holders for periods ending 31 December (interim) and 30 June (full-year) each year commencing 31 December 2016. These reports will detail (among other things) the following:

- An income statement, balance sheet and statement of cash flows for the period;
- The net asset position of the Fund as at the end of the period;
- The amount and tax treatment of Distributions for the period;
- Significant activities undertaken over the period; and
- Portfolio updates (including valuations of the Properties).

In addition to the investor reports, an annual report will be provided by the Fund in accordance with the Corporations Act. The financial statements contained in the annual report will be audited and the financial statements in the half year accounts will be subject to review by the Fund's auditors.

### 4.14 AUDITOR

The Auditor of the Fund will be Deloitte Touche Tohmatsu.

### 4.15 REGISTER

The Securities register will be maintained in New South Wales by the Registry, Computershare Investor Services Pty Limited (ACN 078 279 277).



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## 5. PROPERTY DETAILS

## 5. PROPERTY DETAILS

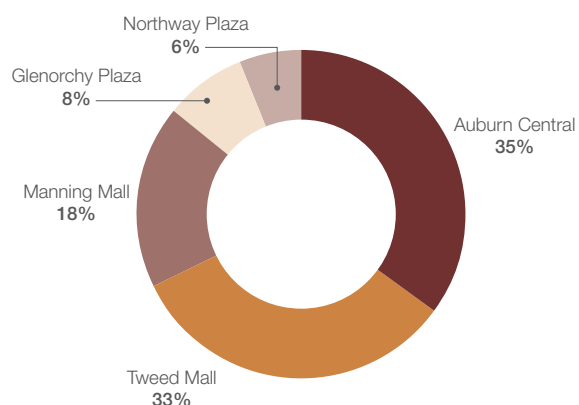
### 5.1. PORTFOLIO OVERVIEW

On Completion, the Portfolio will comprise 5 retail shopping centre assets situated in New South Wales (3) Queensland (1) and Tasmania (1). The properties are independently valued at \$243.2 million, reflecting a WACR of 7.7%. The Portfolio comprises 65,030 square metres of GLA and is 96.7%<sup>1</sup> occupied with a WALE of 5.1<sup>2</sup> years.

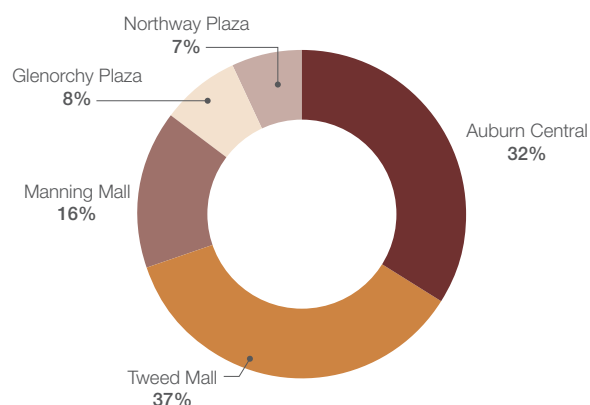
#### Summary of the Portfolio

Property	State	Valuation Date	Independent Value <sup>1</sup> (\$m)	Cap rate	GLA (sqm)	Occupancy <sup>2</sup>	WALE by GLA <sup>3</sup> (years)	Number of tenancies	Number of tenants
Auburn Central	NSW	5 September 2016	85.2	7.2%	18,336	93.4% <sup>6</sup>	5.3	64	61
Tweed Mall <sup>4</sup>	NSW	8 August 2016	81.3 <sup>5</sup>	8.3%	23,176	100.0% <sup>2</sup>	4.7	76	60
Manning Mall	NSW	15 August 2016	43.0	7.3%	10,747	93.6%	3.9	38	33
Glenorchy Plaza	TAS	11 August 2016	19.8	7.6%	8,726	97.4%	7.3	15	13
Northway Plaza <sup>4</sup>	QLD	20 August 2016	14.0 <sup>5</sup>	8.5%	4,045	100.0% <sup>2</sup>	4.5	13	12
<b>Total</b>			<b>243.2</b>	<b>7.7%</b>	<b>65,030</b>	<b>96.7%<sup>2</sup></b>	<b>5.1</b>	<b>206</b>	<b>179</b>

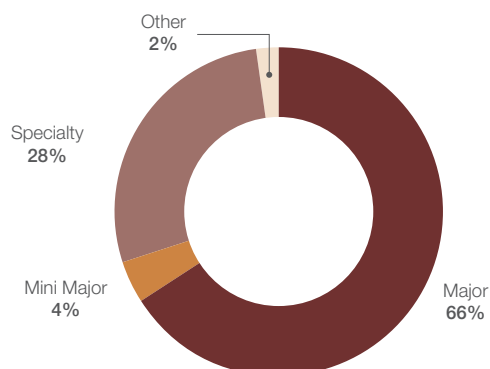
#### Portfolio composition by value



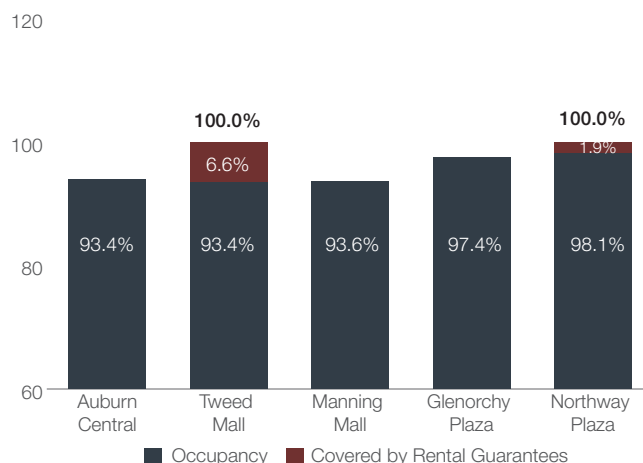
#### FY17F NOI by property



#### Tenant mix by GLA (excluding vacancy)



#### Occupancy by property (by GLA)



1 Refer to Section 10 for details of the Independent valuations.

2 By GLA and includes the impact of Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio, Tweed Mall and Northway Plaza is 94.2%, 93.4% and 98.1%, respectively.

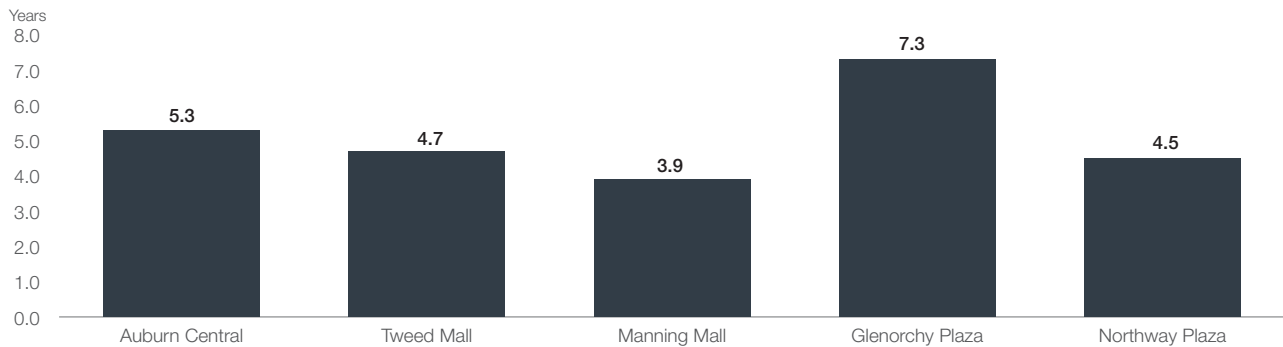
3 By GLA. Portfolio WALE by base rental income is 4.6 years.

4 Rental Guarantees valued at \$1.8m in place for Tweed Mall and Northway Plaza to cover for nominated vacancies over a two year period until November 2018.

5 Independent Value for each of Tweed Mall and Northway Plaza is equivalent to its respective purchase price. See Section 10.

6 Includes recently vacant commercial tenancy of 900m<sup>2</sup> which when re-leased will increase Auburn Central's occupancy by 5%.

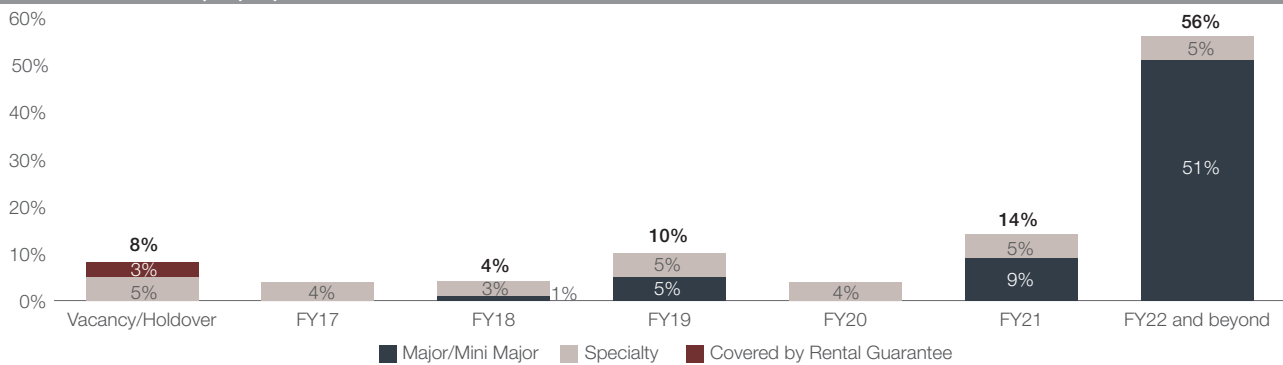
## Weighted average lease expiry by GLA



## 5.1.1. LEASE EXPIRY PROFILE

The Portfolio's weighted average lease term to expiry (WALE) is 5.1 years<sup>7</sup>. The following graph summarises the lease expiry profile of the Portfolio.

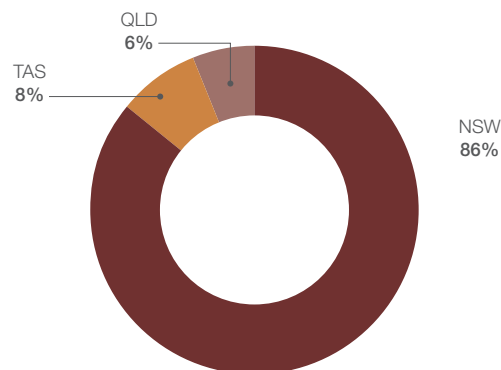
## Portfolio lease expiry by GLA



## 5.1.2. GEOGRAPHIC COMPOSITION

The majority of the Portfolio value is located in New South Wales (86%).

## Portfolio geographic composition by asset value



<sup>7</sup> By GLA. Portfolio WALE by base rental income is 4.6 years.



## 5. PROPERTY DETAILS<sub>(continued)</sub>

### 5.2. TOP TENANTS

The Portfolio has a diversified tenant base with a total of 179 tenants, of which 85% are national/chain retailers such as Coles, Woolworths, Target, BigW, IGA/Metcash, Australia Post and McDonalds. As outlined below, the top 10 tenants represent 67% and 50% of the Portfolio by GLA and base rental income, respectively.

#### Portfolio top 10 tenants

Tenants	Base Rent (\$m)	% Total Base Rent	GLA (sqm)	% Total GLA	Number of tenants
Woolworths	2.4	11.3%	7,310	11.2%	2
Big W	2.1	10.2%	13,765	21.2%	2
Coles	1.9	9.1%	7,690	11.8%	2
Target	1.5	6.9%	8,984	13.8%	2
Cornetts Supa IGA / Metcash	0.7	3.4%	2,626	4.0%	1
Amcal	0.7	3.3%	681	1.0%	1
Lincraft	0.3	1.5%	1,500	2.3%	1
Sunshine Fruit	0.3	1.5%	316	0.5%	1
Australia Post	0.3	1.4%	559	0.9%	3
Auburn Central Pharmacy	0.2	1.2%	274	0.4%	1
Top 10 tenants	10.5	49.8%	43,705	67.2%	16
Others	10.6	50.1%	21,325	32.8%	163
Total Portfolio	21.2	100.0%	65,030	100.0%	179

### 5.3. DESCRIPTION OF TENANTS

#### 5.3.1. MAJORS

All properties within the Portfolio are anchored by long term leases to at least one major tenant, being Coles, Woolworths, Target, BigW or Cornetts Supa IGA/Metcash. In total, major tenants occupy approximately 62% of total Portfolio GLA or 66% of occupied GLA and contribute approximately 41% of the Portfolio's base rental income. Typical market practice for leases of the major tenant may include turnover rent clauses and lease extension options.

#### 5.3.2. MINI MAJOR AND SPECIALTY TENANTS

Mini major and specialty tenants in the Portfolio include key product categories spanning fresh food and grocery retailers (Asian grocers, butchers, bakers, seafood, fruit and vegetable), post offices, banks and other financial institutions (Commonwealth Bank and credit unions), fast food retailers (McDonalds, Subway and Nandos), pharmacies (Amcal and Guardian), medical and associated services (radiology, optometrist and veterinary clinics) and telecommunication providers (Telstra, Optus, and Vodafone).

The majority of mini major and specialty tenancies are occupied under a common form of retail lease, with typical lease terms ranging from 3 to 5 years. These leases generally provide for the payment of base rental and include provisions for annual reviews, which typically comprise fixed percentage increases (generally between 4% to 5%) or CPI-based increases with regular market-based reviews.

## 5.4 . AUBURN CENTRAL SHOPPING CENTRE



### AUBURN CENTRAL

Corner Harrow Road and Queen Street, Auburn NSW 2144

#### Asset Description

Auburn Central is a two level sub-regional shopping centre located in close proximity to the Auburn railway station located in the Sydney metropolitan area.

The centre forms the “town centre” of a significant mixed use development, benefitting from separately owned residential towers above comprising 450 apartments.

The property is comprised of a separately titled ground floor shopping centre, a strata titled podium level of additional retail / commercial tenancies, and a separate freehold arcade building providing pedestrian access to the railway station.

The centre is anchored by a Woolworths supermarket and a Big W DDS, both leased to June 2024, complemented by 49 specialty retailers of which a significant amount provide Non-Discretionary products and services.

Auburn Central has an annual foot traffic of over 10.8 million, with 75% of customer traffic accessing the centre on foot and 25% via the basement car park<sup>12</sup>.

#### Property Information<sup>8</sup>

Financial Metrics	
Ownership interest	100%
Title	Freehold strata
Independent Valuation <sup>8</sup>	\$85.2m
NOI (fully leased)	\$6.1m
Capitalisation Rate	7.2%
NTM NOI yield <sup>9</sup>	7.0%
Property Metrics	
Site area	n.a.
Gross lettable area (“GLA”)	18,336 m <sup>2</sup>
Building age	12 years
Year of last major refurbishment/expansion	n.a.
Car park spaces	680
Tenancy Profile	
Number of majors	2
Number of specialties	49
Number of other (kiosks, ATMs, offices, and others)	13
Occupancy rate (by GLA) <sup>10</sup>	93.4%
WALE (by GLA)	5.3 years
WALE (by base rent)	4.3 years
Regional demographics <sup>11</sup>	
Catchment area (number of people)	134,350
2016-2021 population growth forecast	1.2%

<sup>8</sup> As at 5 September 2016. As Auburn Central has been valued as two separate components (being the main centre and the podium strata lots) all the property information described in this section reflects the consolidated metrics of each of these components.

<sup>9</sup> NTM is ‘next twelve months’ from the Allotment Date. NOI Represents the annual Gross Income less non-recoverable outgoings and maintenance capital expenditure with respect to a property.

<sup>10</sup> Includes recently vacant commercial tenancy of 900m<sup>2</sup> which when re-leased will increase Auburn Central’s occupancy by 5%.

<sup>11</sup> Source: LocationIQ, March 2015.

<sup>12</sup> Based on management estimates.

## 5. PROPERTY DETAILS (continued)

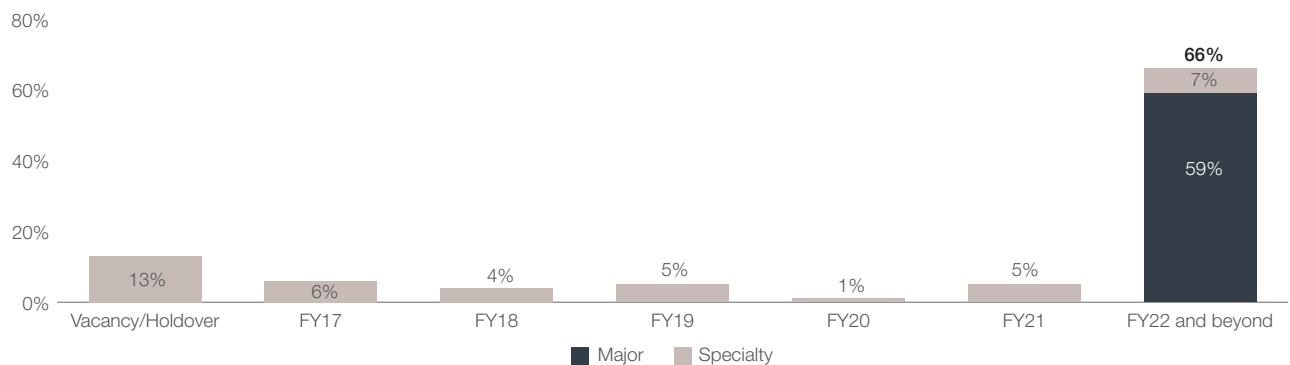
### ASSET STRATEGY

- Actively engage with Woolworths and Big W to optimise sales performance through investment in car park management and store presentation/reconfiguration to achieve income growth and value enhancement.
- Continue the successful leasing and remixing strategy to optimise the income and value of the Property.
- Implement additional marketing initiatives to capture sales from the growing population density of the immediate trade area.

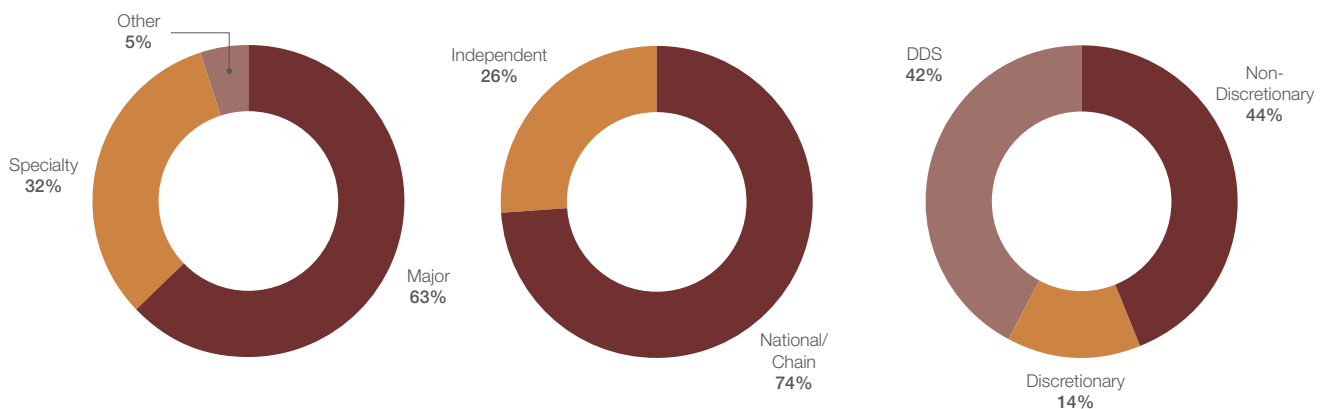
#### Summary of major tenants

Tenant	GLA (sqm)	Expiry	% of total GLA	% of total base rent
Big W	7,159	June 2024	39%	15%
Woolworths	3,650	June 2024	20%	18%
<b>Total major tenants</b>	<b>10,809</b>		<b>59%</b>	<b>32%</b>
Auburn Central	18,336		100%	100%

#### Lease expiry profile by GLA



#### Tenant mix by GLA



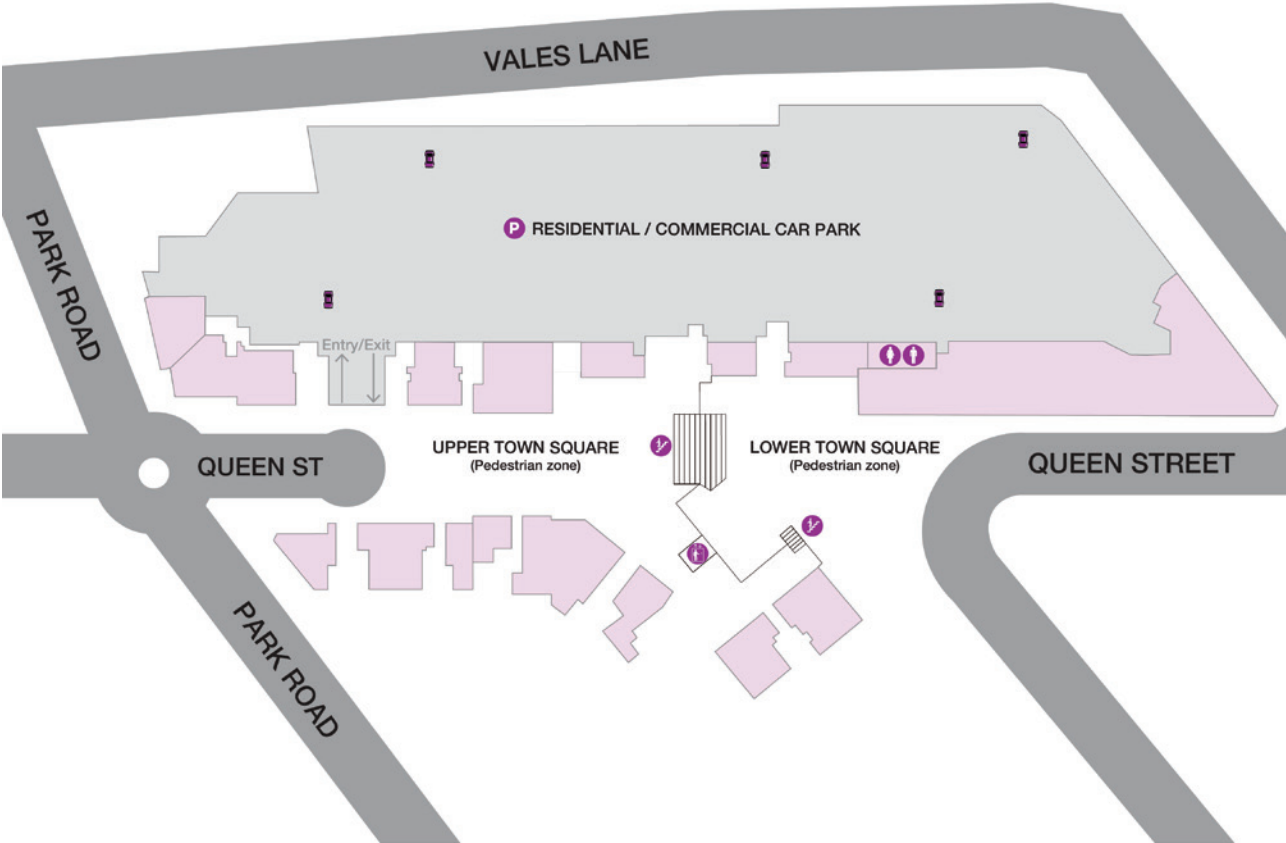
Selected Tenants<sup>13</sup>

## Centre Plan – Shopping Centre and Arcade Building



<sup>13</sup> All logos and company names are trade marks of their respective holders, owners or registered proprietors ("Trade Mark Owners"). Except as otherwise expressed in this PDS, use of these logos and company names in the PDS does not imply any affiliation with or endorsement by the relevant Trade Mark Owner. No Trade Mark Owner has authorised or caused the issue of this PDS, nor has any Trade Mark Owner made any statement in this PDS. Accordingly, no Trade Mark Owner makes any representation regarding, nor takes any responsibility for, any statements or materials in, or omissions from, this PDS.

Centre Plan – Podium level





## 5.5. TWEED MALL SHOPPING CENTRE



### TWEED MALL

Corner of Wharf Street and Bay Street, Tweed Heads, NSW 2485

#### Asset Description

Tweed Mall is a single level sub-regional shopping centre located near the Queensland border, only 4 kilometres from the Gold Coast International Airport.

Situated on a 5.0 hectare site, Tweed Mall is anchored by Coles and Woolworths supermarkets, and a Target DDS. The anchors are supported by 4 mini majors and 61 specialty tenants, a significant amount of which provide Non-Discretionary products and services.

The current occupancy of Tweed Mall is 93.4% by GLA, with nominated vacancies being covered by a Rental Guarantee until November 2018 which equates to \$1.2 million per annum. Refer to Section 14.12 for further detail on the Rental Guarantee.

#### Property Information

##### Financial Metrics

Ownership interest	100%
Title	Freehold
Purchase Price	\$81.3m
Independent Valuation <sup>14</sup>	\$81.3m
NOI (fully leased)	\$7.0m
Capitalisation Rate	8.3%
NTM NOI yield	8.5%

##### Property Metrics

Site area	50,050 m <sup>2</sup>
Gross lettable area ("GLA")	23,176 m <sup>2</sup>
Building age	43 years
Year of last major refurbishment/expansion	2008
Car park spaces	942

##### Tenancy Profile

Number of majors	3
Number of mini majors	4
Number of specialties	61
Number of other (kiosks, ATMs, offices, and others)	8
Occupancy rate (by GLA)	93.4%
Occupancy rate (by GLA) with Rental Guarantee to November 2018	100.0%
WALE (by GLA)	4.7 years
WALE (by base rent)	4.4 years

##### Regional demographics<sup>15</sup>

Catchment area (number of people)	108,480
2016-2021 population growth forecast	1.1%

<sup>14</sup> As at 8 August 2016.

<sup>15</sup> Source: LocationIQ, August 2016.

## 5. PROPERTY DETAILS (continued)

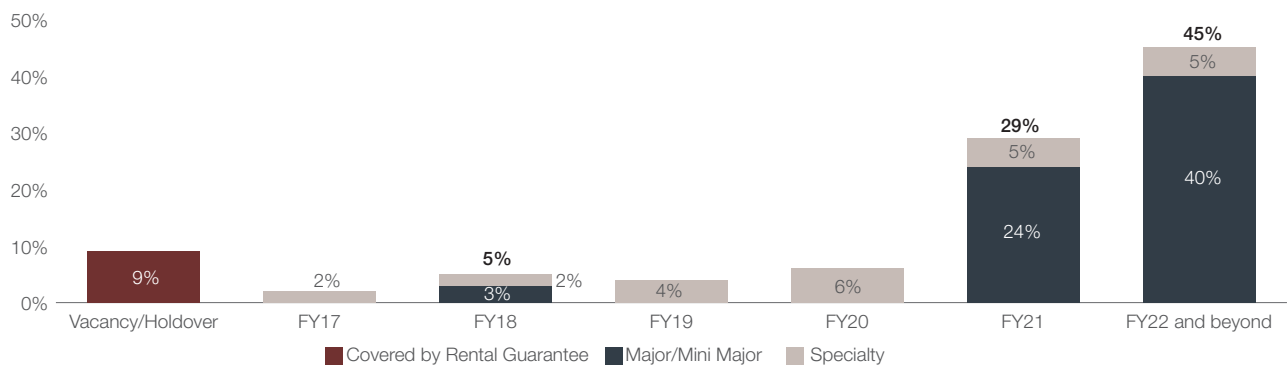
### ASSET STRATEGY

- Actively Implement a specialty leasing and remixing strategy that seeks to optimise the property's occupancy whilst improving the Non-Discretionary retail offer.
- Capitalise on the property's location and favourable town planning regime to allow for re-development into a significant mixed-use scheme.
- Implement additional marketing initiatives to capture sales from the growing population density of the trade area.

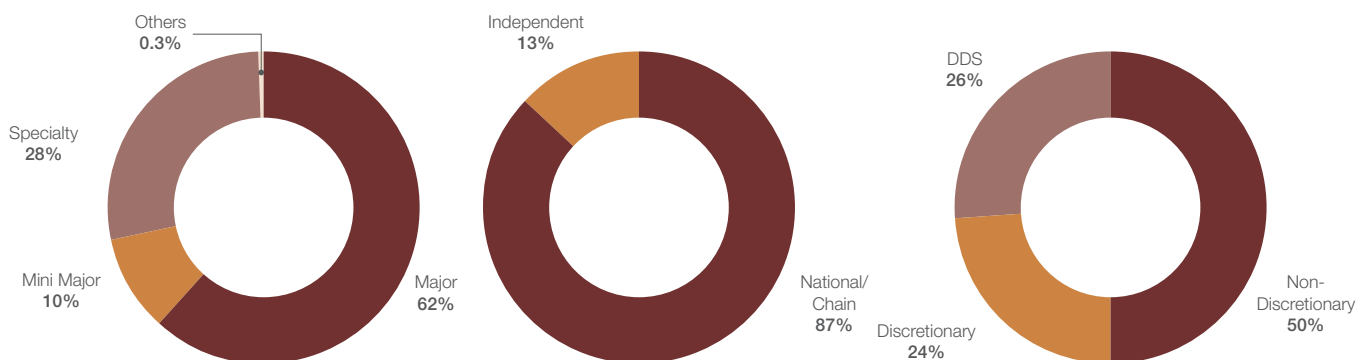
#### Summary of major tenants

Majors	GLA (sqm)	Expiry	% of total GLA	% of total base rent
Coles	4,054	October 2021	17%	10%
Target	5,576	September 2020	24%	10%
Woolworths	3,660	February 2028	16%	16%
<b>Total major tenants</b>	<b>13,290</b>		<b>57%</b>	<b>37%</b>
Tweed Mall	23,176		100%	100%

#### Lease expiry profile by GLA



#### Tenant mix by GLA



Selected Tenants<sup>16</sup>



Centre Plan



<sup>16</sup> All logos and company names are trade marks of their respective holders, owners or registered proprietors ("Trade Mark Owners"). Except as otherwise expressed in this PDS, use of these logos and company names in the PDS does not imply any affiliation with or endorsement by the relevant Trade Mark Owner. No Trade Mark Owner has authorised or caused the issue of this PDS, nor has any Trade Mark Owner made any statement in this PDS. Accordingly, no Trade Mark Owner makes any representation regarding, nor takes any responsibility for, any statements or materials in, or omissions from, this PDS.



### 5.6. MANNING MALL SHOPPING CENTRE



#### MANNING MALL

81 Manning Street, Taree NSW 2430

##### Asset Description

Manning Mall is a single level sub-regional shopping centre located in Taree, 83 km south of Port Macquarie and 300 km north of Sydney.

Manning Mall is anchored by a Coles supermarket and Target DDS, supported by 27 specialty tenants with a focus on Non-Discretionary goods and services.

#### Property Information

##### Financial Metrics

Ownership interest	100%
Title	Freehold
Independent Valuation <sup>17</sup>	\$43.0m
NOI (fully leased)	\$3.3m
Capitalisation Rate	7.3%
NTM NOI yield	7.1%

##### Property Metrics

Site area	27,270 m <sup>2</sup>
Gross lettable area ("GLA")	10,747 m <sup>2</sup>
Building age	35 years
Year of last major refurbishment/ expansion	2008
Car park spaces	330

##### Tenancy Profile

Number of majors	2
Number of specialties	27
Number of other (kiosks, ATMs, offices, and others)	9
Occupancy rate (by GLA)	93.6%
WALE (by GLA)	3.9 years
WALE (by base rent)	3.9 years

##### Regional demographics<sup>18</sup>

Catchment area (number of people)	51,370
2016-2021 population growth forecast	1.0%

<sup>17</sup> As at 15 August 2016.

<sup>18</sup> Source: LocationIQ, April 2013.

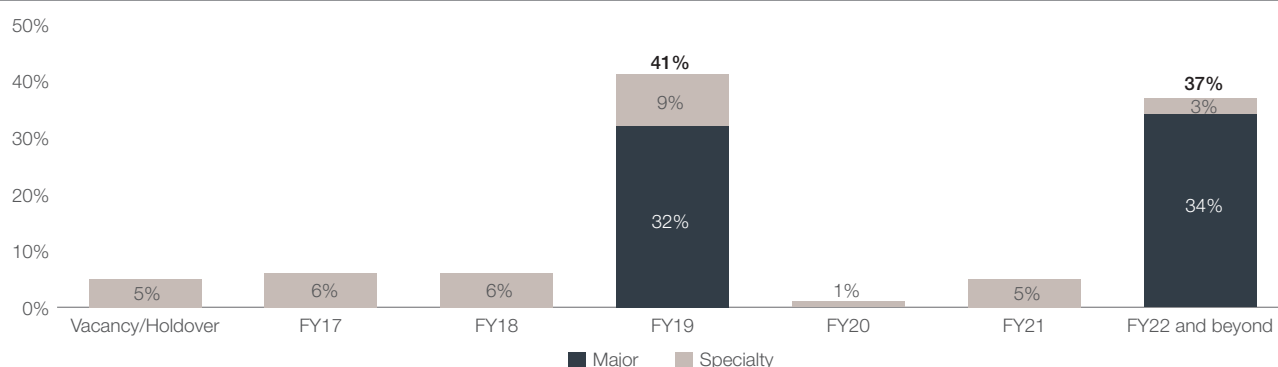
## ASSET STRATEGY

- In conjunction with Coles and Target, implement asset management strategies to drive sales performance (to optimise Coles' turnover rental) and maximise foot traffic in the centre.
- Implement leasing strategy to optimise centre occupancy whilst Improving tenancy mix through introduction of additional Non-Discretionary food and service based retailers.
- Implement repositioning strategy to introduce additional mini major(s) and Non-Discretionary specialty retailers at higher rentals in the event that Target does not renew its lease upon expiry in November 2018.

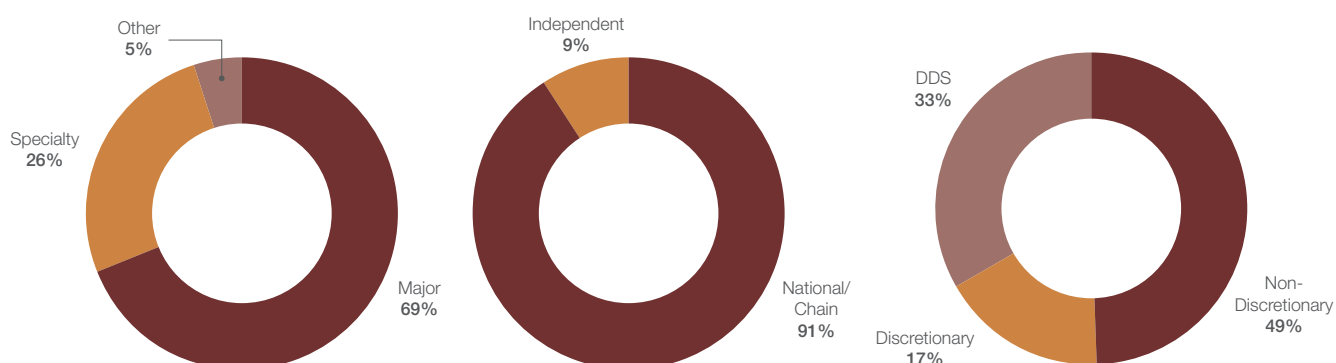
## Summary of major tenants

Tenant	GLA (sqm)	Expiry	% of total GLA	% of total base rent
Target	3,408	November 2018	32%	19%
Coles	3,636	September 2024	34%	31%
<b>Total major tenants</b>	<b>7,044</b>		<b>66%</b>	<b>50%</b>
Manning Mall	10,747		100%	100%

## Lease expiry profile by GLA



## Tenant mix by GLA



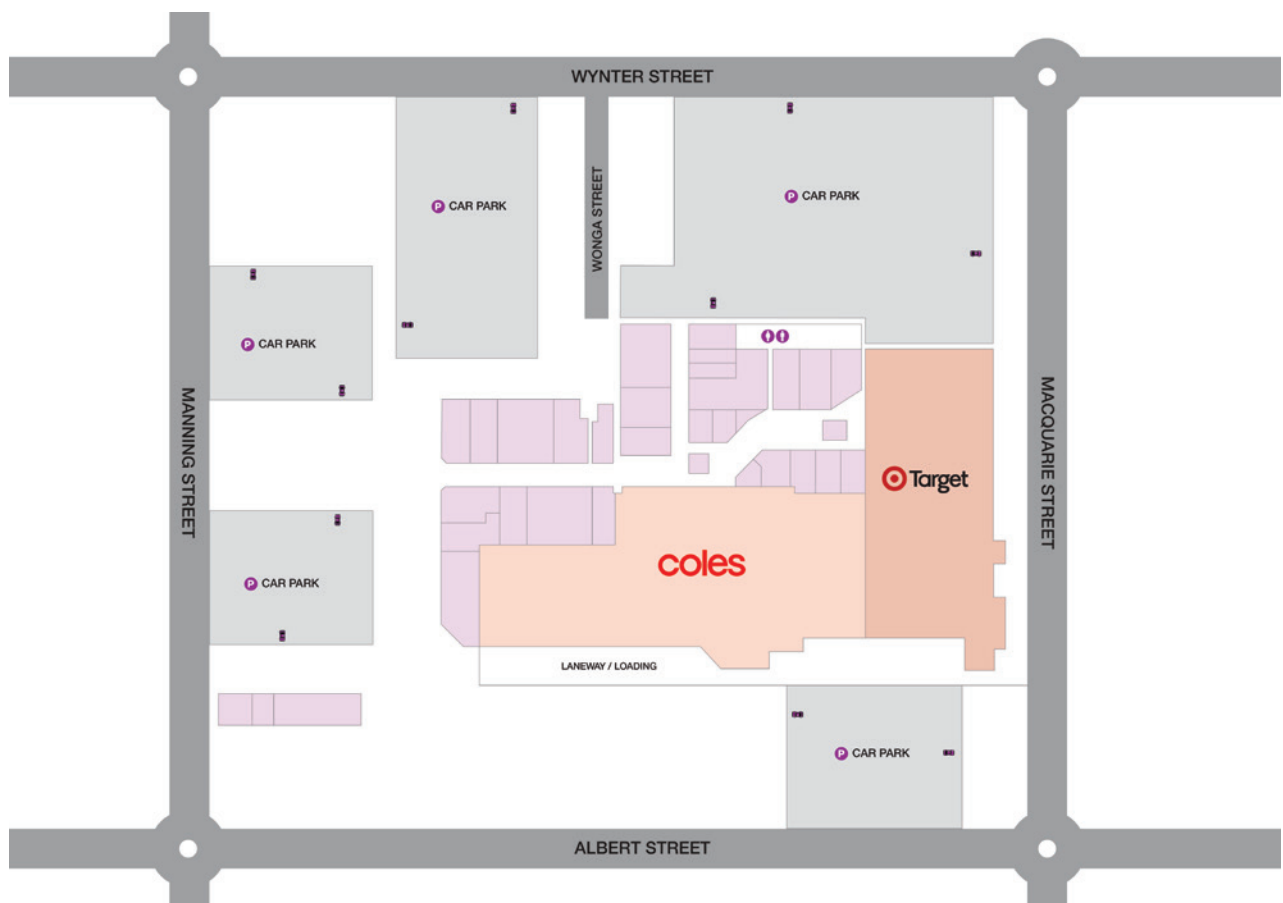


## 5. PROPERTY DETAILS (continued)

### Selected Tenants<sup>19</sup>



### Centre Plan



<sup>19</sup> All logos and company names are trade marks of their respective holders, owners or registered proprietors ("Trade Mark Owners"). Except as otherwise expressed in this PDS, use of these logos and company names in the PDS does not imply any affiliation with or endorsement by the relevant Trade Mark Owner. No Trade Mark Owner has authorised or caused the issue of this PDS, nor has any Trade Mark Owner made any statement in this PDS. Accordingly, no Trade Mark Owner makes any representation regarding, nor takes any responsibility for, any statements or materials in, or omissions from, this PDS.

## 5.7 GLENORCHY PLAZA, TASMANIA



### GLENORCHY PLAZA

Main Road, Glenorchy, Tasmania 7010

#### Asset Description

Glenorchy Plaza is a two level modern retail complex located approximately eight kilometres north of Hobart, Tasmania.

Glenorchy Plaza is anchored by a BigW DDS (one of three BigW's in Tasmania) on a lease to 2025, supported by 14 specialty tenancies.

The centre is well located next to the Woolworths anchored Glenorchy Central which works synergistically to drive foot traffic between the two centres.

#### Property Information

##### Financial Metrics

Ownership interest	100%
Title	Freehold
Independent Valuation <sup>20</sup>	\$19.8m
NOI (fully leased)	\$1.5m
Capitalisation Rate	7.6%
NTM NOI yield	7.5%

##### Property Metrics

Site area	11,860 m <sup>2</sup>
Gross lettable area ("GLA")	8,726 m <sup>2</sup>
Building age	11 years
Year of last major refurbishment/expansion	n.a.
Car park spaces	300

##### Tenancy Profile

Number of majors	1
Number of specialties	14
Occupancy rate (by GLA)	97.4%
WALE (by GLA)	7.3 years
WALE (by base rent)	6.5 years

##### Regional demographics<sup>21</sup>

Catchment area (number of people)	73,140
2016-2021 population growth forecast	0.7%

<sup>20</sup> As at 11 August 2016.

<sup>21</sup> Source: LocationIQ, September 2015.

## 5. PROPERTY DETAILS (continued)

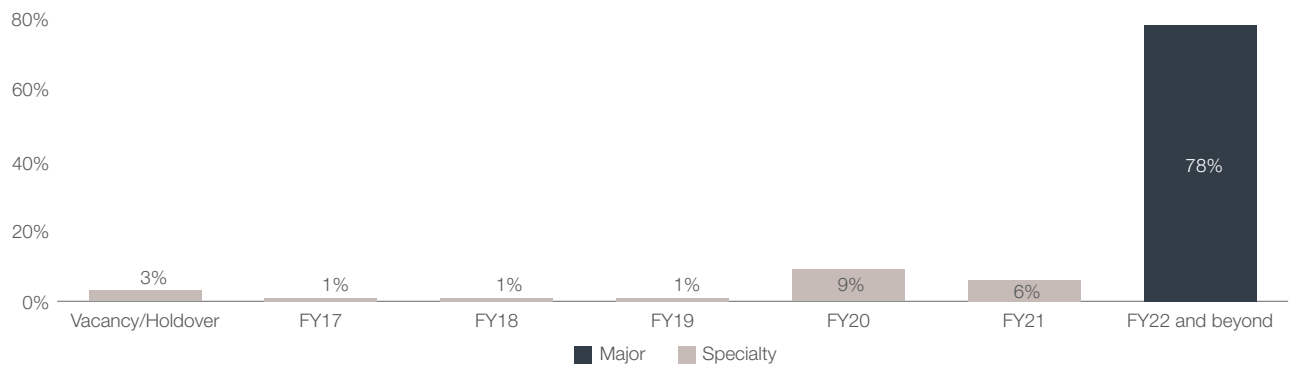
### ASSET STRATEGY

- Lease existing vacancies and improve tenancy mix through introducing additional Non-Discretionary food and service based retailers.
- Improve the linkage between Glenorchy Plaza and the adjoining retail and entertainment uses to improve the precinct as a cohesive retail destination.

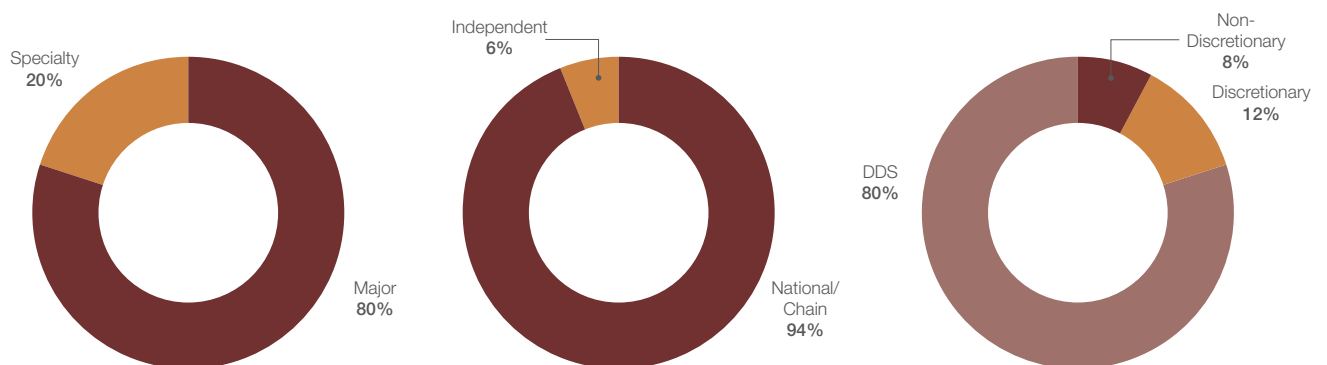
#### Summary of major tenants

Tenant	GLA (sqm)	Expiry	% of total NLA	% of total base rent
Big W	6,606	June 2025	76%	63%
<b>Total major tenants</b>	<b>6,606</b>		<b>76%</b>	<b>63%</b>
Glenorchy Plaza	8,726		100%	100%

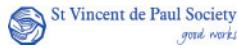
#### Lease expiry profile by GLA



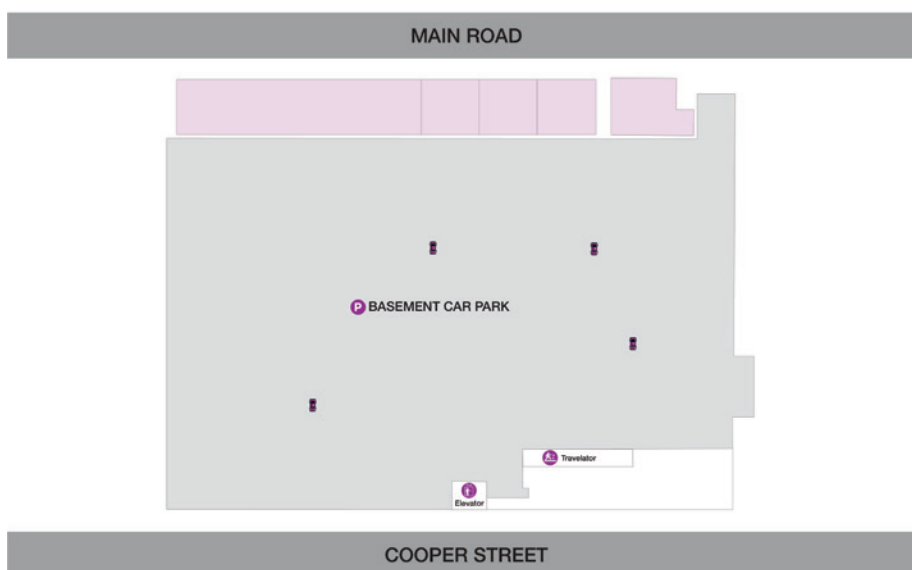
#### Tenant mix by GLA



## Selected tenants<sup>22</sup>



## Centre Plan



<sup>22</sup> All logos and company names are trade marks of their respective holders, owners or registered proprietors ("Trade Mark Owners"). Except as otherwise expressed in this PDS, use of these logos and company names in the PDS does not imply any affiliation with or endorsement by the relevant Trade Mark Owner. No Trade Mark Owner has authorised or caused the issue of this PDS, nor has any Trade Mark Owner made any statement in this PDS. Accordingly, no Trade Mark Owner makes any representation regarding, nor takes any responsibility for, any statements or materials in, or omissions from, this PDS.



## 5.8 NORTHWAY PLAZA SHOPPING CENTRE



### NORTHWAY PLAZA

29 Queen Street, Bundaberg North, Queensland 4670

#### Asset Description

Northway Plaza is single level neighbourhood shopping centre located in Bundaberg, Queensland.

Northway Plaza is anchored by a full-line Supa IGA supermarket (guaranteed by Metcash and leased to Cornetts who operate 33 IGA stores across Queensland) supported by 12 specialty tenants focused on Non-Discretionary goods and services.

The site includes approximately 5,000 m<sup>2</sup> of vacant developable land across three pad sites.

The current occupancy of Northway Plaza is 98.1% by area, with nominated vacancies being covered by a Rental Guarantee, held in trust, until November 2018 which equates to \$0.04m p.a. Refer to Section 14.11 for further detail on the Rental Guarantee.

#### Property Information

##### Financial Metrics

Ownership interest	100%
Title	Freehold
Purchase Price	\$14.0m
Independent Valuation <sup>23</sup>	\$14.0m
NOI (fully leased)	\$1.2m
Capitalisation Rate	8.5%
NTM NOI yield	8.4%

##### Property Metrics

Site area	23,999 m <sup>2</sup>
Gross lettable area ("GLA")	4,045 m <sup>2</sup>
Building age	10 years
Year of last major refurbishment/expansion	n.a.
Car park spaces	230

##### Tenancy Profile

Number of majors	1
Number of tenancies	12
Occupancy rate (by GLA)	98.1%
Occupancy rate (by GLA) with Rental Guarantee to November 2018	100.0%
WALE (by GLA)	4.5 years
WALE (by base rent)	4.5 years

##### Regional demographics<sup>24</sup>

Catchment area (number of people)	13,660
2016-2021 population growth forecast	0.9%

<sup>23</sup> As at 20 August 2016

<sup>24</sup> Source: LocationIQ, March 2016



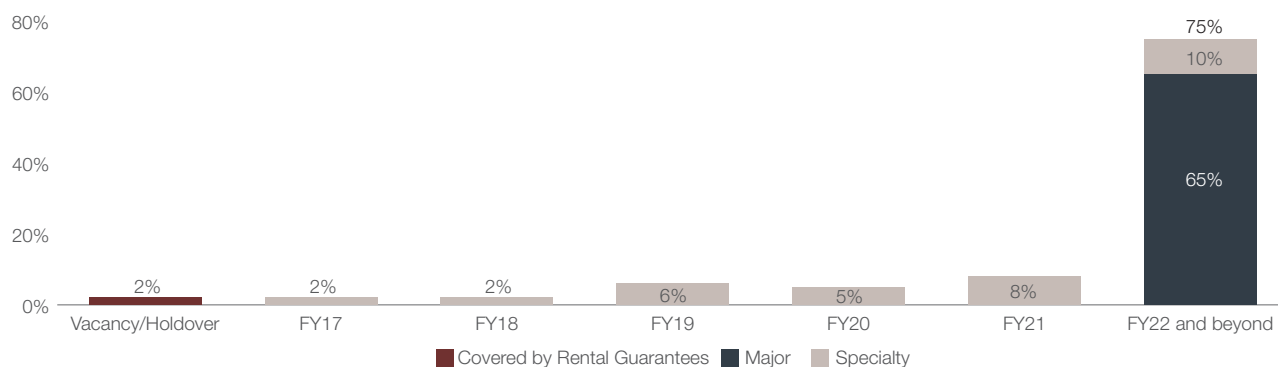
## ASSET STRATEGY

- Implement leasing strategy to lease existing vacancy and improve activation of shop fronts to attract higher foot traffic.
- Develop vacant land into other Non-Discretionary retail uses including a petrol station, fast food, medical centre, gym and childcare centre to generate increased income and value for the centre.
- Assess the opportunity to expand IGA supermarket into a “full line” supermarket.

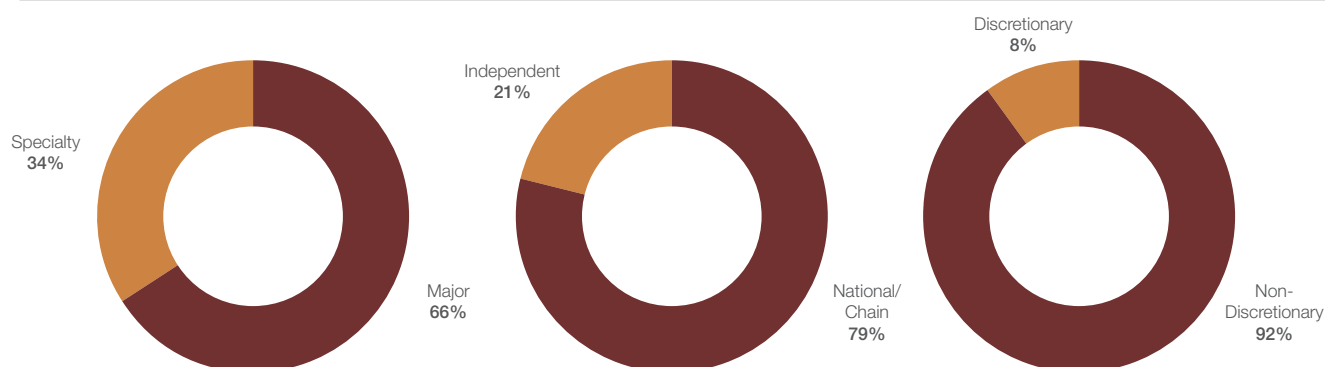
## Summary of major tenants

Tenant	GLA (sqm)	Expiry	% of total NLA	% of total base rent
Cornett's Supa IGA / Metcash	2,626	October 2021	65%	51%
<b>Total major tenants</b>	<b>2,626</b>		<b>65%</b>	<b>51%</b>
Northway Plaza	4,045		100%	100%

## Lease expiry profile by GLA



## Tenant mix by GLA

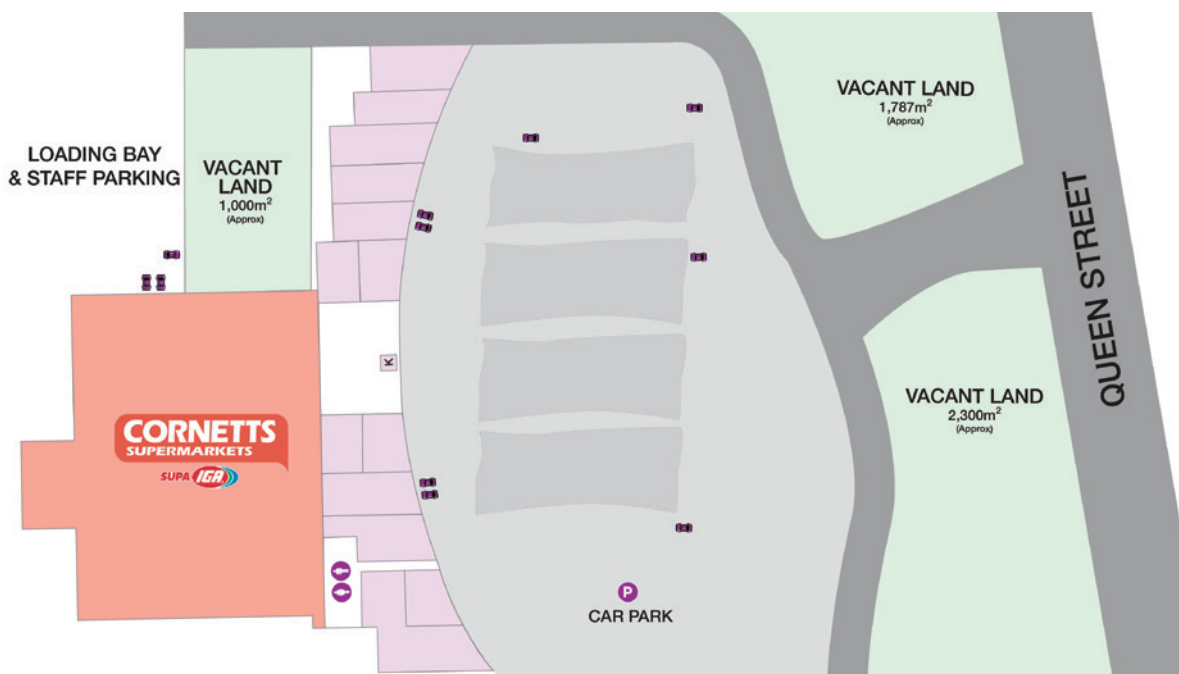


5. PROPERTY DETAILS (continued)

Selected tenants<sup>25</sup>



Centre Plan



<sup>25</sup> All logos and company names are trade marks of their respective holders, owners or registered proprietors ("Trade Mark Owners"). Except as otherwise expressed in this PDS, use of these logos and company names in the PDS does not imply any affiliation with or endorsement by the relevant Trade Mark Owner. No Trade Mark Owner has authorised or caused the issue of this PDS, nor has any Trade Mark Owner made any statement in this PDS. Accordingly, no Trade Mark Owner makes any representation regarding, nor takes any responsibility for, any statements or materials in, or omissions from, this PDS.

## 5.9. CAPITAL EXPENDITURE PROGRAM

The Fund expects to undertake maintenance capital expenditures on its existing properties from time to time. The forecast maintenance capital expenditures for the approximate 8 months from Allotment Date to 30 June 2017 is \$0.3 million and for the period from 1 July 2017 to 31 December 2017 is \$0.2 million. Maintenance capital expenditure is expected to be funded through the operating cash flows generated from the Fund.

In addition, the Fund expects to invest in key projects including:

- **Auburn Central Carpark Management System and refurbishment works:** This relates to the installation of a carpark management system at Auburn Central and associated car park refurbishment works which is expected to total \$1.1 million for the 8 months to 30 June 2017.
- **Leasing-related capital expenditure:** This predominantly relates to the tenant re-mixing strategy in progress at Auburn Central and the lease-up of current vacancies at Auburn Central, Tweed Mall and Manning Mall and includes tenant incentives, lessor works, leasing legals, leasing fees, design review and tenancy co-ordination. This capital expenditure is expected to total \$1.9 million for the 8 months from Allotment Date to 30 June 2017 and \$0.5 million from 1 July 2017 to 31 December 2017.

The development opportunities at Tweed Mall, Manning Mall and Northway Plaza (as noted in Section 4.2.5) are not reflected within the Forecast Financial Information. It is expected that any development related capital expenditure will be funded only once a development feasibility assessment of each opportunity has been completed and approved and accordingly, the expected development capital expenditure amounts set out above have not been factored into the Forecast Financial Information.



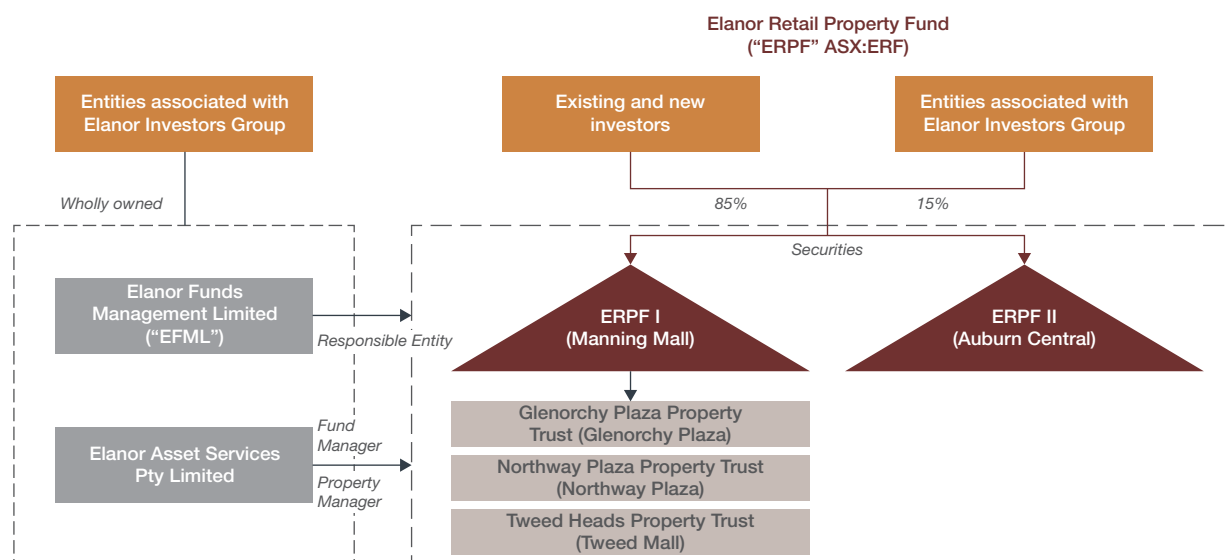
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## 6. MANAGEMENT OF THE FUND

## 6.1. RESPONSIBLE ENTITY OF THE FUND

Elanor Funds Management Limited (ABN 39 125 903 031; AFSL 398196) is the Responsible Entity of the Fund, which is comprised of the Elanor Retail Property Fund I and the Elanor Retail Property Fund II.

### Corporate structure diagram at Completion



The Responsible Entity is part of the ASX-listed Elanor Investors Group (ASX:ENN) and is also the trustee and manager of a number of managed funds in the Elanor Investors Group. At Allotment, Elanor Investors Group will hold approximately 15% of the Securities in the Fund.

The Board of the Responsible Entity comprises four Directors. See Section 6.3.

The key responsibilities of the Responsible Entity in relation to the Fund include:

- investment evaluation and implementation;
- financial management and administration; and
- governance and regulatory compliance.

In consideration for these services, the Responsible Entity will be entitled to fees under the Constitutions as described in Section 13.4.

From Completion, Elanor Asset Services Pty Limited, a wholly owned subsidiary of the Elanor Investors Group will assume the provision of fund and property and development management services in respect of the Portfolio, under the supervision of the Responsible Entity. See Section 6.7 for further details.



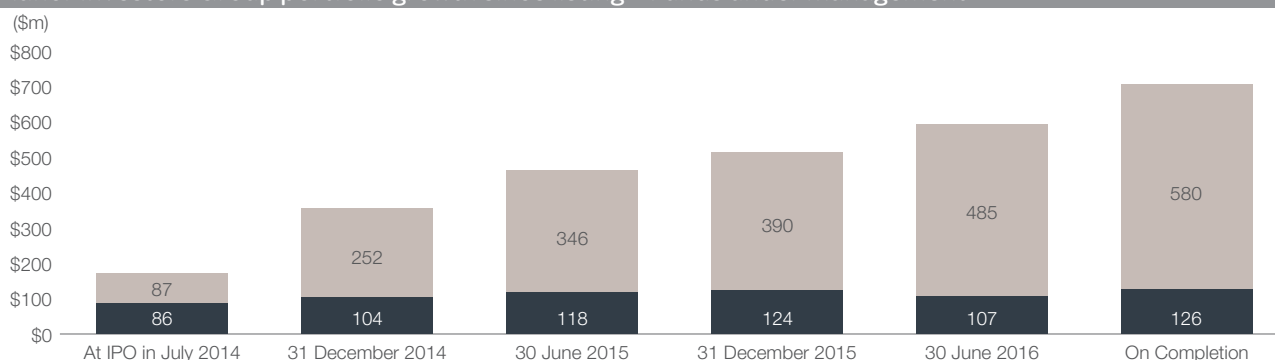
### 6.2. ELANOR INVESTORS GROUP

Elanor Investors Group is an ASX-listed investment and funds management business focused on generating strong absolute and risk-adjusted returns through:

- Investment in assets and operating businesses with substantial real estate backing that deliver sustainable cash flows with potential for capital growth; and
- Management of, and co-investment in, third party owned investment funds and syndicates.

Since listing in July 2014, Elanor Investors Group has grown into an investment and funds management business with \$485<sup>1</sup> million of funds under management and \$107<sup>1</sup> million of direct asset investments spanning across retail, office, hospitality and accommodation property assets. Upon Completion, Elanor Investors Group will have seven managed funds (including the Fund) with \$580 million of funds under management and hold a direct equity interest in five direct assets with co-investments in Elanor managed funds, totalling approximately \$126 million.

**Elanor Investors Group portfolio growth since listing – Funds under management**



Elanor Investors Group, via the Responsible Entity, currently manages the Existing Properties in the Portfolio. Upon Completion of the Offer, the Manager (also a member of the Elanor Investors Group) will assume the provision of funds and property and development management services in respect of the Portfolio.

<sup>1</sup> As at 30 June 2016

### 6.3. BOARD OF THE RESPONSIBLE ENTITY

The Board of the Responsible Entity comprises four Directors. As the Responsible Entity is a wholly owned subsidiary of Elanor Investors Group, the board of the Responsible Entity has been appointed by Elanor Investors Group.

The Directors of the Responsible Entity bring a broad range of relevant skills and experience, including industry and business knowledge, financial management and corporate governance experience.

#### **Paul Bedbrook**

##### ***Non-Executive Chairman***



- Paul was appointed a Director of Elanor Investors Group and Elanor Funds Management Limited in June 2014.
- Paul has had a career of over 30 years in financial services, originally as an analyst, fund manager and then the GM & Chief Investment Officer for Mercantile Mutual Investment Management Ltd (ING owned) from 1987 to 1995.
- Paul was an executive for 26 years with the Dutch global banking, insurance and investment group, ING, retiring in 2010. Paul's career included the roles of: President and CEO of ING Direct Bank, Canada (2000 – 2003) and Regional CEO, ING Asia Pacific, Hong Kong (2008 – 2010).
- Paul is currently the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies, a non-executive director of Credit Union Australia, and the National Blood Authority. He is also Chairman of Disability Sports Australia.

#### **Glenn Willis**

##### ***CEO and Managing Director***



- Glenn was appointed a Director of Elanor Investors Group and Elanor Funds Management Limited in June 2014. He has extensive industry knowledge with over 25 years' experience in the Australian and international capital markets.
- Glenn was most recently co-founder and Chief Executive Officer of Moss Capital.
- Prior to Moss Capital, Glenn co-founded Grange Securities and led the team in his role as Managing Director and CEO. Grange Securities was a pre-eminent Australian owned investment bank with businesses in fixed income, equities, corporate finance and funds management. Grange Securities grew to be Australia's major independent fixed income house.
- After 12 years of growth, Grange Securities, a business with approximately 150 personnel, was acquired by Lehman Brothers International in 2007, as the platform for Lehman's Australian investment banking and funds management operations. Glenn was appointed Managing Director and Country Head in March 2007. In 2008, Glenn was appointed executive Vice Chairman of Lehman Brothers Australia.
- Glenn is a board member of Big Brothers Big Sisters Australia and The FSHD Global Research Foundation and has previously held senior positions at Fay Richwhite and Challenge Bank



**Nigel Ampherlaw**

***Non-Executive Director***

- Nigel is the Chairman of Elanor Funds Management Limited's Audit Risk and Compliance Committee and is a member of its Remuneration and Nominations Committee.
- Nigel was appointed a Director of Elanor Investors Group and Elanor Funds Management Limited in June 2014. Nigel was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses.
- He also held a number of senior client Lead Partner roles. Nigel has extensive experience in risk management, technology, consulting and auditing in Australia and the Asia-Pacific region.
- Nigel's current Directorships include a non-executive Director with Credit Union Australia, where he is Chair of the Audit Committee and a member of the Risk and Remuneration Committees, non-executive director of Quickstep Holdings Ltd where he is Chair of the Audit and Risk Committee and non-executive Director of the Australia Red Cross Blood Service, where he is a member of the Finance and Audit Committee and a member of the Risk Committee. Nigel has also been a member of the Grameen Foundation Australia charity board since 2012.



**William (Bill) Moss AO**

***Director***

- Bill was appointed a Director of Elanor Investors Group and Elanor Funds Management Limited in June 2014.
- Bill is an Australian businessman and philanthropist with expertise in real estate, banking, funds and asset management.
- Bill spent 23 years as a senior executive and Executive Director with Macquarie Group, the pre-eminent Australian investment bank, where Bill managed the Global Banking and Real Estate businesses. Bill founded, grew and led Macquarie Real Estate Group to a point where it managed over \$23 billion worth of investments around the world.
- Bill is Chairman of Moss Capital and Chairman and Founder of The FSHD Global Research Foundation.
- Bill is a commentator on the Australian finance and banking sectors, the global economy and the ongoing need for Australia to do more to advance the interests of the country's disabled and disadvantaged.
- In 2015, Bill was awarded one of Australia's highest honours, Office of the Order of Australia (AO), for services to the banking, charity, and finance sectors

## 6.4. SENIOR MANAGEMENT TEAM OF THE RESPONSIBLE ENTITY

The Board of the Responsible Entity is supported by a management team with significant experience in funds and asset management. The key management team of the Fund are outlined below.

**Glenn Willis**

***CEO and Managing Director***

- Please see Section 6.3 above



**Michael Baliva**

***Fund Manager***

- Michael has 23 years' experience in the Australian and international real estate and finance industries, including eight years as a Chartered Accountant with Ernst & Young, specialising in providing services to the real estate funds management industry.
- Michael has an extensive track record in Investment Manager, Fund Manager and Chief Investment Officer roles, with substantial achievements in building real estate investment and asset management platforms.
- Prior to joining Elanor Investors Group's predecessor firm, Moss Capital, in 2009, Michael was Centro Properties' Chief Investment Officer responsible for its national US investment/asset management capability, comprising 350 people managing 235 properties valued at US\$6.4 billion
- Michael most recently held the position of Executive Director, Real Estate for Moss Capital and is currently the Head of Real Estate of the Elanor Investors Group.



**Marianne Ossovani**

***Chief Investment Officer, Head of Hotels, Tourism and Leisure***

- Marianne has over 24 years' experience in the real estate, financial services and hotel, tourism and leisure sectors. Marianne has substantial experience in asset financing and risk management in financial services; and also has significant experience in the tourism and leisure industry, particularly in the accommodation sector.
- Marianne most recently held the position of Executive Director, Hotels, Tourism & Leisure for Elanor Investors Group's predecessor firm, Moss Capital, leading the firm's investment activities across this sector. Prior to joining Moss Capital, Marianne held senior positions within the Asia Pacific business of Wyndham Worldwide, a globally pre-eminent hospitality group, and headed the Consumer Finance Division for Wyndham Vacation Resorts Asia Pacific.
- Marianne is currently the Chief Investment Officer and Head of Hotels, Tourism and Leisure of the Elanor Investors Group.



**Paul Siviour**

***Chief Operating Officer***

- Paul has over 25 years' experience in senior roles in financial services, investment banking and corporate finance. Paul most recently was Oceania Leader of Banking and Capital Markets and a partner in the Financial Services practice at Ernst & Young.
- Prior to that he held a number of positions at Investec Bank (Australia) Limited, including Co-Head of the Private Bank and Senior Mergers & Acquisitions Adviser.
- Previously Paul was a partner of Ernst & Young in the Corporate Finance practice for 11 years.
- Paul also served as a member of the Board of Partners of Ernst & Young Australia for a period of 6 years.
- Paul is a Board member of Life Education Australia and is currently the Chief Operating Officer of the Elanor Investors Group.





**Symon Simmons**

***Chief Financial Officer***

- Symon has over 22 years' business management experience, most recently as Chief Operating Officer for Elanor Investors Group's predecessor firm, Moss Capital, where he was responsible for the firm's Finance, Corporate, Human Resources, Legal and Administration functions.
- Prior to Moss Capital, Symon worked at Ernst & Young where he gained experience across a range of businesses and transactions.
- Symon has played a key role in a number of corporate transactions, including Initial Public Offerings, equity sell-downs, restructures and leveraged buy outs.
- Symon is chairman of a social enterprise, Global Ethics Australia, and chairman and founder of The One Foundation Australia, which supports essential infrastructure projects in some of the world's poorest nations in Africa and Asia.
- Symon is currently the Chief Financial Officer and Company Secretary of the Elanor Investors Group.



**Robert Bishop**

***Chair of the Fund's Compliance Committee***

- Robert has over 30 years' experience in corporate finance, firstly in law at Linklaters & Paines, London (1982 - 1986) and Allen, Allen & Hemsley, Sydney (1986 - 1987) and then as a stockbroker and investment banker at Ord Minnett Corporate Finance, Sydney (1987 - 1995), Robert Fleming & Co, London (1995 - 1996) and, since 1998, at his Sydney based corporate finance business, First Capital Markets.
- Robert was chairman of the Australian Barclays Bank Responsible Entity, Celsius Investments Australia, for five years until late 2013. He has considerable licensing and compliance experience and is currently on the compliance committees of six responsible entities, including Elanor Investors Group.
- Robert is a solicitor of the Supreme Courts of New South Wales and England & Wales.



**Blake McNaughton**

***Asset Manager***

- Blake has over 10 years' experience across real estate, private equity and management consulting having worked for both principal and client on a number of significant transactions and strategic projects during his time at Elanor Investors Group (and prior to that Moss Capital), Corality, Bamford Partners (the Australian office of US private equity firm Monitor Clipper Partners) and KPMG.
- Blake is currently the Asset Manager for all retail properties within the Elanor Investors Group.



**Alvin Chan**

***Financial Controller, Funds Management***

- Alvin has over 10 years' financial accounting and real estate industry experience. Prior to joining Elanor Investors Group, Alvin was a Director in one of the Big Four's audit practice, where he specialised in real estate and led key client accounts. Alvin has also worked on IPO's in the real estate industry.
- Alvin is currently the Financial Controller, Funds Management, of Elanor Investors Group.



## 6.5. INTERESTS OF DIRECTORS

On Allotment, the Directors will hold the following interests (both direct and indirect) in Securities:

Director	Number of Securities held at Completion
Paul Bedbrook - Non-Executive Chairman	Nil
Glenn Willis - CEO and Managing Director	224,074
Nigel Ampherlaw - Non-Executive Director	109,630
William (Bill) Moss AO – Non-Executive Director	903,704

## 6.6. INTERESTS OF SENIOR MANAGEMENT

Mr Michael Baliva (the fund manager of the Fund) will be aligned with investors and incentivised to grow the value of the Fund through his existing ownership interests in the Trusts and through the Loan Security Plan. Through funds to be made available to Michael Baliva under the Loan Security Plan, Michael Baliva will be granted 1.0 million Loan Security awards at the offer price of \$1.35 per Security under the Loan Security Plan.

For further information on the Loan Security Plan please refer to Section 14.10.

Mr Baliva is also an Existing Investor in the Trusts and has elected to retain that holding under the Restructure.

## 6.7. FUND, PROPERTY AND DEVELOPMENT MANAGEMENT

The Responsible Entity has entered into an Investment Management Agreement with the Manager. The services for which the Manager will be responsible include investment management, acquisition and divestment management, debt finance management, day-to-day administration, financial reporting, Security Holder relations, ASX listing management, related compliance management, investor relations and other incidental fund management services. The Manager will perform these services under the supervision of the Responsible Entity.

Under the terms of a Property and Development Management Agreement, the Manager will also be responsible for managing each property in the Portfolio from time to time, including by providing services in respect of leasing, tenant liaison, property maintenance, regulatory compliance, insurance and other usual services provided by a property manager. The Manager will also be responsible for development activities including development and capital expenditure management, preparation of development proposals, implementation and management of development works, and other usual services provided by a development manager.

In consideration for these services, the Manager will be entitled to fees under the Management Agreements. Further details regarding the Management Agreements are contained in Sections 13, 14.7 and 14.8.

Both of these agreements are for initial terms of 10 years and can only be terminated by the Responsible Entity at the end of the term with a substantial period of notice, or in certain circumstances during the initial term. Termination or non-renewal will in certain circumstances result in the payment of a compensation amount to the Manager equivalent to 24 months' management fees under the Investment Management Agreement, or two times the fees received by the Manager in the previous 12 months under the Property and Development Management Agreement.

Each of the Management Agreements contain similar provisions in relation to the term of the agreement and rights of termination. Each can only be terminated by the Responsible Entity without cause with effect from the last day of the initial 10 year term provided that notice of non-renewal has been given at least twelve months prior to the expiration of that 10 year term. Under the Investment Management Agreement, payment of a compensation amount to the Manager equivalent to 24 months' management fees, and under the Property and Development Management Agreement payment of a compensation amount equivalent to two times the total fees paid to the Property Manager during the previous 12 months, will be payable in these circumstances.

If a non-renewal notice is not given by the Responsible Entity by the required time, each agreement continues for a further term of five years on the same terms and again may only be terminated, without cause, at the expiration of that extended five year period by the Responsible Entity providing a notice at least twelve months prior to the expiration of that five year period. If the agreements are not terminated at the expiration of the extended five year period, the agreements automatically extend for further five year periods on the same basis.

Other termination rights of the Responsible Entity and the Manager are described in Sections 14.7 and 14.8 and investors should note the limited circumstances in which each of the Management Agreements can be terminated or otherwise the period of notice or compensation payment that will be needed in certain circumstances.

Investors should note the established position that Elanor Investors Group will have with the Fund and should also consider more generally the potential effects of the Fund's established relationship with Elanor Investors Group, as described, which closely aligns the Fund with the services of Elanor Investors Group.

### 6.8. RELATED PARTY TRANSACTIONS

As described in this PDS, a number of agreements have been entered into between the Fund and entities associated with Elanor Investors Group. Elanor Investors Group will maintain an ongoing relationship with the Fund in the following manner:

- Elanor Funds Management Limited is the Responsible Entity of the Fund and will be entitled to receive fees under the Constitutions as consideration for its services to the Fund; and
- Elanor Asset Services Pty Limited will be the Manager of the Fund, and will be entitled to receive fees for services provided under the terms of the Investment Management Agreement and Property and Development Management Agreement.

Certain costs and expenses of the Responsible Entity and the Manager will also be reimbursed from assets of the Fund, pursuant to the Constitutions and the Management Agreements. Further detail regarding the key terms of these agreements is contained in Section 14. In addition, fees and expenses payable to the Responsible Entity and the Manager under the Constitutions or the Investment Management Agreement may in certain circumstances be satisfied by the issue of Securities.

Elanor Investment Nominees Pty Limited (a wholly owned subsidiary of the Elanor Investors Group) is the trustee of two of the Sub-Trusts of the Fund, being the Northway Plaza Property Trust and the Tweed Heads Property Trust. The Responsible Entity is the trustee of remaining Sub-Trust, being the Glenorchy Plaza Property Trust. The trustees will be entitled to reimbursement of costs and expenses incurred in their capacity as trustee of the Sub-Trusts under the relevant Trust Constitutions.

The Directors of the Board of the Responsible Entity are also the directors of the Elanor Investors Group.

In addition, entities associated with Elanor Investors Group will hold approximately 15% of the Securities at Allotment. Entities associated with Elanor Investors Group may hold additional Securities in the future.

On completion of the Offer and settlement of the Acquisitions, the Responsible Entity will be entitled to a one-off fee of \$1.7 million in respect of the Proposed Transaction. Refer to Section 13.4.5 for further details.

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. It is important for Security Holders to be able to assess whether the Responsible Entity takes an appropriate approach to related party transactions. Refer to Section 6.9.8 below for details on the Fund's Conflicts of Interest and Related Party Policy and the procedures it has in place to manage conflicts of interest and related party transactions going forward.

### 6.9. CORPORATE GOVERNANCE

#### 6.9.1. GENERAL

The Board of the Responsible Entity recognises the importance of strong corporate governance and is committed to high standards of compliance. This will be achieved through the Board determining appropriate governance arrangements for the Fund and continually monitoring those arrangements.

The Board of the Responsible Entity has adopted policies recommended by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Recommendations"), to the extent that they are applicable to the Fund (as an externally managed listed entity). Under the ASX Listing Rules, the Fund will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Fund does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

This Section summarises the key elements of the Responsible Entity's governance framework. Copies of the charters and policies adopted by the Responsible Entity can be found on the Fund's website [www.elanorinvestors.com](http://www.elanorinvestors.com).

### 6.9.2. BOARD ROLES AND RESPONSIBILITIES

The primary function of the Board is to ensure that the Fund is managed in a manner that protects and enhances the interests of Security Holders. The Board has formalised its roles and responsibilities into the Board charter. Key functions of the Board include:

- contributing to and approving management's development of strategy for the Fund;
- evaluating, approving and monitoring the financial plans, annual budgets, business plans and major capital expenditure;
- overseeing effective management and control;
- reviewing the performance of the Manager;
- reviewing, ratifying and monitoring the Fund's risk and audit framework; and
- reviewing corporate governance policies.

### 6.9.3. CONSTITUTIONS AND COMPLIANCE PLANS

The Constitutions set out the rights and obligations of the Security Holders and the Responsible Entity. A summary of the Constitutions is set out in Section 14.1.

In order to ensure compliance with the Constitutions, the Corporations Act and the ASX Listing Rules, the Responsible Entity has adopted a Compliance Plan for each of ERPF I and ERPF II, which set out the key compliance processes the Responsible Entity will apply in operating the Fund.

You may request a copy of the Constitutions or Compliance Plans. See Section 14.1 for further details regarding the Constitutions.

### 6.9.4. BOARD COMMITTEES

The Board has established appropriate committees to assist in the discharge of its responsibilities. The Committees examine proposals and provide advice to the Board with regard to the effectiveness of their respective programs, but do not act on behalf of the Board without a specific mandate to do so. The Committees and their key roles and responsibilities are outlined below:

#### Audit and Risk Committee

The Audit and Risk Committee consists of Paul Bedbrook, Glenn Willis and Nigel Ampherlaw. The Chairman of the Audit and Risk Committee is Nigel Ampherlaw. The role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing, financial reporting, risk management and compliance responsibilities, including, among other things:

- assessing the adequacy of management reporting on risks, operations and finances;
- scrutinising accounting policies and reviewing financial statements;
- recommending, reviewing the performance of and consulting with external auditors;
- review risk management and internal control systems;
- monitor compliance with the Compliance Plans; and
- monitor and assess the Fund's overall performance in relation to safety and sustainability.

### 6.9.5. SECURITIES TRADING POLICY

The Responsible Entity has adopted a Securities Trading Policy which explains the prohibited and permitted type of conduct in relation to dealings in Securities under the Corporations Act and to establish a best practice procedure in relation to certain restricted persons dealings in Securities. The restrictions have been imposed to prevent breaches of the law and to maintain investor confidence.

### 6.9.6. CONTINUOUS DISCLOSURE POLICY

The Responsible Entity is aware of the obligations it will have, once the Fund is listed, to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Responsible Entity has adopted a policy which establishes procedures aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

### 6.9.7. CODE OF CONDUCT

The Board recognises the need to observe the highest standards of corporate practice and business conduct, and has adopted a formal Code of Conduct that applies to all the Board, as well as officers, employees, contractors, consultants, other persons that act on behalf of the Responsible Entity, and associates of the Responsible Entity. The code sets out the Responsible Entity's key values on various matters including among other things, ethical conduct, business conduct, compliance, privacy, security of information, financial integrity and conflicts of interest, and how they should be applied.

### 6.9.8. CONFLICTS OF INTEREST AND RELATED PARTY POLICY

The Responsible Entity has obligations under the Corporations Act and ASX Listing Rules to have in place adequate arrangements to identify and manage conflicts of interest or duty and related party transactions. Given the relationships between the Fund and Elanor Investors Group, the Responsible Entity has adopted a Conflicts of Interest and Related Party Policy to ensure there are adequate arrangements to identify and manage conflicts of interest or duty and related party transactions.

The Policy seeks to ensure that:

- the Responsible Entity has in place adequate arrangements to identify and manage conflicts of interest or duty; and
- in relation to related party transactions and certain conflicted proposals, there are agreed principles in relation to the conduct by the parties to those transactions or proposals (including ensuring compliance with all Corporations Act requirements).

### 6.10. COMMUNICATION POLICY

The Responsible Entity has adopted a Communication Policy to ensure that there is effective communication between the Responsible Entity and Security Holders. In accordance with the Communication Policy, the Fund's website ([www.elanorinvestors.com](http://www.elanorinvestors.com)) is regularly updated and contains recent announcements, annual report and results announcements, disclosure documents, and market information, and is a significant component of the communications strategy.

### 6.11. CUSTODIAN

The Responsible Entity has appointed The Trust Company (Australia) Limited (ACN 000 000 993), as Custodian, and in that role the Custodian holds the registered title to the Fund's interests in the Properties of the Fund and the Fund's ownership interests in each of the Sub-Trusts. The Custodian holds the Fund's interests in the Properties and Sub-Trusts as directed by the Responsible Entity and will act only on instructions from the Responsible Entity and in accordance with the terms set out in the Custody Deed. The Custodian will be entitled to the fee which is set out in Section 14.9.



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## 7. DETAILS OF OFFER



## 7. DETAILS OF OFFER

### 7.1. INTRODUCTION

The Offer is an invitation to subscribe for 81.3 million new Securities in the Fund at an Offer Price of \$1.35 per Security. The total number of Securities on issue at Completion will be 128.7 million. All Securities will, once issued, rank equally with each other.

The Offer comprises:

- An Elanor Offer which is open to Eligible Existing Investors (who will receive a priority allocation), Eligible ENN Security Holders and other selected persons who have received an invitation from the Responsible Entity to participate in the Elanor Offer;
- A Broker Firm Offer to Australian resident investors who receive a firm allocation of Securities from their Broker; and
- An Institutional Offer to Institutional Investors in Australia and other jurisdictions as managed by the Lead Manager.

### 7.2. PURPOSE OF THE OFFER AND USE OF PROCEEDS

The purpose of the Offer is to, along with proceeds from the Debt Facility:

- provide Existing Investors with an opportunity to realise their investment under the Restructure;
- enable the Fund to acquire the New Properties; and
- fund the costs of the Offer and other costs relating to the Proposed Transaction.

The sources and uses of funding for the Offer are as follows:

Sources	\$ million	Uses	\$ million
<b>Cash and equity</b>		<b>Cash and equity</b>	
Issue of New Securities to investors under the Offer, including to Existing Investors <sup>1</sup>	90.8	Payment of redemption amounts to Existing Investors under the Restructure <sup>5</sup>	6.2
Securities retained by Existing Investors under the Restructure <sup>2</sup>	57.0	Net assets in the Fund owned by Existing Investors	67.2
Securities retained by entities associated with Elanor Investors Group <sup>3</sup>	7.1	Acquisition of the New Properties	95.3
Issue of New Securities to Elanor Investors Group	18.9	Costs of the Offer and the Proposed Transaction	12.9
Additional debt drawn down under the Debt Facility on Completion	7.7		
<b>Total sources of cash and equity</b>	<b>181.5</b>	<b>Total uses of cash and equity</b>	<b>181.5</b>
<b>Debt</b>		<b>Debt</b>	
Existing Debt drawn under the Debt Facility <sup>4</sup>	74.8	Debt funding of the Existing Properties	74.8
<b>Total Sources</b>	<b>256.3</b>	<b>Total Uses</b>	<b>256.3</b>

1 Excludes New Securities issued to Elanor Investors Group under the Elanor Offer.

2 Refers to the equity value in the Trusts retained by Existing Investors under the Restructure. Based on the expected participation of Existing Investors of 92% in the Restructure (based on election notices received from those investors prior to the date of this PDS).

3 Refers to the equity value in the Trusts retained by the Elanor Investors Group under the Restructure.

4 Represents the amount of debt drawn by the Fund against the Properties in the Portfolio prior to Completion.

5 Based on the expected participation of Existing Investors of 92% in the Restructure (based on election notices received from those investors prior to the date of this PDS).

The respective ownership interests at Allotment are as follows:

	Post-Restructure <sup>6</sup>			At Allotment		
	Securities held (m)	Value of Securities (\$m) <sup>7</sup>	% Total	Securities held (m)	Value of Securities (\$m) <sup>7</sup>	% Total
Existing Investors (excluding Elanor Investors Group stake) <sup>8</sup>	42.2	57.0	89%	51.1	69.0	40%
Elanor Investors Group co-investment	5.3	7.1	11%	19.3	26.1	15%
New Investors	–	–	–	58.3	78.8	45%
<b>Total Securities on Offer</b>	<b>47.5</b>	<b>64.1</b>	<b>100%</b>	<b>128.7</b>	<b>173.8</b>	<b>100%</b>

### 7.3. TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY
<b>What is being offered?</b>	Securities in the Fund will be a stapled security comprising one Unit in Elanor Retail Property Fund I stapled to one Unit in Elanor Retail Property Fund II, trading together as a stapled security (the “Securities”).
<b>What are the rights and liabilities attached to the Securities being offered?</b>	A description of the Securities, including the rights and liabilities attaching to them, is set out in Section 14.1.
<b>What is the consideration payable for each Security being offered?</b>	The Offer Price is \$1.35 per Security.
<b>What is the Offer period?</b>	The key dates, including details of the Retail Offer period, are set out in Section 1. The Lead Manager has separately advised Institutional Investors the key dates for the Institutional Offer.
<b>What is the allocation policy?</b>	The allocation of Securities between the Elanor Offer, Broker Firm Offer and the Institutional Offer will be determined by the Responsible Entity in consultation with the Lead Manager.  The allocation of Securities among Applicants in the Elanor Offer will be determined by the Responsible Entity in consultation with the Lead Manager, with priority given to applications from Existing Investors over other Applicants.  The allocation of Securities among Applicants under the Broker Firm Offer is a matter for the Brokers in how they allocate firm stock among their eligible clients.  The allocation of Securities among Applicants in the Institutional Offer will be determined by the Responsible Entity in consultation with the Lead Manager.  The Responsible Entity, in consultation with the Lead Manager, reserves the right to reject any Application or to allocate a lesser number of Securities than that applied for.  Refer to Sections 7.5 to 7.7 for further information.
<b>Is there a cooling-off period?</b>	No. Cooling-off rights do not apply to an investment in Securities pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

<sup>6</sup> Refer to Section 4.5 for Restructure steps.

<sup>7</sup> Based on the Offer Price of \$1.35 per Security.

<sup>8</sup> Based on the expected participation of Existing Investors of 92% in the Restructure and additional Securities to be subscribed for by Existing Investors (based on election notices received from those investors prior to the date of this PDS).

## 7. DETAILS OF OFFER<sup>(continued)</sup>

TOPIC	SUMMARY
<b>What is the minimum and maximum application size under the Offer?</b>	<p>The minimum Application size for Applicants applying under the Elanor Offer and the Broker Firm Offer is at least \$2,000 and in increments of at least \$500 thereafter.</p> <p>Applicants under the Institutional Offer have been separately provided with additional information regarding the minimum Application size under the Institutional Offer.</p> <p>There is no maximum number of Securities that may be applied for under the Offer.</p>
<b>When will I receive confirmation that my Application has been successful?</b>	<p>It is expected that initial holding statements will be dispatched by standard post on or about 10 November 2016.</p> <p>Refunds to Applicants who make an Application and receive an allocation, the value of which is smaller than the amount of their Application Monies, will be made (without interest) as soon as possible post settlement of the Offer, in accordance with the Corporations Act.</p>
<b>Will the Securities be quoted?</b>	<p>The Fund will apply for Official Quotation of the Stapling Securities on ASX and is expected to trade under the ASX code ERF. Completion of the Offer is conditional on ASX approving this application. If approval is not given, the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon practicable in accordance with the requirements of the Corporations Act.</p>
<b>When are the Securities expected to commence trading?</b>	<p>It is expected that trading of the Securities on ASX will commence on or about 9 November 2016, initially on a deferred settlement basis.</p> <p>Securities are expected to commence trading on ASX on a normal settlement basis on or about 11 November 2016.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Securities. Applicants who sell Securities before they receive an initial statement of holding do so at their own risk.</p> <p>The Responsible Entity disclaims all liability, whether in negligence or otherwise, to persons who sell Securities before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by it, by the Fund's Offer Information Line, by a Broker, the Lead Manager or otherwise.</p>
<b>Is the Offer fully underwritten?</b>	<p>Yes. The Lead Manager has fully underwritten the Offer. Details of the Underwriting Agreement are provided in Section 14.6.</p>
<b>Has an ASIC relief or ASX waiver been applied for?</b>	<p>Yes. Details of the ASIC relief and ASX waivers are provided in Section 15.2 and 15.3.</p>
<b>Are there any Australian tax considerations?</b>	<p>Yes. Please refer to Section 11.</p>
<b>Are there any brokerage commissions or stamp duty considerations?</b>	<p>No brokerage or commission is payable by Applicants on the issue of Securities under the Offer. In addition, stamp duty should not be payable in any State or Territory on the issue, transfer or redemption of a Security in the Fund, provided that the Securities are quoted on the Official List at all relevant times and no investor, alone or with associates, acquires 90% or more of the Securities in the Fund.</p> <p>Various fees in relation to the Offer will be payable by the Fund to the Lead Manager. Further details of these fees are set out in Section 14.6.</p> <p>The Lead Manager will pay a handling fee of 1.5% of the gross proceeds of the Securities allocated to each Broker under the Broker Firm Offer. These fees are payable by the Lead Manager and will not be payable by the Fund.</p>

TOPIC	SUMMARY
<b>Can the Offer be withdrawn?</b>	<p>Yes, the Offer can be withdrawn by the Responsible Entity at any time prior to Completion.</p> <p>Responsible Entity reserves the right not to proceed with the Offer at any time before the issue of Securities to successful Applicants.</p> <p>If the Offer does not proceed or complete, Application Monies will be refunded to Applicants. No interest will be paid on any Application Monies refunded.</p> <p>If the Offer is withdrawn after Securities have commenced trading on a deferred settlement basis, all contracts for the sale of the Securities on ASX will be cancelled and any money paid in connection with the settlement refunded (without interest).</p>
<b>What should you do with any inquiries?</b>	<p>If you have inquiries regarding the Offer, please contact the Fund's Offer Information Line on 1300 437 365 (toll free within Australia) or +61 3 9415 4153 (outside Australia) between 9:00am and 5:00pm (AEST) Monday to Friday during the Retail Offer Period.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Fund is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>
<b>Are there any escrow arrangements?</b>	No escrow arrangements apply to Securities issued under the Offer.

## 7.4. ELANOR OFFER

### 7.4.1. WHO CAN APPLY?

The Elanor Offer is open to:

- Eligible Existing Investors;
- Eligible ENN Security Holders; and
- persons who have received an invitation from the Responsible Entity to participate in the Elanor Offer, who have a registered address in Australia.

If you are invited by the Responsible Entity to participate in the Elanor Offer, you will be treated as an Applicant under the Elanor Offer in respect of those Securities that are allocated to you.

### 7.4.2. HOW TO APPLY?

If you receive an invitation to participate in the Elanor Offer, please visit [www.elanoroffer.com](http://www.elanoroffer.com) or contact the Fund's Offer Information Line for information on how to apply. If you receive an invitation to participate in the Elanor Offer from the Responsible Entity, you may apply for Securities before the Elanor Offer closes by applying online at [www.elanoroffer.com](http://www.elanoroffer.com) and by paying Application Monies via BPAY® (unless instructed otherwise by the Responsible Entity). No physical Application Form is needed when paying in this manner. There are instructions set out on your personalised invitation and the online Elanor Offer Application Form to help you complete it. By making an Application, you declare that you were invited to participate in the Elanor Offer and were given access to this PDS (and any supplementary or replacement PDS), together with an online Elanor Offer Application Form. The minimum Application size is \$2,000 worth of Securities. There is no maximum value of Securities which may be applied for under the Elanor Offer.

The Responsible Entity may amend or waive the Elanor Offer application procedures or requirements, in its discretion in compliance with applicable laws. The Elanor Offer opens at 9:00am (AEST time) on 24 October 2016 and is expected to close at 5:00pm (AEST time) on 4 November 2016.

The Responsible Entity with the consent of the Lead Manager, may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice.

## 7. DETAILS OF OFFER<sup>(continued)</sup>

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### 7.4.3. HOW TO PAY?

Applicants under the Elanor Offer must pay their Application Monies by BPAY® in accordance with the instructions on the online Elanor Offer Application Form (unless instructed otherwise by the Responsible Entity). When completing your BPAY® payment, please make sure to use the specific biller code and unique Customer Reference Number ('CRN') provided to you or generated by the online Elanor Offer Application Form. Application Monies paid via BPAY® must be received by the Registry by no later than 5.00pm (AEST time) on 4 November 2016 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Responsible Entity nor the Lead Manager take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Elanor Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

For more details, prospective Applicants should refer to [www.elanoroffer.com](http://www.elanoroffer.com) or contact the Fund's Offer Information Line on 1300 437 365 (within Australia) or +61 3 9415 4153 (outside Australia) from 8.30am to 5.00pm (AEST time), Monday to Friday (Business Days only).

### 7.4.4. ALLOCATION POLICY UNDER THE ELANOR OFFER

The allocation of Securities among Applicants in the Elanor Offer will be determined by the Responsible Entity in consultation with the Lead Manager, with priority given to applications from Existing Investors over other Applicants. The Responsible Entity, in consultation with the Lead Manager, otherwise has absolute discretion regarding the basis of allocation of Securities among Elanor Offer Investors, and there is no assurance that any Elanor Offer Investor will be allocated any Securities, or the number of Securities for which it has bid.

## 7.5. BROKER FIRM OFFER

### 7.5.1. WHO CAN APPLY?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. If a Broker offers you a firm allocation, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Securities to you under the Broker Firm Offer.

### 7.5.2. HOW TO APPLY UNDER THE BROKER FIRM OFFER

Applications for Securities may only be made on a Broker Firm Application Form attached to or accompanying this PDS. If you are an investor investing under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms for the Broker Firm Offer must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form. By making an Application, you declare that you were given access to the PDS, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this PDS or the complete and unaltered electronic version of this PDS.

The minimum Application under the Broker Firm Offer is \$2,000 worth of Securities. There is no maximum number or value of Securities that may be applied for under the Broker Firm Offer. The Responsible Entity and the Lead Manager also reserve the right to aggregate any Applications which they believe may be multiple applications from the same person.

The Lead Manager may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, at its discretion, in compliance with applicable laws. Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Registry.



The Broker Firm Offer opens at 9.00am (AEST time) on 24 October 2016 and is expected to close at 5.00pm (AEST time) on 4 November 2016. The Responsible Entity, after consultation with the Lead Manager, may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

### 7.5.3. ALLOCATION POLICY UNDER THE BROKER FIRM OFFER

Securities which have been allocated to Brokers for allocation to their Australian resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Responsible Entity and the Lead Manager to reject or scale back Applications). It will be a matter for the Brokers how they allocate firm stock among their eligible clients and they (and not Responsible Entity or the Lead Manager) will be responsible for ensuring that clients who have received a firm allocation from them receive the relevant Securities.

### 7.5.4. CONFIRMATION OF FINAL ALLOCATIONS IN THE BROKER FIRM OFFER

Applicants in the Broker Firm Offer should confirm their final allocation with the Broker from whom they received their allocation.

If you sell Securities before receiving a holding statement, you do so at your own risk, even if you have confirmed your firm allocation with your Broker or obtained details of your holding from the Fund's Offer Information Line.

## 7.6. ACCEPTANCE OF APPLICATIONS

An Application in the Elanor Offer or the Broker Firm Offer is an offer by the Applicant to the Responsible Entity in respect of the Fund to subscribe for or purchase Securities for all or any of the Application Monies specified in and accompanying the Application Form at the Offer Price on the terms and conditions set out in this PDS including any supplementary or replacement product disclosure statement and the Application Form. To the extent permitted by law, an Application by an Applicant under the Elanor Offer or Broker Firm Offer is irrevocable.

An Application may be accepted by the Responsible Entity or Lead Manager in respect of the full number of Securities specified in the Application Form or any number of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

## 7.7. INSTITUTIONAL OFFER

### 7.7.1. INVITATION TO BID

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia, New Zealand, Hong Kong and Singapore, and any other jurisdictions as determined by the Responsible Entity and the Lead Manager, to apply for Securities. The Lead Manager has separately advised Institutional Investors of the application procedure for the Institutional Offer.

### 7.7.2. ALLOCATION POLICY UNDER THE INSTITUTIONAL OFFER

The allocation of Securities among Applicants in the Institutional Offer will be determined by the Responsible Entity in consultation with the Lead Manager. The Lead Manager, in consultation with the Responsible Entity, has absolute discretion regarding the basis of allocation of Securities among Institutional Investors, and there is no assurance that any Institutional Investor will be allocated any Securities, or the number of Securities for which it has bid. The allocation policy is influenced by the following factors:

- the number of Securities bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the Responsible Entity's desire for an informed and active trading market following listing on ASX;
- the Responsible Entity's desire to establish a wide spread of Institutional Investors;
- overall demand under the Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term Security Holders; and
- any other factors that the Responsible Entity and the Lead Manager consider appropriate.

### 7.8. UNDERWRITING ARRANGEMENTS

The Responsible Entity, as Responsible Entity of the Fund, and the Lead Manager have entered into an Underwriting Agreement in respect of the Offer.

In accordance with the Underwriting Agreement, the Lead Manager will arrange, manage and underwrite the Offer.

Set out within the Underwriting Agreement are the circumstances under which the Lead Manager may terminate the agreement. A summary of termination events (and other material terms of the Underwriting Agreement) is set out in Section 14.6.

### 7.9. RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this PDS, the Securities or the Offer or otherwise to permit a public offering of the Securities in any jurisdiction outside Australia.

This PDS does not constitute an offer of Securities in any jurisdiction in which it would be unlawful. In particular, this PDS may not be distributed to any person, and the Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

#### **Hong Kong**

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Securities have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

#### **New Zealand**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the “FMC Act”). The Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

#### **Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore (“MAS”) and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the “SFA”) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The Responsible Entity and the Fund is not authorised or recognised by the MAS and the Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to “institutional investors” (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an “institutional investor” (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## 7.10. DISCRETION REGARDING THE OFFER

The Responsible Entity reserves the right to:

- close the Offer or any part of it early;
- extend the Offer or any part of it;
- accept late Applications either generally or in particular cases;
- reject any Applications; and
- allocate any Applicant fewer Securities than applied for or not allocate any Securities to an Applicant.

Any amendment to the Offer Timetable will be made with prior written consent of the Lead Manager.

## 7.11. ASX LISTING, REGISTERS AND HOLDING STATEMENTS AND DEFERRED SETTLEMENT TRADING

### 7.11.1. APPLICATION TO ASX FOR LISTING AND QUOTATION OF SECURITIES

The Fund will apply no later than seven days after the date of this PDS to have the Securities quoted on the Official List of ASX. If permission for quotation of Securities is not granted by ASX, Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. The Fund’s expected ASX code is ERF.

ASX takes no responsibility for this PDS or the investment to which it relates. The fact that ASX may admit the Fund to the Official List is not to be taken as an indication of the merits of the Fund or the Securities offered for subscription.

Subject to certain conditions (including any waivers obtained by the Fund from time to time), the Fund will be required to comply with ASX Listing Rules.

### 7.11.2. CHESS AND ISSUER SPONSORED HOLDINGS

The Fund will apply to participate in ASX’s Clearing House Electronic Sub-register System (CHESS) and will comply with the Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Securities become Approved Financial Products (defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Securities of a Security Holder who is a participant in CHESS or a Security Holder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Securities will be registered on the issuer sponsored sub-register.

Following Allotment, Security Holders will be sent a holding statement that sets out the number of Securities that have been allocated to them. This statement will also provide details of a Security Holder’s Holding Identification Number (HIN) for CHESS holders or, where applicable, the Security Holder Reference Number (SRN) of issuer sponsored holders. Security Holders will subsequently receive statements showing any changes in their Security holding. Certificates will not be issued.

Security Holders will receive subsequent statements at the end of each month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be required at any other time either directly through the Security Holder’s sponsoring broker in the case of a holding on the CHESS sub-register or through the Registry in the case of a holding on the issuer sponsored sub-register. The Fund and the Registry may charge a fee for these additional issuer sponsored statements.

### 7.11.3. DEFERRED SETTLEMENT TRADING AND SELLING SECURITIES ON MARKET

It is expected that trading of the Securities will commence on or about 9 November 2016, initially on a deferred settlement basis until the Responsible Entity has advised ASX that holding statements have been dispatched to Security Holders. Normal settlement trading is expected to commence on or about 11 November 2016.

The Responsible Entity disclaims all liability, whether in negligence or otherwise, if you sell Securities before receiving your holding statement, even if you obtained details of your holding from the Fund's Offer Information Line or confirmed your firm allocation through a Broker.



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## 8. FINANCIAL INFORMATION



## 8. FINANCIAL INFORMATION

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### 8.1. OVERVIEW

The financial information contained in this Section has been prepared by the Directors of the Responsible Entity, and includes a pro forma consolidated balance sheet and forecast financial information for the Fund, comprising:

- statutory forecast consolidated income statement for the financial year ending 30 June 2017 (“**Statutory Forecast Income Statement**”);
  - pro forma forecast consolidated income statements for the period from Allotment Date to 30 June 2017, for the half years ending 30 June 2017 and 31 December 2017 and for the full calendar year ending 31 December 2017 (“**Pro Forma Forecast Consolidated Income Statements**”);
  - pro forma forecast consolidated distribution statements for the period from Allotment Date to 30 June 2017, for the half years ending 30 June 2017 and 31 December 2017 and for the full calendar year ending 31 December 2017 (“**Pro Forma Forecast Distribution Statements**”);
- collectively the “**Forecast Financial Information**”, and
- pro forma consolidated balance sheet as at the Allotment Date (“**Pro Forma Consolidated Balance Sheet**”),

collectively with the Forecast Financial Information, the “**Financial Information**”.

The Financial Information has been prepared to reflect the implementation of the Proposed Transaction. The Financial Information is for the Fund, comprising Elanor Retail Property Fund I and Elanor Retail Property Fund II and their respective controlled entities. The Fund will operate on a financial year ending 30 June, and all figures within this Section are for periods ending 30 June unless otherwise noted. Rounding of the figures provided in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

Information provided in this Section should be read in conjunction with the sensitivities outlined in Section 8.5, the risk factors outlined in Section 12 and the other information provided in this PDS.

### 8.2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The Financial Information in this PDS is intended to present potential investors with information to assist them in understanding the pro forma financial position together with the forecast financial performance of the Fund.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

Certain significant accounting policies relevant to the Financial Information are disclosed in Section 8.6. The Financial Information is presented in an abbreviated form and does not contain all of the presentation and disclosures, statements or comparative information as required by Australian Accounting Standards (“**AAS**”) applicable to annual financial reports prepared in accordance with the Corporations Act.

The Financial Information has been reviewed by Deloitte Corporate Finance Pty Limited (“**Deloitte**”), whose Investigating Accountant’s Report is provided in Section 9 of this PDS. Investors should note the scope and limitations of the Investigating Accountant’s Report.

Statutory historical financial information has not been presented in this PDS as the only business of Elanor Retail Property Fund I and Elanor Retail Property Fund II immediately prior to Completion is the investment in three of the five real estate assets that comprise the Portfolio. As such, the Trusts do not have a trading history that is relevant to a consideration of the Fund’s financial position and future performance from Completion. Accordingly, the Directors consider the Pro Forma Balance Sheet and the Forecast Financial Information comprise the most meaningful financial information for prospective investors in the Fund.

#### 8.2.1. PREPARATION OF FORECAST FINANCIAL INFORMATION

Australian Accounting Standards for the business combination arising from the stapling of Elanor Retail Property Fund I and Elanor Retail Property Fund II require that the net profit reported for the year ending 30 June 2017 includes the four months net profit or loss from 1 July 2016 to the Allotment Date. These pre-Offer profits will be attributable to the Existing Investors in Elanor Retail Property Fund II, and as such, are not representative of the forecast net profit, Distributable Earnings or Distributions attributable to the investors in the Fund following Allotment. Accordingly, statutory and pro forma forecasts have also been presented from the Allotment Date to 30 June 2017 as the Directors believe this is the most meaningful disclosure for potential investors in the Fund.

The Forecast Financial Information is based on the assumptions set out in Section 8.4. The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider the base case assumptions in Section 8.4 to be reasonable at the time of preparing this PDS.

The Forecast Financial Information has been prepared on the basis that the Proposed Transaction is completed on the Allotment Date, which is scheduled to occur on 9 November 2016.

Prospective investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that any deviation from these assumptions may have a material positive or negative effect on the Fund's actual financial performance or position. Investors are advised to review the assumptions set out in Section 8.4, in conjunction with the sensitivity analysis set out in Section 8.5, the risk factors set out in Section 12 and other information set out in this PDS.

The principal differences between the Pro Forma Forecast Consolidated Income Statements and Statutory Forecast Consolidated Income Statements are:

- the Statutory Forecast Consolidated Income Statement reflects the year from 1 July 2016 to 30 June 2017, including the period prior to the implementation of the Proposed Transaction which is not relevant to potential investors in the Fund, whereas the Pro Forma Forecast Consolidated Income Statement relates only to the period from Allotment Date to 30 June 2017, which is therefore more relevant to potential investors in the Fund;
- the Pro Forma Forecast Consolidated Income Statement for the period from Allotment Date to 30 June 2017 excludes one-off transaction costs in relation to the Offer and the implementation of the Proposed Transaction; and
- the Fund will have a different capital structure in place subsequent to the Allotment Date.

### 8.2.2. PREPARATION OF PRO FORMA FORECAST DISTRIBUTION STATEMENTS

The Pro Forma Forecast Distribution Statements have been derived by adjusting the Pro Forma Consolidated Income Statement net profit as detailed in Section 8.3.1 for:

- **non-cash items:** being straightlining of rental income, amortisation of lease incentives, adding back rent abatements; and
- **non-recurring items:** being property acquisition, establishment and transaction costs.

The resulting measure is termed Distributable Earnings, being the Directors' measure of the periodic amount available for distributions, which differs from net profit as determined in accordance with Australian Accounting Standards.

### 8.2.3. PREPARATION OF PRO FORMA CONSOLIDATED BALANCE SHEET

The Pro Forma Consolidated Balance Sheet presents the balance sheet of Elanor Retail Property Fund II as at 30 June 2016 adjusted to reflect restructuring transactions undertaken immediately prior to Allotment, as well as the acquisitions of Elanor Retail Property Fund I, Tweed Mall and Northway Plaza as part of the Proposed Transaction.

The Pro Forma Consolidated Balance Sheet as at Completion has been prepared to reflect the Proposed Transaction, assuming:

- consolidation of Elanor Retail Property Fund I and Elanor Retail Property Fund II as at 30 June 2016;
- certain pre-Offer adjustments to the Consolidated Balance Sheet to reflect adjustments from 1 July 2016 to the Allotment Date;
- the retention of equity interests by Existing Investors under the Restructure, equating to \$64.1 million inclusive of Securities held by Elanor Investors Group and its associated entities
- payment of redemption amounts of \$6.2 million to Existing Investors under the Restructure;
- drawn debt of \$82.5 million of which \$74.8 million was drawn by the Trusts and additional \$7.7 million drawn down from the Debt Facility to fund the Proposed Transaction;
- the raising of \$109.7 million under the Offer through the issue of 81.3 million Securities at an Offer Price of \$1.35 per Security;
- the payment of total transaction costs of \$12.9 million, comprising stamp duty (\$5.3 million), Portfolio acquisition and Offer costs (\$5.0 million), debt establishment costs (\$0.2 million) and equity raising costs (\$2.5 million); and
- the acquisition of the New Properties for \$95.3 million in total.

## 8. FINANCIAL INFORMATION (continued)

The value of the Properties is based on the independent valuations described in Section 10. Other adjustments have been made to reflect the proposed structure of the Fund and the entry into transaction agreements.

The balance sheet of Elanor Retail Property Fund I as at 30 June 2016 was audited by Deloitte Touche Tohmatsu. The balance sheet of Elanor Retail Property Fund II as at 30 June 2016 was audited by a different firm and subsequently reviewed by Deloitte Corporate Finance Pty Limited as part of its work as Investigating Accountant to the Offer.

The Pro Forma Consolidated Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of the Fund's future financial position.

### 8.2.4. NON-IFRS FINANCIAL MEASURES

Certain financial measures included in this PDS are not recognised under Australian Accounting Standards. These measures are collectively referred to as “**non-IFRS financial measures**”. The principal non-IFRS financial measures that are referred to in this PDS are discussed below.

Although the Directors believe these measures provide useful information about the financial performance of the Fund, they should be considered as a supplementary measure of operating performance to that included in the income statements that have been presented in Section 8.3 and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS, and the way that the Fund calculates these measures may differ from similarly titled measures by other companies, readers should therefore not place undue reliance on these non-IFRS financial measures.

## 8.3. FORECAST FINANCIAL INFORMATION AND PRO FORMA BALANCE SHEET

### 8.3.1. PRO FORMA FORECAST CONSOLIDATED INCOME STATEMENTS

The table below details the Pro Forma Forecast Consolidated Income Statements.

Pro Forma Forecast Consolidated Income Statements				
\$ million	Allotment Date to 30 June 2017	Half year ending 30 June 2017	Half year ending 31 December 2017	Calendar year ending 31 December 2017
Rental income	15.5	12.1	12.2	24.2
Other income <sup>1</sup>	0.8	0.6	0.6	1.2
<b>Total revenue</b>	<b>16.2</b>	<b>12.7</b>	<b>12.8</b>	<b>25.5</b>
Direct property expenses and outgoings	(4.8)	(3.7)	(3.8)	(7.5)
Investment management fees	(1.0)	(0.8)	(0.8)	(1.6)
Finance costs	(2.2)	(1.7)	(1.8)	3.5
Other expenses	(0.3)	(0.2)	(0.2)	(0.4)
<b>Net Profit<sup>2,3</sup></b>	<b>8.0</b>	<b>6.2</b>	<b>6.2</b>	<b>12.5</b>

Notes:

1. Other income primarily comprises revenue for car parking, casual leasing, storage rent, signage rent and other sources of miscellaneous income.
2. The exclusion of stamp duty, Portfolio acquisition and Offer costs is the only pro forma adjustment incorporated in the Pro Forma Forecast from Allotment Date to 30 June 2017. See Section 8.3.3 for further details on transaction costs.
3. The forecast consolidated income statements assume there will be no underlying movement in the fair value of the investment properties or other derivative financial instruments or financial assets during the Forecast Period. The Directors do not believe such movements can be reliably forecast.

## 8.3.2. FORECAST DISTRIBUTION STATEMENTS

Distributable Earnings represents the Directors' view of cash available for distribution to Security Holders in the Forecast Period, being the net profit adjusted for:

- **non-cash items:** comprises straightlining of rental income, amortisation of lease incentives, adding back rent abatements; and
- **non-recurring items:** being property acquisition, establishment and transaction costs.

The table below provides a reconciliation from the pro forma forecast net profit to Distributable Earnings. The Fund will aim to distribute between 90% and 100% of Distributable Earnings each year. As outlined in the table below, the Fund forecasts a Distribution of 6.4 cents per Security for the period from the Allotment Date to 30 June 2017.

Forecast Distribution Statements					
		Allotment Date to 30 June 2017	Half year ending 30 June 2017	Half year ending 31 December 2017	Calendar year ending 31 December 2017
\$ million					
Net Profit		8.0	6.2	6.2	12.5
Straightlining of rental income		(0.2)	(0.2)	(0.1)	(0.3)
Rental guarantee		0.6	0.5	0.5	0.9
Other non-cash items		0.3	0.3	0.3	0.5
<b>Distributable Earnings</b>		<b>8.6</b>	<b>6.8</b>	<b>6.9</b>	<b>13.7</b>
Distributions to be declared		8.2	6.4	6.6	13.0
Securities on issue	m	128.7			128.7
Distributable Earnings per Security	CPS	6.7			10.6
Distribution per Security <sup>2</sup>	CPS	6.4			10.1
Distribution as % of Distributable Earnings <sup>2</sup>	%	95.0%			95.0%
Annual Distributable Earnings Yield	%	7.8% <sup>3</sup>			7.9%
Annual Distribution Yield	%	7.4% <sup>3</sup>			7.5%

Note:

1. The Fund may qualify as a MIT where certain circumstances are satisfied. The MIT determination (which is assessed on an annual basis) may affect the actual Distribution received by foreign Security Holders. Refer to Section 11 for further details.
2. Distribution as % of Distributable Earnings is based on the Directors' forecast that the Distribution will be 95% of Distributable Earnings for each respective period, representing the mid point of the quantitative range of the distribution policy set out in Section 4.12.
3. Annualised Distributable Earnings and Distribution Yield metrics are calculated based on an extrapolation of the part year Distributable Earnings and Distribution forecast results to a 12 month period expressed as a percentage return relative to the Offer Price of \$1.35 per Security.

## 8.3.3. STATUTORY FORECAST CONSOLIDATED INCOME STATEMENT

The table below details the Statutory Forecast Consolidated Income Statement for the financial year ending 30 June 2017.

- **1 July 2016 to the Allotment Date:** represents the statutory forecast income statement for the approximate four months from 1 July 2016 to the Allotment Date. This is based on the approximate two months of actual unaudited results from 1 July 2016 to 31 August 2016 and the forecast results from 1 September 2016 to the Allotment Date. This period represents the results of the Fund prior to listing when there was a different capital structure, different security holders and the New Properties were not owned; and
- **Forecast Allotment Date to 30 June 2017:** represents the statutory forecast consolidated income statement from the Allotment Date to 30 June 2017.

Given the change in capital structure at the Allotment Date and acquisition of New Properties, the most relevant Statutory Forecast Consolidated Income Statement for potential investors in the Fund is the period from the Allotment Date to 30 June 2017.

## 8. FINANCIAL INFORMATION (continued)

Statutory Forecast Consolidated Income Statements			
\$ million	1 July 2016 to Allotment Date	Allotment Date to 30 June 2017	Financial year ending 30 June 2017
Rental income	2.6	15.5	18.1
Other income <sup>1</sup>	0.0	0.8	0.8
<b>Total revenue</b>	<b>2.6</b>	<b>16.2</b>	<b>18.7</b>
Direct property expenses and outgoings	(0.9)	(4.8)	(5.7)
Investment management fees	(2.6)	(1.0)	(3.6)
Finance costs	(0.6)	(2.2)	(2.8)
Other expenses	(0.0)	(0.3)	(0.3)
<b>Total operating expenses</b>	<b>(4.2)</b>	<b>(8.3)</b>	<b>(12.4)</b>
Stamp duty	–	(5.3)	(5.3)
Portfolio acquisition costs	–	(4.4)	(4.4)
Offer costs	–	(0.6)	(0.6)
<b>General transaction costs<sup>2</sup></b>	<b>–</b>	<b>(10.2)</b>	<b>(10.2)</b>
<b>Net Profit</b>	<b>(1.5)</b>	<b>(2.3)</b>	<b>(3.8)</b>
<b>Pro Forma Adjustment</b>			
General transaction costs <sup>2</sup>	–	10.2	10.2
<b>Pro Forma Net Profit</b>	<b>(1.5)</b>	<b>8.0</b>	<b>6.4</b>

Notes:

- Other income primarily comprises revenue for car parking, casual leasing, storage rent, signage rent and other sources of miscellaneous income.
- The general transaction costs is the only pro forma adjustment, and hence the only net profit reconciliation item, between the Statutory Forecast from Allotment Date to 30 June 2017 and the Pro Forma Forecast from Allotment Date to 30 June 2017. Refer to Section 13 for further details on Fees and Other Costs. General transaction costs are non-recurring in nature and will be paid out of proceeds of the Offer and/or the Debt Facility.

### 8.3.4. PRO FORMA CONSOLIDATED BALANCE SHEET

The Pro Forma Consolidated Balance Sheet presents the historical financial information of Elanor Retail Property Fund I and Elanor Retail Property Fund II as at 30 June 2016, adjusted to reflect transactions with the Existing Investors in Elanor Retail Property Fund I and Elanor Retail Property Fund II that occurred or are expected to occur between 1 July 2016 and the Allotment Date. Refer to Section 8.2.3 for a description of the basis of preparation of the Pro Forma Consolidated Balance Sheet.

The Responsible Entity is of the opinion that the Fund will have sufficient working capital to carry out its stated objectives. The Fund is expected to have \$0.3m in cash at bank as at Allotment Date. In addition to this amount, the Fund is expected to have \$7.5m in undrawn debt capacity under the Debt Facility at Allotment Date. Therefore, The Fund is expected to have combined cash and debt reserves of \$7.8m as at Allotment Date. Further details of the Debt Facility are set out in Section 4.8 and 14.13.



The table below illustrates the derivation of the Pro Forma Consolidated Balance Sheet as at the Allotment Date.

\$ million	ERPF I & ERPF II 30 June 2016 <sup>1</sup>	Adjustment <sup>2</sup>	ERPF I & ERPF II as at Implementation Date	Proposed Transaction adjustments <sup>3</sup>	Pro Forma at the Allotment Date
<b>Assets</b>					
Cash	1.3	(1.0)	0.3	-	0.3
Rental guarantees <sup>4</sup>	-	-	-	0.9	0.9
Other assets	1.0	(0.2)	0.8	-	0.8
<b>Current assets</b>	<b>2.3</b>	<b>(1.1)</b>	<b>1.1</b>	<b>0.9</b>	<b>2.0</b>
Investment properties <sup>5</sup>	148.3	-	148.3	93.1	241.4
Rental guarantees <sup>4</sup>	-	-	-	0.9	0.9
<b>Non current assets</b>	<b>148.3</b>	<b>-</b>	<b>148.3</b>	<b>94.0</b>	<b>242.3</b>
<b>Total assets</b>	<b>150.6</b>	<b>(1.1)</b>	<b>149.4</b>	<b>94.9</b>	<b>244.3</b>
<b>Liabilities</b>					
Distribution payable	1.3	(1.3)	-	-	-
Other liabilities	1.5	(0.8)	0.7	-	0.7
<b>Current liabilities</b>	<b>2.8</b>	<b>(2.1)</b>	<b>0.7</b>	<b>-</b>	<b>0.7</b>
Interest bearing liabilities and derivatives <sup>6</sup>	76.1	(0.6)	75.5	7.4	82.9
<b>Non current liabilities</b>	<b>76.1</b>	<b>(0.6)</b>	<b>75.5</b>	<b>7.4</b>	<b>82.9</b>
<b>Total liabilities</b>	<b>78.8</b>	<b>(2.7)</b>	<b>76.1</b>	<b>7.4</b>	<b>83.6</b>
<b>Net assets</b>	<b>71.7</b>	<b>1.6</b>	<b>73.3</b>	<b>87.4</b>	<b>160.8</b>
<b>Equity</b>					
Contributed equity	52.8	0.8	53.7	117.3	171.0
Retained earnings <sup>7</sup>	18.9	0.8	19.7	(29.9)	(10.2)
<b>Total equity</b>	<b>71.7</b>	<b>1.6</b>	<b>73.3</b>	<b>87.4</b>	<b>160.8</b>
Number of Securities (million)					128.7
NTA per Security (\$)					1.25
Gearing (Drawn debt less cash/Total assets less cash)					33.7%

Notes:

1. Comprises the consolidation of the audited balance sheets of Elanor Retail Property Fund I and Elanor Retail Property Fund II currently managed by the Responsible Entity as at 30 June 2016. This assumes 100% ownership of Elanor Retail Property Fund II and Elanor Retail Property Fund I.
2. Includes net estimated adjustments to the fair value of swap termination costs and below market bank facility margin arrangements between 30 June 2016 and Allotment Date of \$0.1 million, break costs associated with the settlement of the ERPF II interest rate swap of \$1.0 million, settlement of distribution payable of \$1.3 million, and estimated reduction in other working capital balances being cash of \$1.0 million, receivables and other assets of \$0.2 million and payables and other liabilities of \$0.8 million.
3. Includes the assets to be acquired as part of the Proposed Transaction of \$95.3 million, as well as the net impact of the additional debt drawn of \$7.4 million and equity raising of \$109.7 million, and other adjustments required to present the Pro Forma Balance Sheet on a basis assuming the Proposed Transaction and the Offer had occurred as at the Allotment Date (net of expected settlement adjustments). The value of assets acquired is based on the independent valuation reports for the New Properties.
4. The Rental Guarantee represents the net present value of the expected cash flows to be received under the Rental Guarantee. The total Rental Guarantee of \$1.8 million has been subtracted from the carrying value of the investment properties.
5. Investment properties have been accounted for at fair value after excluding the value of the Rental Guarantees.
6. Interest bearing liabilities and derivative financial instruments of \$82.9 million comprises drawn debt of \$82.5 million, \$1.0 million of fair value of derivative financial instrument and is net of capitalised borrowing costs of \$0.3 million and fair value adjustment of the ERPF I debt of \$0.4 million.
7. The retained earnings of the Fund as at Completion comprises stamp duty, Portfolio acquisition and Offer costs which have been expensed, amounting to \$10.2 million as described in Section 8.4.2. The remaining pro forma adjustment of \$19.7m represents the final distribution earnings to the Existing Investors.

### 8.4. FORECAST ASSUMPTIONS

Key assumptions relating to the Forecast Financial Information are set out below.

#### 8.4.1. GENERAL ASSUMPTIONS

Key general assumptions include:

- the Allotment Date and Completion of the Proposed Transaction occurs on 9 November 2016;
- CPI of 2.5% per year;
- no material business acquisitions or disposals during the Forecast Period other than those set out in this PDS;
- no material contract disputes or litigation during the Forecast Period;
- no material change in the competitive operating environment during the Forecast Period;
- no significant change to the legislative regime and regulatory environment in the jurisdictions that the Fund operates during the Forecast Period;
- all existing leases are enforceable and are performed in accordance with their terms;
- no material changes to accounting standards, other mandatory professional reporting requirements, the Corporations Act or any other relevant foreign equivalent of the Corporations Act during the Forecast Period;
- no material changes to Australian income tax legislation during the Forecast Period; and
- there will be no underlying movement in the fair value of the investment properties or other financial assets, including any mark to market movements in relation to the interest rate swaps taken in respect of the debt. The Responsible Entity does not believe such movements can be reliably estimated.

#### 8.4.2. SPECIFIC ASSUMPTIONS

The specific, best-estimate assumptions applied in preparing the Forecast Financial Information are described below.

##### Rental income

- Rental income has been forecast on a property-by-property basis based on existing leases and assumptions for future occupancy rates, tenant retention and market rentals. Assumed market rental rates are consistent with those adopted in the independent valuations. Gross property income comprises gross rental and expense recoveries.
- Rental income has been recognised on a straight-line basis in accordance with Australian Accounting Standards. Rental income recognised does not include amounts receivable under the terms of the Rental Guarantees.
- Rental income will be received by the Fund for the period from the settlement date of each New Property. The Forecast Financial Information assumes that the acquisition of each of the New Properties being acquired from the respective vendors will complete on the Allotment Date. The settlement of acquisitions is scheduled to occur as soon as practicable after the Allotment Date.
- The majority of leases with specialty tenants assume a fixed rental increase of between 3.0% and 4.0%. For some specialty tenants leases are assumed to increase annually by CPI or CPI plus a fixed percentage, in line with the lease contract.

##### Reletting and vacancy

- Reletting and lease incentives for expiring leases during the Forecast Period have been assumed on a property-by-property basis, taking into consideration agreements for lease, draft terms being negotiated with potential tenants (including existing tenants), and also taking into consideration available information for the relevant tenancy, such as current passing rent, market rent, property, locality, and discussions with existing tenants and prospective tenants.
- Letting up periods have been forecast on a property-by-property basis based on the independent valuers assessment, the individual tenancy and management's historical experience and plans for the property. It is generally assumed that between 70% and 80% of the tenants will re-lease on expiry. A lease up period of three months is assumed when a tenant vacates on expiry.
- Lease incentives comprising rent-free and fitout incentives are included based on either contracted arrangements or assumed incentive payments as assessed by the Manager. It is generally assumed that a three month lease incentive will be provided to incoming new tenants.
- Leasing commissions have been assumed on the let up of each individual lease. Commissions have been forecast to be 15% of first year rental income for new leases and 5% of first year rental income for re-leases. Leasing costs are capitalised as incurred and amortised over the life of the lease.

### Rental Guarantees

- Following the Proposed Transaction, the Fund will have Rental Guarantees in place for nominated vacant tenancies at their market rental income for a period of 2 years following settlement in respect of Tweed Mall and Northway Plaza.
- The net present value of the cash flows expected to be received under the Rental Guarantees has been capitalised to the Fund's balance sheet as at the Allotment Date.

### Outgoings and expenses

- Outgoings have been forecast by management on a property-by-property basis, having regard to current outgoings for each property in the Portfolio that are not recoverable from tenants under lease terms or applicable law. Outgoings are forecast to increase in line with known increases to statutory rates and taxes, as agreed in existing service contracts, or by CPI.
- The forecast operating expenses of the Fund include estimates of Responsible Entity and Manager fees, audit fees, legal fees, valuation fees, security registry fees and other costs which the Fund expects to incur. The forecast costs represent the Responsible Entity's best estimates of the likely costs to be incurred based on a combination of external quotes and external benchmarks.
- Management fees have been assumed in line with the Investment Management Agreement (summarised in section 13.4.3) based on 0.65% of the forecast monthly Gross Asset Value of the Fund. No performance fee has been accrued in the Forecast Period on the basis that the first performance fee is payable after 30 June 2019 and not able to be reliably estimated at this time.
- Property management fees payable to the Manager have been included in line with the terms of the Property Management and Development Agreement (summarised in section 13.4.4).
- A fee of \$1.7m has been forecast to be paid to the Responsible Entity in relation to the completion of the Offer and settlement of the Acquisitions, which is included in the Transaction Costs recorded in the Statutory Forecast for the period from Allotment Date to 30 June 2017.
- The total transaction costs of \$12.9 million in relation to the Proposed Transaction comprises:
  - General transaction costs of \$10.2 million, comprising \$5.3 million stamp duty and \$5.0 million Portfolio acquisition and Offer costs that are expensed;
  - Debt establishment costs of \$0.2 million, which is offset against the gross amount of drawn debt of \$82.5 million; and
  - Equity raising costs of \$2.5 million with which have been offset against contributed equity.

### Net interest expense

- The Fund's borrowings under the Debt Facility will incur an average interest rate of 3.8% (inclusive of margin and hedging arrangements). It has been assumed that 91% of the initial debt drawn under the Debt Facility will be hedged.
- The assumed costs of establishment of the Debt Facilities of \$0.3 million and \$0.4 million of fair value adjustments of the ERPF I debt have been amortised over the term of the debt. These amortised amounts are added back in determining Distributable Earnings.

### Taxation

- ERPF I and ERPF II are treated as "flow through" trusts for Australian tax purposes. Under current Australian income tax legislation, the Fund is not liable for Australian income tax, including capital gains tax, provided that Security Holders are presently entitled to the income of the Fund as determined in accordance with the Constitutions each financial year.

### Capital expenditure

- As described in Section 5.9 the Fund has forecast expected capital expenditure as follows:
  - Maintenance capital expenditure: \$0.3 million for the period from Allotment Date to 30 June 2017 and \$0.2 million for the period from 1 July 2017 to 31 December 2017, in respect of general maintenance of the properties.
  - Investment capital expenditure: \$3.0 million for the period from Allotment Date to 30 June 2017 of which \$1.1 million relates to the car park refurbishment at Auburn Central and \$1.9 million is incurred in relation to leasing activity; and \$0.5 million for the period from 1 July 2017 to 31 December 2017 in relation to leasing activity and other projects.
- Maintenance capital expenditure will be funded through retained earnings and investment capital expenditure will utilise the Fund's Debt Facility.

## 8.5. SENSITIVITY ANALYSIS

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Responsible Entity, its Directors and management. These estimates and assumptions are subject to change.

Set out below is a summary of the sensitivity of forecast Pro Forma Distributable Earnings to certain changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

	Pro Forma Forecast Allotment Date to 30 June 2017		Pro Forma Forecast calendar year ending 31 December 2017	
	\$ million	CPS	\$ million	CPS
Distributable Earnings	8.6	6.7	13.7	10.6
<b>Incremental impact of change from assumption:</b>				
- 25 basis point change in average annual interest rate	0.2	0.2	0.3	0.2
- 1% change in base rental income	0.1	0.1	0.2	0.2
- 5% change in outgoings	0.1	0.2	0.4	0.3

The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, to illustrate the likely impact on the financial forecasts. In practice, changes in variables may offset each other or may be cumulative.

## 8.6. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Financial Information requires estimates, judgements and assumptions that affect the reported amounts of gross revenues, gross expenses, assets and liabilities, including the determination of the parent entity of the Fund, and fair valuation of investment properties. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant accounting policies outlined below apply estimates, judgements and assumptions which could materially affect the financial results or financial position reported in future periods.

### 8.6.1. REPORTING ENTITY

The Fund is a stapled consolidated entity comprising the assets and liabilities of:

- ERPF I and its controlled entities; and
- ERPF II and its controlled entities.

together referred to as the "Fund".

The Units in ERPF I are stapled to the Units of ERPF II and, on and from listing, will be quoted as Securities on the ASX such that the Units cannot be traded separately. ERPF I and ERPF II are both registered managed investment schemes. The Responsible Entity of ERPF I and ERPF II is Elanor Funds Management Limited.

Under Australian Accounting Standards, the Fund is required to identify an acquirer at acquisition. ERPF II has been deemed to be the acquirer of ERPF I for accounting purposes and therefore ERPF I is consolidated into ERPF II's financial report.

### 8.6.2. PRINCIPLES OF CONSOLIDATION

The consolidated Financial Statements of the Fund incorporate the assets and liabilities of ERPF II (the Parent) and all of its subsidiaries, including ERPF I and its subsidiaries. ERPF II is the parent entity in relation to the stapling. The results and equity of ERPF I (which is not directly owned by ERPF II) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of ERPF I are disclosed as a non-controlling interest, the stapled Security Holders of ERPF I are the same as the stapled Security Holders of ERPF II.

A subsidiary is an entity over which the Fund is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have a 30 June balance date. All inter-entity balances and transactions between entities in the Fund, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies adopted by the Fund.

### 8.6.3. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquirer and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree.

### 8.6.4. REVENUE RECOGNITION

The Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Fund's activities as described below.

Rental income is recognised as revenue on a straight-line basis over the lease term.

### 8.6.5. EXPENDITURE

All expenses are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

### 8.6.6. FINANCE COSTS

Finance costs are recognised using the effective interest rate applicable to the financial liability.

### 8.6.7. GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets (with the exception of receivables) are recognised net of the amount of GST, except to the extent that the GST is not recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition, or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the balance sheet as receivable or payable.

### 8.6.8. RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently accounted for at amortised cost. Collectability of trade receivables is reviewed on a regular basis and bad debts are written off when identified. A specific provision is made for any doubtful debts where objective evidence exists that the receivables will not be recoverable. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows. All receivables with maturities greater than 12 months after reporting date are classified as non-current assets.

### 8.6.9. INVESTMENT PROPERTY

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year in which the property is derecognised.



### 8.6.10. PAYABLES

Payables represent liabilities and accrued expenses owing by the Fund at year end which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Payables are recognised at amortised cost and normal commercial terms and conditions apply to payables.

A distribution and or dividend payable to Security Holders of the Fund is recognised for the amount of any distribution and or dividend approved on or before reporting date but not paid at reporting date.

All payables with maturities greater than 12 months after the reporting date are classified as non-current liabilities.

### 8.6.11. INTEREST BEARING LIABILITIES

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

### 8.6.12. DERIVATIVES

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### 8.6.13. INCOME TAX

Under current tax legislation, the Fund is not liable for income tax, provided the Security Holders are presently entitled to the income of ERPF I and ERPF II, including realised capital gains, each financial year.

### 8.6.14. CONTRIBUTED EQUITY

Securities are classified as equity and recognised at the fair value of the consideration received by the Fund. Any transaction costs arising on the issue of ordinary securities are recognised directly in equity as a reduction of the proceeds received.



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## 9. INVESTIGATING ACCOUNTANT'S REPORT



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The Directors  
Elanor Funds Management Limited as Responsible Entity for  
each of Elanor Retail Property Fund I and Elanor Property Retail Fund II  
Level 38, 259 George Street  
Sydney, NSW 2000

14 October 2016

Dear Sirs

### **INVESTIGATING ACCOUNTANT'S REPORT ON PRO FORMA HISTORICAL, STATUTORY FORECAST AND PRO FORMA FORECAST FINANCIAL INFORMATION**

#### **Introduction**

This report has been prepared at the request of the Directors of Elanor Funds Management Limited as Responsible Entity (EFML or the RE) for Elanor Retail Property Fund I and Elanor Retail Property Fund II (together, ERPF or the Fund) for inclusion in a Product Disclosure Statement (PDS) to be issued by the RE in respect of the offer (the Offer).

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the RE, the Fund and other terminology used in this report have the same meaning as defined in the Glossary of the PDS.

#### **Scope**

##### ***Pro Forma Historical Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of EFML to review the pro forma consolidated balance sheet of the Fund as at the Allotment Date as set out in Section 8.3.4 of the PDS (the Pro Forma Historical Financial Information).

The Pro Forma Historical Financial Information has been derived from the statutory balance sheets of Elanor Retail Property Fund I and Elanor Retail Property Fund II as at 30 June 2016 (Historical Financial Information), after adjusting for the effects of the pro forma adjustments described in Section 8.3.4 of the PDS.

The Historical Financial Information has been extracted from each of the financial reports of Elanor Retail Property Fund I and Elanor Retail Property Fund II for the year ended 30 June 2016. The financial report of Elanor Retail Property Fund I was audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on the Elanor Retail Property Fund I financial report. The financial report of Elanor Retail Property Fund II was audited by a different accounting firm in accordance with the Australian Auditing Standards and which issued an unmodified audit opinion.

The Pro Forma Financial Information is presented in the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

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The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 8.3.4 of the PDS, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Fund's actual or prospective financial position.

#### ***The Forecasts***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the RE to review the statutory forecast consolidated income statement of the Fund for the year ending 30 June 2017 as set out in Section 8.3.3 of the PDS (the Statutory Forecast), and the pro forma forecast consolidated income statements and pro forma forecast consolidated distribution statements of the Fund for the eight months ending 30 June 2017, the six months ending 30 June 2017, the six months ending 31 December 2017 and the calendar year ending 31 December 2017 as set out in Sections 8.3.1 and 8.3.2 of the PDS (the Pro Forma Forecasts) (together the Statutory Forecasts and the Pro Forma Forecasts, are defined as the Forecasts). The director's best-estimate assumptions underlying the Forecasts are described in Section 8.4 of the PDS. The stated basis of preparation used in the preparation of the Forecasts is the recognition and measurement principles contained in Australian Accounting Standards and the Fund's adopted accounting policies.

The Forecasts have been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Fund for the eight months ending 30 June 2017, the six months ending 30 June 2017, the six months ending 31 December 2017 and the calendar year ending 31 December 2017. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecasts since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. In addition, the actual financial performance may include any gains or losses arising from movements in the market values of investment properties.

The Directors' best estimate assumptions on which the Forecasts are based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Fund. Evidence may be available to support the assumptions on which the Forecasts are based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

#### ***Opinion***

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Fund, which are detailed in the PDS, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks set out in Section 12 and the sensitivity analysis set out in Section 8.5 of the PDS. The sensitivity analysis set out in Section 8.5 of the PDS demonstrates the impacts on the Forecasts of changes in key assumptions. The Forecasts are therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecasts will be achieved.

We have assumed, and relied on representations from certain members of management of the RE, that all material information concerning the prospects and proposed operations of the Fund has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information



- the preparation of the Forecasts, including the best estimate assumptions underlying the Forecasts and the selection and determination of the pro forma adjustments made to the Statutory Forecasts and included in the Pro Forma Forecasts
- the information contained within the PDS.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Pro Forma Historical Financial Information and the Forecasts that are free from material misstatement, whether due to fraud or error.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Information, the Statutory Forecasts and the Pro Forma Forecasts based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

### **Conclusions**

#### ***Pro Forma Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 8.2.3 of the PDS.

#### ***The Statutory Forecast***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best estimate assumptions used in the preparation of the Statutory Forecast do not provide reasonable grounds for the Statutory Forecast
- in all material respects, the Statutory Forecast:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in Section 8.4 of the PDS
  - is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Fund and the recognition and measurement principles contained in Australian Accounting Standards
- the Statutory Forecast itself is unreasonable.



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14 October 2016

#### ***The Pro Forma Forecasts***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Pro Forma Forecasts do not provide reasonable grounds for the Pro Forma Forecasts
- (ii) in all material respects, the Pro Forma Forecasts:
  - a. are not prepared on the basis of the Directors' best estimate assumptions as described in Section 8.4 of the PDS
  - b. are not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Fund and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecasts and the Pro Forma Adjustments as if those adjustments had occurred as at completion of the Offer

(iii) the Pro Forma Forecasts themselves are unreasonable.

#### **Restrictions on Use**

Without modifying our conclusions, we draw attention to Section 8.1 of the PDS, which describes the purpose of the Financial Information, being for inclusion in the PDS. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

#### **Consent**

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the PDS in the form and context in which it is included.

#### **Disclosure of Interest**

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report, tax advice provided by Deloitte Tax Services Pty Ltd and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the ERPF.

Yours faithfully,

A handwritten signature in black ink, appearing to read "David Hagger".

David Hagger  
Authorised Representative





### Financial Services Guide

#### What is a Financial Services Guide?

**This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.**

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

#### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

#### Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

#### How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their

directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

#### Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

#### What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Fax: +61 2 9255 8434

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
[info@fos.org.au](mailto:info@fos.org.au)  
[www.fos.org.au](http://www.fos.org.au)  
Tel: 1300 780 808  
Fax: +61 3 9613 6399

#### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

July 2014

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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## 10. SUMMARY OF VALUATIONS



14 October 2016

The Directors  
Elanor Funds Management Limited  
as Responsible Entity for Elanor Retail Property Fund I and  
Elanor Retail Property Fund II  
Level 38, 259 George Street  
Sydney NSW 2000

Dear Sir/Madam,

**RE: Summary of Valuations for Product Disclosure Statement  
(Properties: Auburn Central, Manning Mall, Tweed Mall and Glenorchy Plaza)**

### Instructions

We refer to your instructions requesting Knight Frank Valuations to prepare market valuations of the freehold interest of the above mentioned properties (collectively referred to as the “Properties”) on behalf of Elanor Funds Management Limited as responsible entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II (together, Fund) to advise the Market Value of the Properties for inclusion in a Product Disclosure Statement (“PDS”) for an Initial Public Offering (“IPO”) of stapled securities in the Fund.

This summary letter is subject to the comments within our respective recent full valuation reports which contain details of the considerations and assumptions/conditions/qualifications impacting on value and referenced as:

- |                                     |                |
|-------------------------------------|----------------|
| 1. Auburn Central, NSW.             | Reference R255 |
| 2. Tweed Mall, Tweed Heads NSW.     | Reference R257 |
| 3. Manning Mall, Taree NSW.         | Reference R127 |
| 4. Glenorchy Plaza, Glenorchy, TAS. | Reference R256 |

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GPO Box 187, Sydney NSW 2001  
[www.knightfrank.com.au](http://www.knightfrank.com.au)

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The respective valuation reports which can be inspected at the office of Elanor Investors Group, Level 38, 259 George St, Sydney NSW 2000 during normal business hours. This correspondence is subject to and should be read in conjunction with all qualifications, assumptions, conditions and disclaimers contained within the valuation reports.

### Market Value

The respective valuations of each property have been completed under the "Market Value" definition as follows.

Market Value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law, is as follows:

*"The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

### Market Commentary

The later part of 2015 and first half of 2016 experienced various major retail centre sales activity which has highlighted the intense competition for highly sought after stock. Of particular note have been the marketing and sale of the 50% non-management interest sale of Runaway Bay Shopping Village (QLD) in May 2016 for \$160m reflecting a tight 5.50% core market yield. Additionally, there have been sales of Ellenbrook S/C (WA) (\$220m), Livingston Marketplace (WA) (\$83m), Stud Park (VIC) (\$154m), Bass Hill (NSW) (~\$91.55m), Forestway (NSW) (\$112m), and East Village (Zetland) (\$130m). These transactions have seen purchase prices achieved as premium to book values demonstrating yield firming.

From a south east Queensland perspective, there have been the sales of Toombul S/C to Mirvac (\$228.1m at 6.74% in May 2016), Clifford Gardens to Blackstone (\$186.5m at 6.76% in May 2016), Westfield Strathpine (\$288m at 7.0% in August 2015), Hinkler Central (\$110m at 6.75% in May 2015), Capalaba Central (\$148.5m at 7.5% in May 2015) and the Oasis Shopping Centre, Gold Coast (\$103.5m at 8% in February 2015) notwithstanding the directly negotiated sales of Sugarland Shoppingtown in Bundaberg (\$118.5m at 7.5% in July 2014) and The Barracks, Petrie Terrace (\$143m at 7.5% in September 2014).

Of the portfolio of 4 Vicinity Sub-Regional centres offered to the market in March 2016, the two assets in Victoria, namely Brimbank (c\$164m) and Forest Hill Chase (c\$267.8m) have also sold Blackstone as part of a \$618.3m aggregate portfolio acquisition together with Clifford Gardens. We understand the achieved yields for both centres to be early 7% with the IRR's in the early 8% range.

Of note in early November 2015, it was announced that Vicinity Centres had acquired two Perth metropolitan shopping centres from the Insurance Commission of Western Australia (ICWA) for a total acquisition price of \$303m (\$319m inclusive of acquisition costs) at yields ranging between 5.75% - 6.0%. We understand the centres were acquired at IRR's in excess of 9.0% due to the rental growth potential identified. The Shops at Ellenbrook was purchased for \$220m at a core yield of 5.75%, but which included \$20m for 6.5ha of surplus land. Livingstone Marketplace was purchased for \$83m at a core yield of 6%.

## 10. SUMMARY OF VALUATIONS (continued)

Elanor Funds Management Limited

In addition to the above, in late-August 2015, Scentre Group had announced the sale of four (4) Australian shopping centres in a deal reportedly worth \$783m. The Figtree (NSW), Strathpine (QLD) and Warrawong (NSW) centres were sold to Blackstone Real Estate Asia with Challenger picking up the fourth centre, North Rocks (NSW). The combined book value of the 4 centres as at 30 June 2015 reflected a total of \$757m – Figtree (\$163m at 7.25%), Strathpine (\$277.5m at 7.25%), Warrawong (\$191.5m at 8.0%) and North Rocks (\$125m at 7.0%). Further details on individual centre values and yield breakdown are not available, however, based on the transacting portfolio price and prevailing book values, this reflected a small premium of 3.43%. If this premium was evenly distributed across the portfolio, the resulting value for the QLD based Strathpine would reflect a value of circa \$288M at circa 7.0% core yield.

Clear evidence of yield compression for quality Sub-Regional and Neighbourhood Centres are supported by the results of the increased market activity and competitive pressure. The following retail transactions provide an indication of investor interest and activity for various Sub-Regional and Neighbourhood Shopping Centres.

Centre	GLA m <sup>2</sup>	Sale Price	Sale Date	Core Market Yield*	IRR 10 years	Rate/m <sup>2</sup> GLA
<b>Sub-Regional Shopping Centres</b>						
Clifford Gardens S/C <sup>1</sup> TOOWOOMBA, QLD	27,781	\$186.5m	May-16	<b>6.76%</b>	8.50%	\$6,713
Toombul S/C <sup>1</sup> TOOMBUL QLD	44,157	\$228.1m	May-16	<b>6.74%</b>	8.50%	\$5,166
Runaway Bay S/C RUNAWAY BAY QLD	42,917	\$160m (50% interest)	May-16	<b>5.50%</b>	7.49%	\$7,456
Brimbank S/C, DEER PARK VIC	37,905	c\$164m	May-16	<b>C7.0-7.25%</b>	~8.25%	\$4,327
Forest Hill Chase S/C, FOREST HILL VIC	64,500	c\$267.8m	May-16	<b>C7.0-7.25%</b>	~8.25%	\$4,152
Ellenbrook, ELLENBROOK, WA	33,621	\$220.0m	Nov-15	<b>5.75%</b> (Ex. surplus land)	~8.00%	\$5,949 (ex land)
Livingston Marketplace, CANNING VALE, WA	15,575	\$83.00m	Nov-15	<b>~6.00%</b>	~8.00%	\$5,329
Goulburn Plaza, Goulburn, NSW	13,942	\$67.00m	Aug-15	<b>7.00%</b>	8.52%	\$4,807
Stud Park, ROWVILLE VIC	26,043	\$154.0m	Aug-15	<b>~5.95%</b>	~7.80%	\$5,913
Bass Hill Plaza, BASS HILL NSW	19,638	\$91.55m (with income support)	Sept-15	<b>6.01%</b>	7.63%	\$4,662
Goulburn Plaza, GOULBURN NSW	13,942	\$67.0m	Aug-15	<b>7.00%</b>	8.52%	\$4,807
Westfield Figtree, FIGTREE NSW (Figtree Grove)	22,000	~\$168.0m	Aug-15	<b>7.00%</b>	-	\$7,636
Westfield Warrawong, WARRAWONG NSW (Warrawong Plaza)	57,100	~\$198.0m	Aug-15	<b>7.75%</b>	-	\$3,468

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Centre	GLA m <sup>2</sup>	Sale Price	Sale Date	Core Market Yield*	IRR 10 years	Rate/m <sup>2</sup> GLA
Westfield North Rocks, NORTH ROCKS NSW (North Rocks S/C)	22,600	~\$129.0m	Aug-15	6.75%	-	\$5,708
Westfield Strathpine, STRATHPINE	44,652	\$288.0m	Aug-15	7.00%	~8.25%	\$6,450
Shepparton Marketplace, Shepparton VIC	16,349	\$70.60m	Dec-14	7.00%	9.00%	\$3,964

\* Core Market Yield = the percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).

1. Part of Portfolio Transaction

In addition to the above, the following schedule of sales of reveal the investor appetite for Discount Department Store anchored Centres and established Neighbourhood Centres reflecting a range of core market yields. We have viewed these as a broad guide as they reflect a yield range from 6.61% to 8.75%.

Centre	GLA m <sup>2</sup>	Sale Price	Sale Date	Core Market Yield*	IRR 10 years	Rate/m <sup>2</sup> GLA
Maitland Mall MAITLAND NSW	12,629	\$22.25m	Jun-16	7.56%	8.38%	\$1,762
Tamworth Central ** TAMWORTH NSW (Target anchored)	8,664	~\$12.75m	Aug-16	7.78%	7.49%	~\$1,472
Goulburn Central ** GOULBURN NSW (Target anchored)	5,720	~\$16.70m	Aug-16	8.75%	8.23%	~\$2,920
Kmart Port Macquarie, PORT MACQUARIE, NSW (Kmart anchored)	7,751	\$25.60m	Jul-16	~6.61%	-	\$3,303
Belmont Central S/C, BELMONT NSW (Stratum)	6,575	\$28.50m (stratum)	Jul-16	7.59%	-	\$4,335
Muswellbrook Fair, MUSWELLBROOK NSW	9,007	\$29.25m	Jul-16	6.61%	7.66%	\$3,247
Maitland Hunter Mall MAITLAND NSW (Kmart Anchored)	12,625	\$22.25m	Jun-16	7.59%	8.42%	\$1,762
Glenorchy Plaza, GLENORCHY TAS (Subject Property)	8,726	\$18.50m	Dec-15	8.06%	8.69%	\$2,120

\* Core Market Yield = the percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).

\*\* Advised Under Contract – Subject to Confirmation.



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## Valuation Summary –Auburn Central

AUBURN CENTRAL, AUBURN NSW			
Land Area	N/a		
Zoning	B4 Mixed Use		
Description	Auburn Central comprises a single level shopping mall together with an adjoining three storey South Parade Arcade building and two externally accessed premises located off Lower Town Centre. The Centre comprises Big W and Woolworths supermarket with some 36 specialties, 3 kiosks, 4 ATMs, 3 office suites and car wash. A rooftop strata comprises various telecommunications facilities.		
GLAR	15,182.16m <sup>2</sup> (approx.) excluding Car Wash site of 214.5m <sup>2</sup>		
Vacancy & WALE	Vacancy: 1.15% (174.0m <sup>2</sup> )	WALE by Income: 4.6 yrs	WALE by Area: 6.2 yrs
Valuation Methodologies	Capitalisation of Net Income and Discounted Cash Flow approaches.		
Date of Inspection	5 September 2016		
Valuation Date	5 September 2016		
Income Particulars			
Adopted Outgoings	\$2,001,115 p.a. (plus Owner's promotion and non-recoveries)		
Passing Income	\$4,688,591 p.a. (excluding vacancy allowance)		
Net Market Income (fully leased)	\$4,864,847 p.a. (excluding vacancy allowance)		
Adopted Capitalisation Rate	7.00%		
Adopted Discount Rate	8.25%		
NPV of Capex	\$2,134,107 (5 yrs)	\$2,853,083 (10 yrs)	
Adopted Value	\$66,000,000 (exclusive of GST)		
Initial Yield (fully leased)	7.13%		
Core Market Yield	7.15%		
IRR/Terminal Yield (10 yrs)	8.14% / 7.50%		
Rate/m <sup>2</sup> of GLA	\$4.347		

## Valuation Summary – Auburn Central – Podium Strata

AUBURN CENTRAL, PODIUM STRATA	
Zoning	B4 Mixed Use
Description	Podium level strata premises comprising some 19 strata retail premises. Tandem car spaces within the car park for Lots 3, 4, 6, 7, 8, 9, 11, 12, 14, 15 and 16. Lot 5 has two tandem car spaces. Lots 1, 2, 17, 18, and 19, being the vacant office area, includes three tandem car spaces and Lots 10 and 13 having no car parking.
Strata Areas (current configuration)	3,154m <sup>2</sup> (excluding car parking and outdoor areas). Range of 65m <sup>2</sup> to 1,109m <sup>2</sup>
Valuation Methodology	Capitalisation of Net Income and Discount
Date of Inspection	5 September 2016
Valuation Date	5 September 2016
Adopted Capitalisation Rate Range	
5.25% to 7.50%	
Adopted Value Range	\$340,000 to \$4,500,000 (exclusive of GST)
Rates/m <sup>2</sup> of GLA	\$3,229 to \$12,378/m <sup>2</sup>
Aggregate of Individual Values	<b>\$19,190,000 (exclusive of GST)</b>

Elanor Funds Management Limited

## Valuation Summary – Tweed Mall, Tweed Heads NSW

TWEED MALL, TWEED HEADS NSW			
Land Area	5.0005 hectares		
Zoning	B3 Commercial Core		
Description	Tweed Mall is a single level Sub-Regional Shopping Centre anchored by Target, Coles, Woolworths, 4 mini majors (including Shop 49 occupied by Dimmeys however subject to a rental guarantee) and supported by some 61 specialties, 4 kiosks and 4 ATMs. The Centre has both at grade and multi-level car parking accommodation for some 942 vehicles.		
GLAR	23,175.6m² (approx.)		
Vacancy & WALE	Vacancy - <b>rental guarantee</b>	WALE by Income: 4.4 yrs	WALE by Area: 5.1 yrs
Valuation Methodologies	Capitalisation of Net Income and Discounted Cash Flow approaches.		
Date of Inspection	8 August 2016		
Valuation Date	8 August 2016		
Income Particulars			
Adopted Outgoings	\$2,740,666 p.a. (excluding Owner's promotion and non-recoveries)		
Passing Income	\$6,016,800 p.a. (excluding vacancy allowance) (excl. Rental Guarantees)		
	\$6,965,754 p.a. (excluding vacancy allowance) (incl. Rental Guarantees)		
Net Market Income (fully leased)	\$6,965,754 p.a. (excluding vacancy allowance) (incl. Rental Guarantees)		
Adopted Capitalisation Rate Range	8.00% to 8.25%		
Adopted Discount Rate	8.75%		
NPV of Capex	\$3,877,942 (5 yrs)		\$5,559,192 (10 yrs)
Adopted Value	<b>\$81,250,000 (exclusive of GST)</b>		
Initial Yield	7.41% (excluding Rental Guarantees)		
	8.57% (including Rental Guarantees)		
Core Market Yield	8.19%		
IRR/Terminal Yield (10 yrs)	8.75% / 8.25%		
Rate/m² of GLA	\$3,506/m²		

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## Valuation Summary – Manning Mall

MANNING MALL, TAREE NSW			
Land Area	27,270m <sup>2</sup>		
Zoning	B3 Commercial Core		
Description	A small Sub-Regional shopping centre that commenced trading in 1981 and was upgraded and expanded in 1990, 1996 and 2008. The Centre incorporates two buildings. The main Centre extends to 10,337.30m2 and accommodates Coles, Target, 27 specialties, three kiosks and three ATMs. A detached 410.14m2 building fronting Manning Street accommodates three tenants. On-site car parking is provided for some 330 vehicles.		
GLAR (current configuration)	10,747.44m <sup>2</sup>		
Vacancy & WALE	Vacancy: 6.45% (693.5m <sup>2</sup> )	WALE by Income: 4.1 yrs	WALE by Area: 4.1 yrs
Valuation Methodology	Capitalisation of Net Income and Discounted Cash Flow approaches		
Date of Inspection	15 August 2016		
Valuation Date	15 August 2016		
Income Particulars			
Adopted Outgoings	\$1,297,547		
Current Net Income (passing)	\$2,815,310 p.a. (excluding vacancy allowance)		
Net Market Income (fully leased)	\$3,250,424 p.a. (excluding vacancy allowance)		
Adopted Capitalisation Rate	7.25%		
Adopted Discount Rate	8.50%		
NPV of Capex	\$672,404 (5 yrs)	\$1,172,195 (10 yrs)	
Adopted Value	\$43,000,000 (exclusive of GST)		
Passing Initial Yield	6.55%		
Core Market Yield	7.28%		
IRR/Terminal Yield (10 yrs)	8.39% / 7.75%		
Rate/m <sup>2</sup> of GLA	\$4,001		

Elanor Funds Management Limited

## Valuation Summary – Glenorchy Plaza, Glenorchy TAS

GLENORCHY PLAZA, GLENORCHY TAS			
Land Area	1.186 hectares		
Zoning	22.0 Central Business Zone		
Description	Glenorchy Plaza is a predominantly single level (split level) Convenience Shopping Centre anchored by Big W and supported by some 14 specialties. The Centre was originally constructed in 2005 and provides both at-grade and undercroft car parking for some 300 vehicles.		
GLAR	8,726.10m2 (approx.)		
Vacancy & WALE	Vacancy: 0% <small>(Rental Guarantees over two vacancies expiring December 2016)</small>	WALE by Income: 6.5 yrs	WALE by Area: 7.6 yrs
Valuation Methodologies	Capitalisation of Net Income and Discounted Cash Flow approaches.		
Date of Inspection	11 August 2016		
Valuation Date	11 August 2016		
Income Particulars			
Adopted Outgoings	\$435,518 p.a. (plus Owner's promotion and non-recoveries)		
Passing Income	\$1,521,067 p.a. (excluding vacancy allowance)		
Net Market Income (fully leased)	\$1,521,067 p.a. (excluding vacancy allowance)		
Adopted Capitalisation Rate Range	7.50% - 7.75%		
Adopted Discount Rate	8.25%		
NPV of Capex	\$302,505 (5 yrs)	\$579,672 (10 yrs)	
Adopted Value	\$19,750,000 (exclusive of GST)		
Initial Yield (fully leased)	7.70%		
Core Market Yield	7.58%		
IRR/Terminal Yield (10 yrs)	8.10% / 7.75%		
Rate/m <sup>2</sup> of GLA	\$2,263		

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### Valuation Summary

A summary of the individual Market Values for each property are as follows:

Property	Market Value	Date of Valuation
1. Auburn Central, Auburn NSW (including Aggregate of Strata Retail in Lots 1-19 of Strata Plan 74671.	\$66,000,000 (GST Exclusive) Main Centre \$19,190,000 (GST Exclusive) Strata Premises Combined Value: \$85,190,000 (GST Exclusive)	5 September 2016
2. Tweed Mall, Tweed Heads NSW	\$81,250,000 (GST Exclusive)	8 August 2016
3. Manning Mall, Taree NSW	\$43,000,000 (GST Exclusive)	15 August 2016
4. Glenorchy Plaza, Glenorchy TAS	\$19,750,000 (GST Exclusive)	11 August 2016
<b>Aggregate Market Value</b>	<b>\$229,190,000 (GST Exclusive)</b>	

The content prepared by Knight Frank Valuations for the PDS is limited to this summary letter. Knight Frank Valuations has not been involved in the preparation of any other part of the PDS and has not approved or expressed any opinion contained within PDS other than this letter.

### Qualifications & Disclaimers

Knight Frank Valuations have prepared this summary which appears in the PDS for Elanor Funds Management Limited as Responsible Entity for Elanor Retail Property Fund I and Elanor Retail Property Fund II. Knight Frank Valuations were involved only in the preparation of this summary and the valuations referred to therein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in the PDS or other document other than in respect of our valuations and this letter.

Knight Frank Valuations has consented to this summary being included in this PDS, but Knight Frank Valuations is not providing advice about a financial product, nor the suitability of the investment set out in the PDS. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. Knight Frank Valuations does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our valuation reports.

Any forecasts, including but not limited to, financial cash flow projections or terminal value projections noted within the valuations are a valuation tool only, undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.

*Elanor Funds Management Limited*

The valuations are current at the date of valuation only. The values assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value and we can give no guarantee that the properties or the valuations has not altered since the date of valuation.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where the valuations are relied upon after the expiration of three (3) months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuations.

Knight Frank Valuations has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and for the purpose of the valuations we have assumed that the information is correct.

These valuations do not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, we have assumed that detailed reports with respect to the structure and service installation of the improvements both would not reveal any defects or inadequacies requiring significant capital expenditure.

Knight Frank Valuations has received fees of \$78,100 (inclusive of GST) in connection with the preparation of our valuations and this summary. The fee is not in any way linked to nor has it influenced the opinion of value noted and Knight Frank Valuations does not have any pecuniary interest in Elanor Funds Management Limited or the Fund and has provided this letter solely in its capacity as independent professional advisor.

Yours faithfully

**KNIGHT FRANK VALUATIONS**



**PHILLIP ALLENBY**  
**Associate Director**



**MATTHEW J RUSSELL**  
**National Director**

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VALUATION & ADVISORY SERVICES



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14 October 2016

The Directors  
Elanor Funds Management Limited  
as Responsible Entity for Elanor Retail Property Fund I and  
Elanor Retail Property Fund II  
Level 38, 259 George Street  
Sydney NSW 2000

Dear Sirs

### **Summary of Valuation Report: Northway Plaza, 29 Queen Street, Bundaberg North QLD 4670**

#### **Instructions**

CBRE Valuations Pty Limited ("CBRE") accepted instructions dated 12 August 2016 to prepare a market Valuation for the freehold interest in the property listed above. This report is prepared for and may be relied on by Elanor Funds Management Limited as responsible entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II (together, Fund). The Valuation is prepared in accordance with the Australian Property Institute Australia and New Zealand Valuation and Property Standards January 2012, having regard to ANZVGN 8, Valuations for use in Offer Documents. The instructions specifically request us to provide our opinion of the market value of the property on the following basis:

- **Market Value - As Is - Subject to existing occupancy arrangements.**

CBRE has been instructed to provide a full Valuation Report in addition to this Summary Letter to be included in the Product Disclosure Statement ("PDS"). In accordance with ANZVGN 8, our Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed Property Risk Assessment and SWOT Analysis, plus the report details our Critical Assumptions, Assumptions, Disclaimers, Limitations and Qualifications and our Recommendations. As commercial investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, it is considered prudent to consider the entire contents of our Valuation Report. Therefore, we recommend that this Summary Letter is to be read and considered together with the Valuation Report. We accept no responsibility for reliance upon the Summary Letter. We refer the reader to Elanor Funds Management Limited to obtain a copy of our Valuation Report.

#### **Brief Description of the Property and Tenancy Details**

A modern, open style neighbourhood shopping centre located on the western side of Queen Street in Bundaberg, the centre was completed in 2006. The property additionally includes two vacant development sites fronting Queen Street which have a total combined area of approximately 4,087 square metres. In addition, Elanor Funds Management Limited has identified an additional 1,000 square metres at the rear of the allotment for potential expansion of the supermarket. Tenancies within the complex include a Cornett's Supa IGA supermarket and 12 specialty tenancies (including 1 vacant tenancy). The Cornett's Supa IGA lease is due to expire in October 2021, with three further 5 year option periods available.

#### **Market Movement**

The valuation referred to above represents the value of the property as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property or particular property sector). CBRE is not liable for losses arising from any subsequent changes in value.

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### Critical Assumptions and Reliance on Information Provided

A summary of the Critical Assumptions noted in the full Valuation Report are noted as follows:

- **Vendor Rental Guarantee**
  - In conjunction with the proposed sale, a two year gross rent guarantee is to be provided by the vendor over any vacant tenancies. We have included the benefit of this vendor rental guarantee within our calculations.
- We have relied upon information provided by Elanor Funds Management Limited.
- Our valuation is based upon the most current information available at the time the valuation was prepared. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease terms may also have a corresponding change to the value.
- In the current market it is our view that a 3 month marketing period may be required to effect a disposal of the interest in the asset assuming a professional marketing campaign.

### Report Content

Our Valuation Report, in addition to the content noted earlier, contains detailed information and description pertaining to: Instructions, Reliance and Liability; Site Details including Location, Legal, Environmental and Town Planning; Building Improvements; and our analysis of the asset's Occupational and Financial attributes. This is followed by a comprehensive Economic, Investment Market and Retail Market Overview and details of the sales evidence regarded, along with our Investment Considerations. Finally, the report considers the value and marketability of the property. We again refer the reader of this letter to our Valuation Report for detail in respect of the above items.

### Investment Sales Evidence

In order to assess the appropriate market parameters for the subject property, we have considered recent neighbourhood shopping centre transactions throughout Queensland, as summarised in following table. The sales analysis indicates:

- Equivalent yields of 6.51% to 7.75%, and initial yields of 5.68% to 7.39%.
- Internal Rates of Return (on a 10 year cash flow basis) of 6.85% to 8.78%, however it is noted that the majority of neighbourhood shopping centre purchasers are yield focussed, with limited reliance on DCF analysis in making their investment decisions.
- Capital value rates of \$3,324 to \$5,574 per square metre of lettable area.

These sales demonstrate investment activity during the last twelve months. Not all of the sales are considered to be directly comparable, however they do provide a range of evidence and set the parameters upon which we have based our assessment of value of the subject property.



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Elanor Funds Management Limited

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Centre Name	Sale Price	Sale Date	GLAR	Initial Yield	Equiv Yield	IRR	Spsm GLAR
Keppel Bay Plaza Yeppoon	\$28,100,000	May 2016	7,645	7.11%	7.5%	8.63%	\$3,676
Bushland Beach Plaza Bushland Beach	\$25,057,295	Apr 2016	4,495	6.89%	6.79%	6.85%	\$5,574
Noosa Junction Plaza Noosa Heads	\$16,000,000	Apr 2016	4,813	7.39%	7.75%	8.78%	\$3,324
Central Park Shopping Centre Calamvale	\$9,650,000	Apr 2016	1,871	7.13%	7.49%	8.62%	\$5,158
Coolum Park Shopping Centre Coolum Beach	\$19,750,000	Dec 2015	4,036	6.33%	6.57%	7.10%	\$4,893
Nambour Mill Nambour	\$28,571,000	Dec 2015	6,461	5.68%	6.96%	7.11%	\$4,422
Coles Shopping Centre Upper Coomera	\$12,500,000	Oct 2015	2,815	6.83%	6.79%	7.34%	\$4,440
Town Plaza Charters Towers	\$13,900,000	Sep 2015	3,547	7.10%	7.25%	8.39%	\$3,919
Southside Town Centre Southside	\$28,300,000	Sep 2015	5,976	6.38%	6.51%	8.08%	\$4,736
Vincent Shopping Centre Vincent	\$16,700,000	Sep 2015	4,959	6.55%	7.73%	7.90%	\$3,368

#### Valuation Rationale

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties.

We have placed primary emphasis on the capitalisation of net income approach and have additionally undertaken a DCF analysis as a supporting method of valuation.

A detailed explanation of the assets investment credentials and the application of the capitalisation approach and DCF methodology is provided in the full Valuation Report.

#### Valuation Summary

In accordance with the instructions, we summarise our valuation conclusion as at 20 August 2016, as follows:

Northway Plaza – Market Value 'As Is' - Subject to existing occupancy arrangements  
\$14,000,000 (Fourteen Million Dollars) GST exclusive



14 October 2016  
Elanor Funds Management Limited

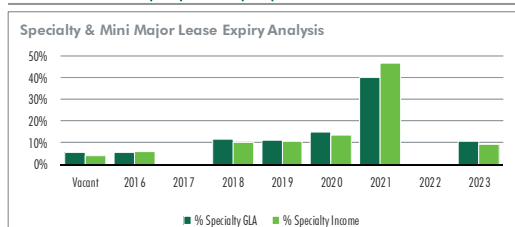
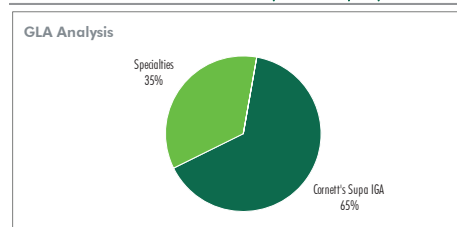
Page 4

The following table outlines our valuation conclusion and provides a brief summary of the tenancy profile and key investment parameters for the property as at 20 August 2016.

Valuation Summary (Freehold Interest)				Rental Analysis			
				Item	Passing Rent \$pa \$sqm	Market Rent \$pa \$sqm	
Gross Lettable Area	4,045.0 sqm			Tenant/Component			
Valuation Approach	Capitalisation & DCF			Majors - Gross Rent	717,625	273	717,625 273
Date of Valuation	20-Aug-16			Mini Majors - Gross Rent	-	-	-
Market Value	14,000,000			Specialties - Gross Rent	735,955	548	735,955 548
Net Passing Income	1,141,862			Gross Rent (as occupied)	1,453,580	366	1,453,580 366
Net Income, Fully Leased	1,172,662			Other Income	10,000	2	10,000 2
Net Market Income, Fully Leased	1,172,662			Gross Passing Income	1,463,580	362	1,463,580 362
Outstanding Tenant Incentives	Nil			Statutory Expenses	(74,711)	(18)	(74,711) (18)
Passing Initial Yield (excl. Land)	8.53%			Operating Expenses	(237,006)	(59)	(237,006) (59)
Reversionary Yield (excl. land)	8.76%			Non Recoverable Expenses	(10,000)	(2)	(10,000) (2)
Adopted Capitalisation Rate	8.50%			Net Passing Income	1,141,862	282	1,141,862 282
Terminal Yield	8.75%			Future Income from Vacancies	30,800	400	30,800 400
Target IRR	9.50%			Net Income (Fully Leased)	1,172,662	290	1,172,662 290
Ten Year IRR (Indicated - excl. land)	9.47%			Vacancy/Bad Debts Allowance	(26,836)	(7)	(26,836) (7)
Value psm of GLA (excl. land)	\$3,310			<b>NET INCOME</b>	<b>1,145,826</b>	<b>283</b>	<b>1,145,826 283</b>
	By Area	By Income					
Vacancy Allowance - Specialties		3.50%					
Current Vacancy - Specialties	5.43%	4.02%					
Current Vacancy - Whole Centre	1.90%	2.07%					

Note: Net income figures above are before deduction of vacancy/bad debts allowance.

Tenancy Profile				Moving Annual Turnover				
Tenant/Category	Area (sqm)	Gross Rent	Expiry	Tenant/Category	Last Year	This Year	% Var.	Current % GOC
Cornett's Supa IGA	2,626.0	717,625	Oct-21	Cornett's Supa IGA	23,191,467	22,740,723	-1.9%	3.2%
Majors (1)	2,626.0	717,625		Total Majors	23,191,467	22,740,723	-1.9%	
Mini Majors (0)	0.0	0		Mini Majors	-	-	0.0%	0.0%
Specialties (11)	1,342.0	735,955		Specialties	944,984	947,703	0.3%	
ATM (0)	0.0	0		Monthly Tenants	-	-	0.0%	
Freestanding (0)	0.0	0		Previous Tenants	-	-	0.0%	0.0%
Office (0)	0.0	0		Total Specialties	944,984	947,703	0.3%	16.3%
Monthly (0)	0.0	0		Other Reporting	-	-		
Vacant (1)	77.0							
<b>TOTAL</b>	<b>4,045.0</b>	<b>1,453,580</b>		<b>TOTAL</b>	<b>24,136,451</b>	<b>23,688,425</b>	<b>-1.9%</b>	



## Consent

CBRE provides its consent for the inclusion of this Summary Letter within the PDS, subject to Elanor Funds Management Limited making recipients of the PDS aware of the following liability disclaimers.

## Liability Disclaimer

- CBRE is not operating under an Australian Financial Services Licence when providing the full Valuation Report or this Summary Letter and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest in/with Elanor Funds Management Limited.
- CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the PDS, other than in respect to this Summary Letter and the full Valuation Report.
- The Valuation Report and this Summary Letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the PDS. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.

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Elanor Funds Management Limited

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- d) CBRE has prepared the full Valuation Report and this Summary Letter relying on and referring to information provided by third parties including financial and market information ("Information"). CBRE assumes that the Information is accurate, reliable and complete and it has not tested the information in that respect.
- e) References to the Property's value within this Summary Letter or the PDS have been extracted from CBRE's Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis as well as key critical assumptions, assumptions, disclaimers, limitations and qualifications and recommendations. As commercial investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, CBRE recommends that this Summary Letter and any references to value within the PDS must be read and considered together with the Valuation Report. This Summary Letter is to be read in conjunction with our full Valuation Report and is subject to the Assumptions, Limitations, Disclaimers and Qualifications contained therein. We refer the reader to Elanor Funds Management Limited to obtain a copy of the full report.
- f) No responsibility is accepted for any loss or damage arising as a result of reliance upon this Summary Letter.
- g) Neither this Summary Letter nor the full Valuation Report may be reproduced in whole or in part without prior written approval of CBRE.
- h) CBRE charges a professional fee for producing valuation reports, and the fee paid by Elanor Funds Management Limited for the Valuation Report and this Summary Letter was \$14,825 inclusive of GST.
- i) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the interest in the properties.
- j) This document is for the sole use of persons directly provided with it by CBRE. Use by, or reliance upon this document by anyone other than those parties named above is not authorised by CBRE and CBRE is not liable for any loss arising from such unauthorised use or reliance.

Yours sincerely  
CBRE Valuations Pty Limited

A handwritten signature in black ink, appearing to read 'Tom Irving'.

Tom Irving  
Senior Director – Valuation & Advisory Services

A handwritten signature in black ink, appearing to read 'J. Armstrong'.

Jared Armstrong  
Associate Director – Valuation & Advisory Services

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## 11. TAXATION IMPLICATIONS





Deloitte Tax Services Pty Ltd  
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The Directors  
Elanor Funds Management Limited  
as the responsible entity of  
Elanor Retail Property Fund I and Elanor Retail Property Fund II  
Level 38, 259 George Street  
Sydney NSW 2000  
Australia

14 October 2016

Dear Directors

### **Re: Elanor Retail Property Fund I and Elanor Retail Property Fund II - Australian Taxation Implications**

This letter has been prepared for inclusion in the Product Disclosure Statement (**Offer Document**) dated 14 October 2016 issued by Elanor Funds Management Limited in its capacity as the responsible entity of Elanor Retail Property Fund I (**ERPF I**) and Elanor Retail Property Fund II (**ERPF II**) (together, the **Fund**) (**Responsible Entity**) in relation to the issue of stapled units in the Fund (**Securities**). Capitalised terms take the same meaning as set out in the Offer Document unless otherwise indicated.

This letter provides a general summary of certain Australian income tax, capital gains tax (**CGT**) and goods and services tax (**GST**) consequences for Australian resident individuals and complying superannuation entities that subscribe for Securities pursuant to the Offer and hold the Securities on capital account for Australian income tax purposes (**Security Holders**).

This general summary does include consideration of the Australian tax consequences for investors that are non-residents of Australia for tax purposes, acquire the Securities otherwise than pursuant to the Offer, or acquire the Securities in the course of trading or dealing in securities or otherwise hold the Securities on revenue account or as trading stock, or as financial arrangements subject to the taxation of financial arrangements regime.

This is a general summary only and is not intended to be, and should not be taken as, definitive Australian tax advice to a Security Holder and does not consider all possible circumstances that may affect the position of each Security Holder.

Potential Security Holders should be aware that the actual Australian tax implications of investing in the Fund may differ from those summarised in this letter, depending on their individual circumstances. Applicants should seek advice from their own professional taxation adviser regarding the Australian tax (including GST and stamp duty) consequences of acquiring, holding and selling Securities in the Fund, having regard to their particular circumstances.

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14 October 2016

This summary is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this letter. Security Holders should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws may affect the taxation treatment of the Fund and the Security Holders described in this summary.

This summary is based on the facts as set out in the Offer Document that have not been independently reviewed or verified by Deloitte Tax Services Pty Ltd. The inclusion of this letter in the Offer Document is subject to the terms of our consent for its inclusion and to be named in the Offer Document, as set out in Section 15.6 of the Offer Document.

The representatives of Deloitte Tax Services Pty Ltd involved in preparing this letter are not licensed to provide financial product advice as defined by the *Corporations Act 2001*. Potential Security Holders may consider seeking advice from an Australian financial services licence holder before making any decision in relation to a financial product. Security Holders should also note that taxation is only one of the matters that need to be considered when making a decision on a financial product.

Unless otherwise stated, all legislative references in this letter are to the *Income Tax Assessment Act 1936* and *Income Tax Assessment Act 1997* (together, the **Tax Act**). It is noted that any of the tax laws referred to are subject to change periodically, as are their interpretation by the Courts and the Australian Taxation Office (ATO). We have no obligation to provide an updated tax letter to reflect such changes.

## 1 Nature of Investment

An investment in the Securities should be treated for Australian taxation purposes as an investment in each of the individual securities. As such, a Security Holder of a Security should be regarded for Australian taxation purposes as holding one unit in ERPF I and one unit in ERPF II.

## 2 Taxation treatment of ERPF I and ERPF II

### 2.1 Income tax status of ERPF I and ERPF II

Generally speaking, unit trusts such as ERPF I and ERPF II are treated as ‘flow through’ entities for income tax purposes. Accordingly, the Responsible Entity should generally not be liable to pay income tax on the net (i.e. taxable) income of ERPF I and ERPF II, on the basis that the Security Holders will have a present entitlement to all of the income of ERPF I and ERPF II at the end of each income year. Consequently, the Security Holders will be the persons who will be assessed on the taxable income of ERPF I and ERPF II.

On the basis that ERPF I and ERPF II are “flow through” entities, each component of ERPF I and ERPF II’s taxable income should retain its character when assessed in the hands of the Security Holders.

For income tax purposes, a trust may be taxed as a company if it is a “public trading trust”. Provided that neither ERPF I, ERPF II, nor an entity that either ERPF I and ERPF II controls, carries on a “trading business”, they should not be classed as a public trading trusts.

We have also been instructed that the Responsible Entity will not undertake any investment activities that would cause ERPF I and ERPF II to be considered to control or carry on a “trading business”, for the purpose of the public trading trust rules. As such, it is expected that ERPF I and ERPF II should qualify as “flow through” trusts for Australian income tax purposes.

Each of ERPF I and ERPF II may satisfy the requirements to be a “managed investment trust” (MIT) for income tax purposes. Whether ERPF I and ERPF II qualify separately as a MIT is dependent upon each of



ERPF I and ERPF II satisfying certain licensing requirements, the “widely held” and “closely held” ownership requirements and other conditions on a year by year basis.

Being classified as a MIT would allow ERPF I and ERPF II to make an irrevocable election to apply the CGT rules as the primary code for the taxation of gains and losses on the disposal of certain assets (being primarily shares, units and real property). In order to apply deemed capital account treatment, broadly, the Responsible Entity must make the capital election before ERPF I and ERPF II are required to lodge their tax returns for the first income year in which they qualify as a MIT.

We understand that if ERPF I and ERPF II qualify as MITs, it is the intention of the Responsible Entity to make the capital account election, if required, so that certain investments of ERPF I and ERPF II are deemed to be held on capital account. In this regard, capital gains made by ERPF I and ERPF II from the realisation of investments held, or deemed to be held, on capital account that have been held for 12 months or more should qualify for a CGT discount (with the discount being 50% in the case of an individual or trust, or 33 1/3% in the case of a complying superannuation entity).

### 3 Income taxation treatment of Australian tax resident Security Holders

#### 3.1 Acquisition of Securities

Each unit in ERPF I and ERPF II will be a CGT asset. For CGT purposes, the cost base (and reduced cost base) of each unit will include the amount each Security Holder paid to acquire the unit plus any incidental capital costs of acquisition.

#### 3.2 Distributions from ERPF I and ERPF II

Provided Security Holders are presently entitled to the distributable income of ERPF I and ERPF II, they will be required to include in their assessable income, a proportionate share of ERPF I and ERPF II’s net income for each relevant income year. A Security Holder’s proportionate share of ERPF I and ERPF II’s net income will be determined by the proportional entitlement to the distributable income of ERPF I and ERPF II. There may be circumstances where ERPF I and ERPF II’s net income for tax purposes and the distributable income vary.

Generally speaking, Security Holders will be assessed in the same year in which ERPF I and ERPF II derived the income. This will include ERPF I and ERPF II’s distributions that a Security Holder becomes presently entitled to but may not receive until after year end. Note that distributions may include capital gains that relate to a period before the investor became a Security Holder.

Each component of ERPF I and ERPF II’s net income should retain its tax character in the hands of the Security Holder for income tax purposes. Such distributions should generally be included in Security Holder’s assessable income.

Distributions of capital gains may be eligible for a CGT discount (with the discount being 50% in the case of an individual or trust, or 33 1/3% in the case of a complying superannuation entity), provided that ERPF I or ERPF II held the relevant asset on capital account for at least 12 months.

ERPF I and ERPF II may also make cash distributions to Security Holders in excess of the net income of ERPF I and ERPF II. Such distributions may arise as a result of:

- “Tax deferred” distributions (e.g. return of capital or income sheltered by tax depreciation deductions); and



- “CGT concession” distributions (e.g. the discount component of net capital gains derived by ERPF I and ERPF II).

Tax deferred distributions are not assessable to Security Holder but, for CGT purposes, will reduce the cost base (and reduced cost base) of a Security Holder's Securities in ERPF I and ERPF II (but not below nil). If the cost base of a Security is reduced to nil, the Security Holder will make a capital gain on any further tax deferred distributions received. Any such capital gain may be eligible for discount CGT treatment depending on whether the Security Holder has held the Security for at least 12 months (with the discount being 50% in the case of an individual or trust, or 33 1/3% in the case of a complying superannuation entity). Distributions of CGT concession amounts in relation to the discounted portion of a capital gain are not assessable to Security Holders and should not affect the cost base (or reduced cost base) of Security Holder's Securities in ERPF I and ERPF II for CGT purposes.

If ERPF I or ERPF II makes a tax loss in any income year, the tax loss is not distributable to the Security Holders. Instead, the tax loss may be able to be carried forward and utilised by ERPF I or ERPF II to offset future assessable income and capital gains, provided that the applicable trust loss rules contained in the Tax Act are satisfied. Any capital losses of ERPF I or ERPF II in any income year may also be carried forward, but may only be applied against future capital gains.

The Responsible Entity will provide distribution statements to the Security Holders setting out the details of each distribution of ERPF I and ERPF II.

### 3.3 Sale or Redemption of Securities

A sale or redemption of Securities will constitute a disposal for CGT purposes, and may result in a capital gain or capital loss for a Security Holder.

A capital gain will arise to a Security Holder where the capital proceeds received from the sale or redemption of a Security are greater than the cost base of the Security for CGT purposes. A capital loss will arise if the capital proceeds on sale or redemption of a Security are less than the reduced cost base of the Security for CGT purposes.

Discount CGT treatment may be available to reduce the capital gain realised by a Security Holder on the sale or redemption of their Securities. If the Security has been held for at least 12 months, a Security may, after offsetting capital losses of the Security Holder, be able to discount the resulting capital gain by one half in the case of an individual or trust, or one third in the case of a complying superannuation entity.

Security Holders who dispose of their Securities within 12 months of acquiring them, or dispose of them under an agreement entered into within 12 months of acquiring the Securities, will not be eligible for discount CGT treatment.

Any capital gain or capital loss realised by a Security Holder in respect of the Securities should be aggregated with any other capital gains or capital losses that the Security Holder may have in that income year, less any available net capital losses from prior income years, discounts or reductions, to determine the Security Holder's net capital gain or capital loss for that year.

A net capital gain is included in the Security Holder's assessable income. A capital loss can only be offset against capital gains. Capital losses may be carried forward and offset against future taxable capital gains, although the utilisation of capital losses by certain entities is subject to the satisfaction of loss carry forward rules.



### 4 Recently enacted attribution managed investment trust regime

A new tax regime for certain trusts that qualify as “attribution managed investment trusts” (**AMITs**) has recently been enacted. The application of the AMIT regime is elective, however if ERPF I and ERPF II qualify and the Responsible Entity chooses to apply the regime, that choice is irrevocable (although ERPF I or ERPF II may cease to be an AMIT in the future if it ceases to qualify).

Broadly, the key features of the new AMIT regime include the following:

- an attribution model for determining member tax liabilities;
- the ability to reconcile variances between the net income attributed to members for an income year, and the actual net income of the AMIT through a legislated “unders and overs” regime;
- deemed “fixed trust” treatment for the purposes of the Tax Act;
- annual upward (as well as downward) cost base adjustments for investors;
- clarification about the taxation treatment of tax deferred and tax free distributions; and
- the ability to make a further election to generally treat individual classes as separate AMITs (including for the purposes of attribution of tax components to investors).

We understand that the Responsible Entity is currently considering the timing of any election to apply the AMIT regime to ERPF I and ERPF II (if eligible to do so). If such an election is made, although the manner in which the net income of ERPF I and ERPF II is allocated to Security Holders will be different, it is currently not expected that there should be material differences in the taxation outcome for Security Holders.

The AMIT regime is a significant and substantial reform, and there are likely to be refinements required to the regime following implementation. In the course of the passage of the legislation a Senate Economics Legislation Committee recommended that a comprehensive and formal post-implementation review of the legislation and operation of the tax system for AMITs be undertaken by Treasury and completed by 1 July 2018. The Responsible Entity will monitor any developments in respect of the AMIT regime and will take advice where necessary.

### 5 Withholding of tax from distributions

The Responsible Entity is required to deduct Pay-As-You-Go withholding tax from distributions paid to Security Holders at the highest marginal tax rate, including the Medicare Levy and the temporary budget repair levy for the 2017 financial year (total currently 49%) if the Security Holder has not quoted either their Tax File Number or Australian Business Number, and none of the relevant exemptions apply. Security Holders should generally be entitled to a tax credit for any such tax withheld.



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## 6 GST

The issue of the Securities in the Fund, and any sale of those Securities by Security Holders should not attract GST. Cash amounts paid to Security Holders as distributions from the Fund should also not attract GST.

In some circumstances, Security Holders that are GST registered entities may suffer limitations on their ability to recover GST on acquisitions which relate to their dealings in the Securities.

Yours sincerely

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke.

**Max Persson**  
Partner  
Deloitte Tax Services Pty Ltd





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## 12. RISKS

The Fund's business activities are subject to risks, specific both to its investment in property and its operations, as well as of a general nature. Many of these risks, or the consequences of them, are outside the control of the Responsible Entity. Individually, or in combination, these risks may affect the future operating performance of the Fund and the value of an investment in the Fund if they eventuate.

Prospective investors should note that this Section identifies the Directors' current views on the key risks of an investment in the Fund and is not intended to be exhaustive. Prospective investors should carefully consider the risk factors identified, in addition to the other information in this PDS, before deciding to invest in Securities. Prospective investors should ensure they have sufficient awareness of the risks and have regard to their own investment objectives, financial circumstances and taxation position before deciding to invest.

If you do not understand any part of this PDS, or are in doubt as to whether to invest in Securities or not, it is recommended that you seek professional guidance from your broker, solicitor, accountant or other qualified professional adviser before deciding whether to invest.

## 12.1 RISKS SPECIFIC TO YOUR INVESTMENT IN PROPERTY

These risks relate to an investment in real estate:

### 12.1.1. PROPERTY VALUATIONS

The Responsible Entity has obtained independent valuations for each of the properties in the Portfolio and will periodically confirm those values by engaging an independent valuer in accordance with the Fund's valuation policy. Valuations ascribed to each property will be influenced by a number of ongoing factors affecting the Australian property market generally, as well as the Fund in particular, including:

- supply and demand for retail properties;
- general property market conditions; and
- the ability to attract and implement economically viable rental arrangements.

In addition, the independent valuations of the Properties included in this PDS are the best estimates of the independent valuers at a certain point in time and may not reflect the actual price a property would realise if sold. The independent valuations are subject to a number of assumptions which may not be accurate. A reduction in the value of any Property may have a negative impact on the Fund's income statement and may adversely affect the value of Securities in the Fund. It may also impact on the Fund's financing arrangements.

### 12.1.2. RENTAL INCOME

Distributions made by the Fund are largely dependent upon the rents received from its property Portfolio and the expenses incurred during operations. Rental income may be adversely affected by a number of factors, including:

- overall macroeconomic conditions;
- local real estate conditions;
- competition from other shopping centres;
- the perceived attractiveness of the shopping centre for prospective tenants and shoppers;
- the financial condition of tenants and their turnover, which affects the rental income received from specialty tenants;
- increases in rental arrears and vacancy periods;
- extensions of incentives offered to attract prospective tenants;
- additional expenses associated with re-leasing the tenancies or enforcement action;
- potential impact of internet sales on turnover or profitability of tenants;
- changes in retail tenancy laws; and
- external factors including terrorist attacks, significant security incidents, Acts of God or a major world event.

The Forecast Financial Information included in this PDS makes a number of assumptions in relation to the level of rental income (see Section 8), including that all existing leases are performed in accordance with their terms. Any negative impact on rental income (including a failure of existing tenants to perform existing leases in accordance with their terms) could materially adversely affect the Fund's financial performance and Distributions.

### 12.1.3. RE-LEASING AND VACANCY

The Portfolio's leases come up for renewal on a periodic basis, and there is a risk that the Fund may not be able to negotiate suitable lease renewals with existing tenants, maintain existing lease terms, or replace outgoing tenants with new tenants. The ability to secure lease renewals or to obtain replacement tenants may be influenced by any leasing incentives granted to prospective tenants and the supply of new retail properties in the market, which, in turn, may increase the time required to let vacant space. Should the Fund be unable to secure a replacement tenant for a period of time or if replacement tenants lease the property on less favourable terms than existing lease terms, this will result in a lower rental return to the Fund, which could materially adversely affect the financial performance of the Fund and Distributions.

A number of existing leases have expired or will shortly expire. In particular, a lease related to Target at Manning Mall is scheduled for expiry in November 2018. The Target lease represents approximately \$0.7 million per annum in rent and accounts for 19% of Manning Mall by total base rental income and 32% by gross lettable area. There is no guarantee that the Fund will be successful in renewing the Target lease, or that the Fund will be able to renew the lease on similar or not less favourable terms.

The Fund could lose key tenants due to a range of events including as a result of failure to renew a lease, the termination of a lease due to change of control, deterioration in the level of service provided to tenants, weakening of tenant relationships or disputes with tenants, consolidation of a tenant's sites or insolvency of tenants. Any of these factors could materially adversely affect the financial performance of the Fund and Distributions.

### 12.1.4. DEVELOPMENT

In seeking to maximise returns for investors, the Responsible Entity will consider opportunities to enhance the value of the Fund's existing Properties and selectively acquire new properties with development potential. While the Responsible Entity does not intend to undertake any development on a speculative basis, there are typically higher risks associated with development activities than holding developed assets.

The risks faced by the Fund in relation to existing or future development contractor projects will depend on the terms of the transaction at the time. There is a risk that a contractor engaged on any given project is unable to complete the specified works on time or could default on other obligations under its contract. Completion of construction works may be delayed for a number of reasons, including industrial disputes, inclement weather, permitted variations to the works, changes to legislative requirements, delays in authority inspections or regulatory approvals or a builder experiencing financial difficulties. Even where a development is under a fixed price contract, there is a risk of potential contractor default where actual development costs are materially greater than expected. In those circumstances, the actual development costs may not be able to be funded by the contractor and the development may not complete unless the Fund agrees to bear the excess costs or is able to replace the contractor. However, the Fund may not be able to replace the contractor with another with similar experience and/or on terms as advantageous to it. In addition, the Fund may suffer loss of rent in respect of a delay in completion. Any of these factors could materially adversely affect the financial performance of the Fund and Distributions.

### 12.1.5. PROPERTY LIQUIDITY

The Fund may be required to dispose of some of its property assets in response to adverse business conditions. Given the relatively illiquid nature of property investments, the Fund may not be able to achieve the disposal of the property asset(s) in a timely manner or at an optimal sale price. There is no guarantee that the time a property is put out to the market coincides with an optimal time to sell, particularly when the decision is driven by a factor other than the receipt of a third party favourable offer. This may affect the Fund's net asset value or trading price per Security.

### 12.1.6. CAPITAL EXPENDITURE

The forecast Capital Expenditure represents the Director's current best estimate of the associated costs in maintaining the existing property portfolio. Capital expenditure may exceed the current forecasts which could lead to increased funding costs and potentially lower Distributions.

### 12.1.7. COMPETITION

The Fund will face competition from other property groups active in Australia. Some of these competitors have significantly greater scale, and may have an advantage in acquiring properties relative to the Fund due to more readily available sources of capital and a lower return threshold. Competition for new acquisitions in the sector in which the Fund operates may make it difficult for the Fund to acquire properties and to increase its scale or its level of diversification. In addition, such competition could lead to the following adverse outcomes:

- loss of specialty retail tenants to competitors;
- a reduction in turnover rents;
- an inability to secure new tenants resulting from oversupply of retail space; and
- an inability to secure maximum rents due to increased competition.

### 12.1.8. ENVIRONMENT AND CONTAMINATION RISK

Property income, Distributions or property valuations could be adversely affected by discovery of an environmental contaminant and the costs of property preservation associated with environmental contamination. This risk may occur whether or not the contamination was accidental, caused by the Fund, or by prior owners or third parties. It may not be possible to ascertain in due diligence on a new acquisition. Remediation costs may be significant, and there may be consequential effects such as Property closure and loss of rent (including potential costs of relocation of tenants in some circumstances) which could adversely affect Distributions and the Security price of the Fund. It may also potentially hinder the ability of the Fund to dispose of the property and their ability to be used as collateral may be limited.

In addition, new or more stringent environmental laws or regulations introduced in the future, for example, in order to combat climate change, may require the Fund to undertake material expenditure to ensure that the relevant standards are met.

Exposure to hazardous substances at a property within the Portfolio could result in personal injury claims. Where such a claim is not covered by insurance, there is a risk the claim could prove greater than the value of the contaminated property which may adversely affect the financial performance of the Fund and Distributions.

There is potential flood risks in owning property assets. For example, Northway Plaza was impacted by a 1-in-200 year flood event in early 2013 (prior to its proposed acquisition by the Fund) and has suffered from flood-related damages. Overall whilst the shopping centre's building structure remained in good condition, this rare flood event resulted in an insurance claim of approximately \$1.2 million. As part of its acquisition of Northway Plaza, the Manager has obtained comprehensive building and liability insurance cover with a sub-limit for flood related claims of \$1.0 million in any one year.

## 12.2 RISKS SPECIFIC TO YOUR INVESTMENT IN THE FUND

These risks relate specifically to your investment in the Fund:

### 12.2.1. FINANCIAL INFORMATION AND FORECASTS

The forward looking statements, opinions and estimates provided in this PDS, including the Forecast Financial Information rely on various factors, many of which are outside the control of the Responsible Entity, and several assumptions (some of which are described in Section 8.4), any of which could be inaccurate or result in material deviations in actual performance from expected results. There can be no guarantee that the Fund will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

The Fund's financial forecasts may also be negatively impacted by any unexpected increases in non-recoverable property operating expenses.

### 12.2.2. RESPONSIBLE ENTITY AND MANAGEMENT

By investing in the Fund, Security Holders have delegated investment decisions to the Responsible Entity and its officers. The Responsible Entity has delegated the day to day management of the Fund and the Portfolio to the Manager, as well as to other external service providers.

Accordingly, the Fund is reliant on the management expertise, support, experience and strategies of the key executives of Elanor Investors Group and other third parties, which cannot be assured. If Elanor Investors Group (and its subsidiaries) and other third parties do not perform as service providers, this could have an adverse

impact on the management and performance of the Fund and therefore Distributions and the price of Securities. The past performance of the Elanor Investors Group is not a guarantee of the future performance of the Fund.

The ability of the Manager to discharge its responsibilities in terms of managing the Portfolio depends to a significant extent, on the experience, knowledge and performance of its key personnel; in particular the senior management of Elanor Investors Group disclosed in Section 6.4. The loss of key personnel, a sustained underperformance by key personnel or any delay in the appointment of their suitable replacements may therefore materially adversely affect the financial performance of the Fund and Distributions.

In addition, if Elanor Funds Management Limited is replaced as responsible entity of the Fund by an entity that is not a related body corporate of the Elanor Investors Group, there is potential for adverse effects to be experienced by the Fund due to the loss of the services of the Manager (as the Investment Management Agreement and the Property and Development Management Agreement will provide the incoming responsible entity and/or the Manager a right to terminate in these circumstances). If the Investment Management agreement is terminated as a result of the change in responsible entity, the Manager will be entitled to a compensation payment equal to 24 months management fees and termination of the Property Management Agreement will result in a payment to the Manager equal to two times the fees paid under that agreement in the previous 12 months.

### 12.2.3. CONFLICTS OF INTEREST WITH OTHER ELANOR MANAGED FUNDS

In addition to being the responsible entity of the Fund, the Responsible Entity is also the responsible entity of a number of managed funds in the Elanor Investors Group. Elanor was established in July 2014 and also has an asset-based investment strategy. In considering investment opportunities, the Manager and Responsible Entity must make a decision as to which of the Fund, or Elanor, or any other funds managed in the future by the Responsible Entity or members of the Elanor Investors Group, will have the opportunity to participate in the relevant opportunity. The Manager currently intends to first offer to the Fund any opportunity to acquire an investment in a neighbourhood or sub-regional shopping centre that the Manager identifies and which falls within the Fund's investment strategy (subject to certain exceptions), however neither the Fund, nor Elanor Investors Group (nor any other fund), will otherwise have priority over the other in relation to any investment opportunity.

### 12.2.4. ACQUISITIONS

The Fund has entered into contracts to acquire the Tweed Mall and Northway Plaza Properties. The Acquisition Agreement in respect of Northway Plaza contains a number of conditions precedent to settlement, some of which are outside the control of the Responsible Entity. These conditions are described in Sections 14.11. Whilst the Responsible Entity anticipates that these conditions will be satisfied around the time of Allotment, there is a risk that there may be a delay in satisfying the conditions precedent, and therefore a delay in settlement, which could affect the financial performance of the Fund and Distributions.

In addition to acquiring Tweed Mall and Northway Plaza, the Fund will continue to seek to identify new retail property assets for acquisition. There is a risk that the Fund will be unable to identify future properties that meet the Fund's investment objectives, or if such properties are identified, that they cannot be acquired on appropriate terms, thereby potentially limiting the growth of the Fund. Any failure to identify appropriate properties or successfully acquire such properties could materially adversely affect the growth prospects and the financial performance of the Fund and Distributions.

The Fund will endeavour to conduct all reasonable and appropriate due diligence on potential acquisition properties. There is a risk that warranties or indemnities cannot be obtained or that acquired properties do not perform as expected due a variety of factors including but not limited to tenants vacating the properties or tenant default. The Fund will seek to obtain customary warranties and indemnities from vendors of the acquired properties, however there is a risk that potential issues are uncovered subsequent to due diligence and that these risks cannot be fully mitigated by the warranties and indemnities in the sale and purchase agreements for those acquisitions. If an unforeseen liability arises in respect of which the Fund is not able to be indemnified, this may materially adversely affect the financial performance of the Fund and Distributions. There can be no assurance that any future acquisitions will enhance the investment returns of Security Holders.

In relation to the Portfolio, some of the information regarding the acquisition of the properties has been derived from information made available by or on behalf of the vendors of each Property. Although the Fund (and its advisers) have conducted reasonable levels of due diligence, they have not verified the accuracy and completeness of all information provided to it. To the extent that any of this information is incomplete, inaccurate or misleading, there is a risk that the financial performance of the Fund may differ from its expectations, potentially adversely. Further, if the properties have not been managed consistently with expectations, there is a risk that the

financial performance of the Fund may differ from expectations, potentially adversely, including writing down the carrying value of assets.

### 12.2.5. SECTOR CONCENTRATION

It is intended that the Fund will predominantly invest in retail property assets in the Australian market. Accordingly, the Fund's performance will depend, in part, on the general performance of the Australian retail property sector as well as the performance of individual geographical segments within a particular catchment area.

The performance of the retail property sector is correlated to retail sales which are affected by consumer sentiment. A decline in consumer sentiment could impact the demand for product offering of the Portfolio's key tenants and have an adverse effect on sales revenue, which could impact the Fund's financial performance.

Any downturn in activity in the Australian retail property market or a downturn the geographical segments of that market could materially adversely affect the Fund's financial performance and Distributions.

### 12.2.6. TENANT CONCENTRATION

In aggregate, approximately 50% of gross income of the Fund is generated from the top ten tenants. There is a risk that if one or more of the major tenants ceases to be a tenant, the Fund may not be able to find a suitable replacement tenant or may not be able to secure lease terms that are as favourable as current terms. Should the Fund be unable to secure a replacement tenant for a major tenant for a period of time or if replacement tenants lease the property on less favourable terms, this will result in a lower rental return to the Fund, which could materially adversely affect the financial performance of the Fund and Distributions.

### 12.2.7. RENTAL GUARANTEES

Under the Acquisition Agreements for Tweed Mall and Northway Plaza, the vendors have agreed to provide Rental Guarantees covering nominated vacant tenancies at their market rental income for a period of two years following settlement of the Acquisitions.

If the period to secure a new tenant for any of those vacancies in these properties is longer than anticipated or the rental under a new lease is less than anticipated, the Rental Guarantee may not be sufficient to fully recompense the Fund. In these circumstances, rental income could be negatively impacted which could materially adversely affect the Fund's financial performance and Distributions.

### 12.2.8. NEW STAPLED ENTITY WITH NO PREVIOUS PUBLIC MARKET TRADING HISTORY

The Fund will be a new stapled entity with no previous public market trading history of its Securities. As the Fund is a new stapled entity with no previous public market trading history, corporate costs could be higher than forecast. The Fund's financial forecasts may also be negatively impacted by any unexpected increases in non-recoverable property operating expenses.

### 12.2.9. STAMP DUTY ON ACQUISITIONS AND RESTRUCTURE

On the basis that no person, either alone or with associated persons, acquires a 50% or greater interest in either Trust as part of the Restructure, the Responsible Entity currently expects that no ad valorem stamp duty should be payable on the Restructure. Stamp duty will be payable on the acquisition of the New Properties. To the extent that stamp duty is levied other than as expected, then the Fund may incur significant unexpected costs. These are estimated to be in the order of up to \$7.8 million.

### 12.2.10. FUNDING AND REFINANCING

In order to fund new acquisitions, capital expenditure or other material capital events, the Fund intends to rely on funding options including equity, debt or a combination of both. The Fund's ability to raise funds from either debt or equity markets on favourable terms is dependent on a number of factors including:

- the general economic and political climate;
- the state of debt and equity capital markets; and
- the performance, reputation and financial strength of the Fund.

Changes to any one of these underlying factors could lead to an increased cost of funding or an inability to attract funding. This may adversely affect the Fund's ability to make future acquisitions or to meet future capital



expenditure needs that in turn could adversely affect the growth prospects of the Fund or even the Fund's ability to maintain its Properties to the requisite standard (which in turn may affect its ability to retain existing, or to attract new tenants).

In addition, an inability to refinance the Fund's existing debt facilities (either on acceptable terms or at all), or any increase in the cost of such funding, may also adversely impact performance and financial position of the Fund.

### 12.2.11. GEARING

The Fund's target Gearing range is provided in Section 4.9 of this PDS. Details of the Fund's Debt Facilities are set out in Section 4.8.

The level of gearing will magnify the effect on the Fund of any changes in interest rates or changes in value or performance measures. A higher level of gearing will increase the effect. If the level of Gearing increases over the term of the Debt Facility this is a factor that may create refinancing risk on the Fund's debt facilities as they approach expiration.

### 12.2.12. INTEREST RATES AND FINANCIAL COVENANTS

There is a risk when the Fund seeks the extension, refinancing or establishment of debt financing and interest rate hedges that it may be unable to do so on current terms. It is possible that interest rates and the cost of interest rate hedges will increase in the future, or new lenders may require more stringent financial covenants than those contained in the Debt Facility, each of which could have a material negative impact on the Fund's financial performance and available distributions.

### 12.2.13. BREACH OF DEBT FACILITY

Banks may seek repayment of the Debt Facility prior to expected facility expiry if an event of default occurs which is not remedied. The Debt Facility contains undertakings to maintain certain loan-to-value ratios and interest coverage ratios, and an event of default would occur if the Fund fails to maintain these financial levels. The Fund may need to dispose of assets for less than their face value, raise additional equity, or reduce or suspend distributions in order to repay the Debt Facility. Details of the financial ratios that are included in the Debt Facility are set out in Section 4.8.

### 12.2.14. TAX

To the extent that ERPF I and ERPF II are not classified as "public trading trusts", the Fund will generally not be subject to Australian income tax, including capital gains tax, under current Australian income tax legislation provided that the Fund's Security Holders are presently entitled to all of the income of the Fund at the end of each income year, as should be the case under the Constitutions. Consequently, Distributions made by the Fund will be on a 'pre-tax' basis with any Australian income tax in respect of the Fund's income being payable by, or on behalf of, Security Holders rather than the Responsible Entity. Changes in the Fund's business activities could result in the Fund incurring tax on its income in the future, such that subsequent distributions would be paid on a 'post-tax' basis. Furthermore, changes to Australian tax legislation or regulations, or the interpretation thereof by the courts, may impact on the manner or basis of taxation of the Fund or Security Holders.

Further details of tax consequences for certain Australian investors are provided in Section 11 of this PDS.

### 12.2.15. INSOLVENCY

In the event of any liquidation or winding up of the Fund the claims of the Fund's creditors will rank ahead of those of its Security Holders. Under such circumstances the Fund will first repay or discharge all claims of its creditors. Any surplus assets will then be distributed to the Fund's Security Holders. All Security Holders will rank equally in their claim and will be entitled to an equal share per Security.

### 12.2.16. COMPLIANCE RISK

The Responsible Entity is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity breaches the Corporations Act or the terms of its AFSL, ASIC may take action to suspend or revoke the licence, which in turn would adversely impact the ability of the Responsible Entity to manage the Fund. In order to ensure compliance with the Fund Constitutions, the Corporations Act and the Listing Rules, the Responsible Entity has adopted the Compliance Plans which sets out the key processes the Responsible Entity will apply in complying with its compliance obligations.

### 12.2.17. DISPUTES AND LITIGATION

The Fund may be subject to litigation and other claims and disputes in the course of its business, including tenancy disputes, employment disputes, indemnity claims and occupational health and safety. The Fund may also be subject to regulatory investigations by governmental agencies and may be subject to sanctions or fines by those governmental agencies in the event of non-compliance with relevant statutory, regulatory or licensing requirements. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, may materially adversely affect financial performance of the Fund and Distributions.

## 12.3 GENERAL RISKS

These risks are typically common of most investments:

### 12.3.1. PRICE OF SECURITIES

The price of the Securities in the Fund quoted on the ASX may fluctuate resulting in the Securities trading at prices below or above the Offer Price. These fluctuations may be due to a number of factors including:

- changes to general economic conditions in Australia and abroad including inflation, interest rates and exchange rates;
- shifts in retail consumer sentiment;
- demand for property securities both domestically and internationally;
- changes in Government policy, legislation and regulations;
- inclusion or removal from major market indices; and
- general and operational business risks.

Consequently the trading price of the Securities may be influenced by factors non-specific to the Fund and out of the Responsible Entity's ability to control. These fluctuations could have materially adverse effects of the trading performance of the Securities.

No assurances can be made that the performance of the Securities will not be adversely affected by such market fluctuations or factors. None of the Responsible Entity, its Directors or any other person guarantees the performance of the Securities.

### 12.3.2. TRADING OF SECURITIES

The Fund has no trading history on public markets prior to the Offer. Consequently, following listing and Official Quotation on the ASX there is no guarantee that an active trading market will develop for the Securities. Liquidity of the Securities will be dependent on the volume of relative buyers and sellers in the secondary market at any given time. Additionally, large Security Holders choosing to trade out of their positions at discounts to prevailing market prices may also affect the market.

Increased trading price volatility may occur as a result of any of these factors with the outcome being that Security Holders selling their Securities into the public markets may receive a sale price that is less than the Offer Price.

### 12.3.3. INSURANCE

The Fund will carry a range of insurances which the Responsible Entity Board and management view as customary for similar properties. However, there are certain events for which the Fund will not maintain insurance cover. These events may include, but are not limited to:

- Acts of war or political instability;
- Acts of terrorism; or
- Catastrophic events such as floods or earthquakes.

If any of the Fund's properties are damaged or destroyed by an event for which the Fund does not have coverage, the Fund could incur a capital loss and lost income which could reduce Security Holders' returns.

Dependent on the type of coverage, the Fund may have to incur an excess prior to any payment by the insurer or pay for any difference between the full replacement cost and insured amount. The Fund may also incur increases to its insurance premium applicable to other areas of cover as a result of the event.

The Fund may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or fail.

### 12.3.4. ACCOUNTING STANDARDS

The Australian Accounting Standards to which the Fund adheres are set by the Australian Accountings Standards Board (AASB) and are consequently out of the control of the Responsible Entity and its Directors. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Fund's financial statements.

### 12.3.5. GENERAL ECONOMIC CONDITIONS

There is the risk that changes in economic and market conditions may affect asset returns and values and may decrease the Security price. The overall performance of Securities may be affected by changing economic or property market conditions. These may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies.

### 12.3.6. LEGAL AND REGULATORY CHANGES

There is the risk that changes in any law, regulation or government policy affecting the Fund's operations (which may or may not have a retrospective effect) will have an effect on the Portfolio and/or the Fund's performance. This may include changes to taxation regimes.

### 12.3.7. FORCE MAJEURE

Unforeseen circumstances and situations may affect any of the Fund's properties or property interests. These unforeseen circumstances are outside the control of the Responsible Entity, however the Fund may be required to remediate any resulting damage or loss. The cost of remediation could be substantial. In addition, if the Fund is not able to remediate a site properly, this may adversely affect its ability to sell the relevant property or to use it as collateral for borrowings.

### 12.3.8. DILUTION FROM FUTURE CAPITAL RAISINGS

Future capital raisings and equity-funded acquisitions by the Fund may dilute the holdings of Security Holders. In the normal course of managing the Fund the Responsible Entity is seeking to increase distribution income to Security Holders and to provide the potential for capital growth. In order to provide this growth, capital raisings may be undertaken to acquire property investments. At the extreme, a capital raising may need to be undertaken to reduce debt in order that the Fund remain compliant with its debt covenants.



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## 13. FEES AND OTHER COSTS

## 13. FEES AND OTHER COSTS

The Corporations Act requires Elanor Funds Management Limited as the Responsible Entity of the Fund to include the following standard consumer advisory warning. The information in the consumer advisory warning is standard across all product disclosure statements and is not specific to information on fees and costs in the Fund.

### 13.1 CONSUMER ADVISORY WARNING

#### CONSUMER ADVISORY WARNING

##### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

##### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities & Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

### 13.2 FEES AND OTHER COSTS

The following table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole. Taxes are set out in section 11. You should read all the information about fees and costs because it is important to understand their impact on your investment. All fees are quoted before GST.

Type of fee or cost	Amount	How and When Paid
Fees when your money moves in or out of the Fund		
<i>Establishment fee</i> The fee to open your investment.	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment.	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment.	Nil	Not applicable
<i>Termination fee</i> The fee to close your investment.	Nil	Not applicable

### 13. FEES AND OTHER COSTS (continued)

Type of fee or cost	Amount	How and When Paid
Management costs		
<i>Ongoing management costs</i> A fee for the management and operation of the Fund	<b>Management Fee</b> The Manager is entitled, from Allotment, to a Management Fee equal to 0.65% per annum of GAV	To be paid from the income or assets of the Fund monthly in arrears
	<b>Performance Fee</b> The Manager may also be entitled to a Performance Fee of 20% of the amount by which the total return of the Fund exceeds a hurdle of 12% per annum. Refer to section 13.4 for an explanation of the calculation of this fee	To be paid from the income or assets of the Fund on a relevant Calculation Date
	<b>Other operational expenses</b> The Responsible Entity and the Manager are entitled to be paid or reimbursed for expenses relating to proper performance of their duties as Responsible Entity and Manager (estimated to equal \$0.2m per annum which is equal to approximately 0.06% of GAV at Completion)	Expenses are reimbursable to the Responsible Entity and Manager from the Funds' income and assets as and when incurred
Service fees		
<i>Switching fees</i> The fee for changing investment options	Nil	Not applicable



## 13. FEES AND OTHER COSTS (continued)

### 13.2.1. EXAMPLE OF ANNUAL FEES AND COSTS

The following table gives an example of how the fees and costs of the Fund can affect your investment over a one year period.

You should use this table to compare this product with other managed investment products. All amounts are quoted before GST.

**Table: First year after the issue of Securities**

**Example**

Type of fee or cost		Balance of \$50,000 with a contribution of \$5,000 during year <sup>1</sup>
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS Management Costs</b>		
Management fees	0.65% per annum of GAV	For every \$50,000 you have invested you will be charged \$456.9 <sup>2</sup>
Operating expenses of the Fund	0.17% per annum of GAV	For every \$50,000 you have invested, you will be charged \$118.8 <sup>3</sup>
<b>EQUALS Cost to Fund</b>	If you had an investment of \$50,000 at the beginning of the year and you invested an additional \$5,000 at the beginning of the year, you would be charged fees and expenses of \$633.3 for that year (excluding any Performance Fee, which is not guaranteed)	

1. This table assumes that a total of \$50,000 is invested under the Offer (i.e. to acquire 37,037 Securities at \$1.35 each). If you were to invest \$50,000 in Securities subsequent to the Offer, the amount of fees applicable to that investment may differ from the amounts set out in this table if more or less than 37,037 Securities are acquired (even if the Fund's GAV and operating expenses were estimated).
2. This amount has been estimated based on the Fund's expected GAV at Completion of \$244.3m and applies the full management fee of 0.65% per annum of GAV. This is an estimate only and it is likely that the Fund's GAV, and therefore the amount of the management fee payable to the Responsible Entity will change over time.
3. This amount is an estimate only based on the expected total costs of managing and administering the Fund (excluding the management fee).

## 13.3 FEES AND COSTS ASSOCIATED WITH THE TRANSACTION

The following table sets out the fees and costs expected to be incurred in connection with the Proposed Transaction and the portion of those fees and costs which the Fund will be responsible for.

### 13.3.1. STAMP DUTY COSTS

No stamp duty is payable in respect of the Existing Properties as a result of the Offer. However, stamp duty is payable on the acquisition of the New Properties (Tweed Mall and Glenorchy Plaza), estimated to be approximately \$5.3 million.

The steps under which the Fund will be restructured will not trigger any stamp duty liability, provided that no person, either alone or with associated persons, acquires a 50% or greater interest in either Trust as part of the Restructure.

The subsequent listing of the Fund on the ASX and Official Quotation of the Securities on the ASX will not trigger any stamp duty liability, provided that no person, either alone or with associated persons, acquires a 90% or greater interest in the Securities in the Fund.

### 13.3.2. OFFER MANAGEMENT, PORTFOLIO ACQUISITION AND OTHER TRANSACTION COSTS

Transaction costs (excluding stamp duty) are estimated to be approximately \$7.6 million and include underwriting and offer management fees, advisers' and consultants' fees, printing, marketing, property valuation fees and costs associated with establishing a listed entity (such as registry, Responsible Entity and an initial listing fee). These costs will be paid by the Fund from the proceeds of the Offer.

Type of Fee or Cost inclusive of non-recoverable GST	Amount (\$m)
Stamp duty	5.3
Portfolio acquisition costs	4.4
Offer costs	0.6
Debt establishment costs	0.2
Equity raising costs	2.5
Total transaction costs	12.9

### 13.3.2. BROKER FEES

The Lead Manager will pay a handling fee of 1.5% of the gross proceeds of the Securities allocated to each Broker under the Broker Firm Offer. These fees are payable by the Lead Manager and will not be payable by investors or directly by the Fund.

For further detail on the fees payable to professional advisers in connection with the Offer, refer to Section 15.5.

## 13.4 ADDITIONAL EXPLANATION OF FEES AND COSTS

### 13.4.1. OPERATING EXPENSES

To the extent permitted by the Corporations Act, the Responsible Entity and the Manager are entitled to recover all costs and expenses incurred in the proper performance of their duties as Responsible Entity and Manager of the Fund, including in relation to:

- the Fund's external advisers, such as the Fund's Auditor, accounting and tax advisers and legal advisers;
- ongoing fees payable to the ASX and ASIC or other regulatory and government authorities;
- fees payable to the Registry;
- fees payable to valuers and other consulting service providers;
- fees payable to the Fund's Custodian (refer to Section 14.9 for a description of the fees payable to the Custodian);
- amounts payable to the Manager under the Property and Development Management Agreement (these amounts are described below); and
- expenses (including travel), costs (excluding salaries) and disbursements incurred by Elanor Investors Group personnel in relation to the management and administration of the Fund and the Portfolio.

The Responsible Entity and the Manager estimate that they will incur costs of managing and administering the Fund of approximately \$0.4 million per annum which is equal to approximately 0.17% of the Fund's GAV at Completion. This estimate excludes amounts payable under the Management Agreements which are described below, and also in Section 14.7 and 14.8. This is an estimate only and the actual expenses incurred by the Responsible Entity and Manager may differ.

Under the terms of the Constitutions and the Management Agreements, the Responsible Entity and the Manager are entitled to recover all such expenses from the assets or income of the Fund, including any amounts payable to a member of the Elanor Investors Group.

### 13.4.2. FEES TO RELATED PARTIES UNDER OTHER ARRANGEMENTS

Certain fees and expenses will be paid from assets of the Fund to related parties of the Fund, including pursuant to the Management Agreements. See below for further detail on the fees payable under those agreements. Amounts payable under the Property and Development Management Agreement, which are summarised below, are not included in the above tables as "management costs", as they are of a kind that would typically be incurred if investors acquired the relevant properties directly and not through the Fund.

Elanor Investors Group may also earn additional fees in relation to services which the Fund engages it to undertake on an arm's length basis.

### 13.4.3. INVESTMENT MANAGEMENT AGREEMENT

#### 13.4.3.1. Management Fee

Under the Investment Management Agreement, the Manager is entitled to be paid a fee equal to 0.65% per annum of GAV ("**Management Fee**").

The Management Fee is payable monthly in arrears. The Manager is entitled to be paid or reimbursed for all reasonable expenses properly incurred in the performance of the services, including all taxes and amounts it pays to third parties for which it is also separately indemnified.

#### 13.4.3.2. Performance Fee

The Manager may be entitled to a performance fee under the Investment Management Agreement ("**Performance Fee**"), the aim of which is to reward the Manager for growth in the consolidated net assets of the Group during the relevant measurement period, which is over and above a target (or hurdle) rate of growth for those assets. The particulars of how the fee is calculated, as well as the operation of a cap on the fee, are set out below.

The Performance Fee is equal to 20% of the amount (if any) by which the Adjusted NAV of the Fund exceeds a "hurdle" NAV of the Fund. This is calculated as:

$$PF = [20\% \times (A - B)] - C$$

where:

**PF =** Performance Fee.

**A =** the Adjusted Net Asset Value of the Fund at the end of the Performance Fee Period.

**B =** the "hurdle" net asset value of the Fund (being the Adjusted NAV of the Fund, required at the end of the Performance Fee Period, that when discounted together with the NAV of the Fund at Allotment Date and all Distributions, capital distributions and returns and other distributions (before the deduction of any taxes) paid or made after the Allotment Date during the relevant Performance Fee Period (or that have been declared or accrued and remain unpaid on the last day of the relevant Performance Fee Period) and new equity contributions (net of equity raising costs) made by Security Holders after the Allotment Date during the relevant Performance Fee Period, would result in an internal rate of return of 12% per annum being achieved).

**C =** is the aggregate of all paid Performance Fees from the Allotment Date to the last day of the relevant Performance Fee Period (but for the avoidance of doubt excluding any Performance Fees accrued or payable at the last day of the relevant Performance Fee Period).

The first Performance Fee amount (if any) will be payable in respect of the Performance Fee Period from the Allotment Date to 30 June 2019, with Performance Fees calculated and payable annually thereafter for each subsequent Performance Fee Period.

The aggregate of the Management Fee plus any Performance Fee in that may be payable for any financial year is capped at 1.0% of the GAV of the Fund ("**Fee Cap**"). Any excess Performance Fee that has been paid must be repaid by the Manager within 30 days after the end of the relevant financial year. Any excess amount will be carried over and paid in subsequent financial years (subject to the application of the cap in those financial years). On the date a Trigger Event occurs, the Manager becomes entitled to immediate payment of all deferred Performance Fees (and the cap does not apply)

Investors should note that the Performance Fee is based on the NAV of the Fund which may not necessarily correlate with the price at which Securities trade on ASX and accordingly may not reflect the performance of an investment in Securities.

The Management Fee and Performance Fee may be paid to the Manager (or its nominee) in cash or Securities (at the election of the Manager). Refer to section 14.7 for details on how the issue price of those Securities is determined.

### Performance Fee Example

The example below is illustrative only and in no way reflects the potential future performance of the Fund. All numbers used in the examples are hypothetical and do not represent the likely Performance Fee (if any) payable by the Fund.

Key assumptions						
GAV at the Allotment Date	[\$m]					243.2
NAV at the Allotment Date	[\$m]					160.8
Annual Distribution	[\$m]					13.0
Annual NAV growth	[\$m]					9.0
Annual NAV growth	[\$m]					9.0
Share of outperformance	[%]					20%
Hurdle Rate	[%]					12%
Fee Cap as % of GAV	[%]					1.00%
Management fee as % of average GAV	[%]					0.65%

Illustrative Example		Year 0	Year 1	Year 2	Year 3	Year 4
<b>Gross asset value</b>						
Opening GAV	[\$m]		243.2	252.2	261.2	270.2
Change in GAV	[\$m]		9.0	9.0	9.0	9.0
<b>Closing gross asset value</b>	<b>[\$m]</b>	<b>243.2</b>	<b>252.2</b>	<b>261.2</b>	<b>270.2</b>	<b>279.2</b>
<b>Net asset value</b>						
Opening NAV	[\$m]		160.8	169.8	178.8	187.8
Change in NAV	[\$m]		9.0	9.0	9.0	9.0
<b>Closing net asset value</b>	<b>[\$m]</b>	<b>160.8</b>	<b>169.8</b>	<b>178.8</b>	<b>187.8</b>	<b>196.8</b>
(A) Actual Adjusted NAV	[\$m]				187.8	196.8
(B) Hurdle NAV	[\$m]				(182.0)	(191.0)
(A)-(B)	[\$m]				5.8	5.8
Share of outperformance	[%]				20%	20%
20% $\times$ (A)-(B)	[\$m]				1.2	1.2
(C) Performance Fees paid since Allotment	[\$m]				-	(1.2)
<b>(PF) Performance Fees</b>	<b>[\$m]</b>				<b>1.2</b>	<b>0.0</b>
Fee Cap	[\$m]				2.7	2.8
Management Fee	[\$m]				(1.7)	(1.8)
<b>Permissible Performance Fee after Fee Cap</b>	<b>[\$m]</b>				<b>1.0</b>	<b>1.0</b>
<b>Performance Fee balance</b>						
Opening balance	[\$m]				-	0.2
Performance Fee accrued	[\$m]				1.2	0.0
Performance Fee paid to the Manager	[\$m]				(1.0)	(0.2)
<b>Closing Balance</b>	<b>[\$m]</b>				<b>0.2</b>	<b>0.0</b>

In the example, the Manager is entitled to a Performance Fee of \$1.2 million in relation to the Fund's performance from inception to the end of year 3. However, subject to the Fee Cap, the Manager will only be paid \$1.0 million in Performance Fee for the Performance Fee Period that ends in year 3. The Fee Cap of \$2.7 million (being 1.0% of GAV), after deduction for the Management Fee, results in a permissible Performance Fee of \$1.0 million.

## 13. FEES AND OTHER COSTS (continued)

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In the subsequent year 4, the Manager has not generated new Performance Fee entitlements in relation to the Fund's performance in year 4. The Manager is, however, entitled to be paid \$0.2m in relation to the accrued component of the Performance Fee associated with its performance in year 3.

### 13.4.4. PROPERTY AND DEVELOPMENT MANAGEMENT AGREEMENT

Under the Property and Development Management Agreement, the Manager is entitled to:

- **Property Management Fee:** 4% of gross income for each property for each month;
- **Leasing fees:**
  - New tenants to a property: 15% of face rental (being gross rent payable by a tenant, disregarding incentives and rent abatements) for the first year of lease term ("New Tenant Lease Fee");
  - New tenancy for an existing tenant of a property: 10% of face rental for the first year of the new lease if an existing tenant enters into a new lease of its existing premises plus additional space in excess or relocates to new premises within the relevant Property ("Existing Tenant Lease Fee");
  - Lease renewal: 7% of face rental for the first year of new lease if an existing tenant enters into a new lease (including by way of exercise of an option) to continue leasing their current space in a property;
  - Market rent review: 10% of the increase between the rent payable for the year before the relevant rent review and the rent payable for the year after that rent review date as a result of a market rent review; and
  - Lease administration and design costs: these services will be charged by the Manager on a cost recovery basis, unless they are payable by the tenant.
- **Development Management Fee:** 5% of total development costs (being the total cost of any development works undertaken in respect of a property). The Manager will only be able to recover an amount equal to 2% of the total development costs from the time that the development proposal is approved to the commencement of construction, with the balance to be paid in instalments from the time that construction commences to completion of the project delivery.

Where the Manager has appointed other parties to assist with the delivery of substantially all of a particular service in relation to any particular property, the Manager will be entitled to recover the cost of the fees paid to the service providers, in addition to the following fees for management, supervision and approval of activities and proposals recommended by these service providers in relation to the particular service provided:

- **Property Management Fee:** 1% of gross income for each month for each relevant property;
- **Leasing fees:** 15% of leasing fees payable to the service provider with respect to the relevant property; and
- **Development Management Fees (pre Development Approval):** 20% of consultant costs incurred until the development proposal is approved.

### 13.4.5. RESPONSIBLE ENTITY FEES

Under the Constitutions, the Responsible Entity is entitled to be paid a management fee equal to 0.65% per annum of GAV. To the extent the Management Fee is payable to the Manager under the Investment Management Agreement, the Responsible Entity will waive its right to receive the equivalent fee under the Constitutions.

On completion of the Offer and settlement of the Acquisitions, under the terms of the Constitutions the Responsible Entity will be entitled to a one-off fee of \$1.7 million in respect of the Proposed Transaction.

### 13.4.6. FEE CHANGES

The Responsible Entity may not increase the fees payable to it as set out in the Constitution without a special resolution of Security Holders first having varied the Constitution. A special resolution requires 75% of the votes cast by those Security Holders entitled to vote on the resolution (by value).

The Manager's fees may not be amended without the agreement of the Responsible Entity and the Manager.

### 13.4.7. TAXES

Unless stated otherwise, all fees in this Section 13 are inclusive of non-recoverable GST and less a full input tax credit or reduced input tax credit. For additional information in relation to the taxation implications of an investment in the Fund, please see Section 11.



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## 14. SUMMARY OF IMPORTANT DOCUMENTS

## 14. SUMMARY OF IMPORTANT DOCUMENTS

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Set out below are summaries of the key aspects of certain material contracts relating to the Fund in connection with the Proposed Transaction and arrangements with Elanor Investors Group, together with a summary of the Debt Facilities, the Constitutions and the Underwriting Agreement.

### 14.1 SUMMARY OF CONSTITUTIONS

The Constitutions of the Trusts are designed to provide for the operation of the Stapled Entities (being, at the Allotment Date, the Trusts), and permit and facilitate the stapling of the Units in each Trust. A general summary of the rights attaching to the Securities and other key provisions of the Constitutions are set out below. This summary is not intended to be exhaustive and is qualified by the Constitutions, Corporations Act, exemptions and declarations by ASIC, Listing Rules, waivers by ASX and the general law.

#### 14.1.1. STAPLING

The Trust Constitutions provides that the Stapling provisions take effect if determined by the Responsible Entity on and from the Stapling commencement date (the date when the Board of each Trust has determined that Stapling is to commence). Any provisions, which by their meaning and context apply only while Units are not Stapled do not apply while the Units are quoted on the Official List as part of a Security.

#### 14.1.2. UNITS

The beneficial interest in the Trust is divided into Units. Each fully paid Unit confers an equal undivided interest and a partly paid Unit confers an interest of the same nature which is proportionate according to the amount of the application price that has been paid on the Unit. A Unit confers an interest in the assets of the Trust as a whole, subject to the liabilities. It does not confer an interest in a particular asset of the Trust. The Responsible Entity may issue options and financial instruments in accordance with the Constitution.

#### 14.1.3. INCOME AND DISTRIBUTIONS

The Responsible Entity must determine the distributable income of the Trust for each distribution period. Unless the Responsible Entity determines otherwise, distributable income is the amount equal to the greater of:

- the amount calculated in accordance with generally accepted accounting principles as the income of the Trusts for the Financial Year excluding any notional amounts and non-cash amounts such as unrealised asset revaluation amounts;
- the amount equal to the net income of the Trust (as defined in section 95 of the *Income Tax Assessment Act 1936* (Cth)) for the distribution period excluding any notional amounts and non-cash amounts such as franking credits; and
- the amount of \$1.

Unless expressly determined otherwise by the Responsible Entity before the end of a Financial Year, the distributable income for that Financial Year shall not in any event be less than the amount that the Responsible Entity must distribute if it is not to be assessable (or liable to pay more Tax than the minimum amount of Tax properly assessable) on any portion of the net income of the Trust (as defined in section 95 of the *Income Tax Assessment Act 1936* (Cth)).

#### 14.1.4. TRANSFER OF UNITS

If the Units are not officially quoted, transfer may be effected by instruments of transfer that are in accordance with the Constitution and in a manner prescribed by the Responsible Entity. While the Units are officially quoted, Units may be transferred in any manner prescribed by the Responsible Entity subject to the Constitution and the Operating Rules.

#### 14.1.5. REDEMPTIONS

While Units are not officially quoted, a Security Holder may make a redemption request in respect of some or all of their Units by giving the Responsible Entity notice in writing of the request, or in any manner approved by the Responsible Entity. While the Trust is listed and the Units are not Stapled, the Responsible Entity may, subject to and in accordance with the Corporations Act (including any ASIC relief) and any requirements under the Operating Rules, purchase Units and cause the Units to be cancelled. While the Trust is listed on ASX and the Units are Stapled, the Responsible Entity may, subject to the Corporations Act and the Listing Rules, purchase Securities on the ASX or any other financial market on which the trading of Securities is permitted, and also off-market.



### 14.1.6. POWERS OF THE RESPONSIBLE ENTITY

The Responsible Entity in its capacity as trustee of the Trust has power to:

- invest in, dispose of or otherwise deal with property and rights in its absolute discretion, including the power to invest in a controlled entity and derivatives;
- borrow or raise money whether or not on security of the assets of the Trust;
- incur all types of obligations and liabilities including guarantees;
- enter into an arrangement with a person to underwrite the subscription or purchase of Units, options or financial instruments on such terms as the Responsible Entity determines;
- apply for quotation of any Units, options or financial instruments on any exchange where similar instruments are listed and traded; and
- enter into management agreements in respect of the Portfolio.

The Responsible Entity may authorise any person to act as its agent or delegate (in the case of a joint appointment, jointly and severally) to hold title to any asset of the Trust, perform any act or exercise any discretion within the Responsible Entity's power, including the power to appoint in turn its own agent or delegate.

### 14.1.7. MEETINGS

The Responsible Entity may at any time convene a meeting of Security Holders and must do so if the Corporations Act or the ASX Operating Rules require.

### 14.1.8. LIMITATION OF LIABILITY AND INDEMNITY IN FAVOUR OF RESPONSIBLE ENTITY

Subject to the Corporations Act, whilst the Responsible Entity acts in good faith and in the proper performance of its duties, the Responsible Entity is not liable in contract, tort or otherwise to Security Holders for any loss suffered in any way relating to the Trust.

Subject to the Corporations Act, the liability of the Responsible Entity to any person other than a Security Holder in respect of the Trusts is limited to the amount the Responsible Entity actually receives under its right to be indemnified from the assets of the Trust.

The Responsible Entity is entitled to be indemnified out of the assets of the Trust for any liability incurred by it in properly performing any of its duties in relation to the Trust, or by, to the extent permitted by the Corporations Act, any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity.

### 14.1.9. LIABILITY OF SECURITY HOLDERS

In the absence of a separate agreement with a Security Holder or creditor, the recourse of the Responsible Entity and any creditor of the Trust against a Security Holder in connection with the Trust is limited to the assets of the Trust. The liability of a Security Holder is limited to the amount, if any, which remains unpaid in relation to the Security Holder's subscription for their Units. However, the Responsible Entity is entitled to be indemnified by a Security Holder or former Security Holder to the extent that the Responsible Entity incurs any liability for tax or user pays fees as a result of the Security Holder's action or inaction, or as a result of an act or omission requested by the Security Holder or former Security Holder.

The Responsible Entity is also entitled to be indemnified by a Security Holder or former Security Holder for any tax payable by the Responsible Entity and any related costs as a result of the operation of the Attribution Managed Investment Trust (AMIT) regime to the extent that the tax reasonably related to the Securities held by the Security Holder.

The Responsible Entity may satisfy the amount indemnified in relation to tax or user pay fees by way of a reduction of payments otherwise due from the Responsible Entity to the Security Holder or former Security Holder or by way of a redemption of a number of Securities held by the Security Holder as results in a satisfaction of the amount indemnified. A Security Holder need not indemnify the Responsible Entity if there is a deficiency in the assets of the Trust or meet the claim of any creditor of the Responsible Entity in respect of the Trust. However, the effectiveness of these provisions has not been tested in superior courts.

### 14.1.10. FEES AND EXPENSES

The Responsible Entity is entitled to receive a management fee in connection with the provision of the services to the Trust. Details of these fees are set out in Section 13. The Responsible Entity is also entitled to receive certain fees on Completion of the Proposed Transaction. All expenses incurred by the Responsible Entity including, those in connection with the establishment, promotion and operation of the Trust, in properly performing its duties are payable or can be reimbursed out of the assets of the Trust.

### 14.1.11. WINDING UP

On the winding up of the Trust, each Security Holder is entitled to receive an amount of the net proceeds of realisation, after making allowance for all liabilities and expenses of the Trust, proportionate to the number of Units held.

The Responsible Entity may commence winding up of the Trust in accordance with the termination procedure set out in the Trust Constitution on the earliest of:

- the day before 80 years after the Trust is established;
- the date specified by the Responsible Entity as the date of termination of the Trust in a notice given to Security Holders; and
- the date on which the Responsible Entity commences termination or winding up of the Trust in accordance with the Trust Constitution or by law.

### 14.1.12. AMENDMENT TO CONSTITUTION

If the Corporations Act allows, the Trust Constitution may be amended by a resolution passed at a meeting of Security Holders of the Trust or by deed executed by the Responsible Entity. The Responsible Entity has power to amend the Stapling Provisions or any other part of the Trust Constitution to allow for the Stapling of a new Attached Security to the Securities already in existence. The Responsible Entity also has the power to amend the Trust Constitution as the Responsible Entity considers necessary or desirable to facilitate compliance with and the effective operation of the Trust as an AMIT for the purposes of the AMIT regime, and may do so without seeking approval from Security Holders, subject to the Corporations Act as modified by any applicable ASIC relief.

## 14.2 STAPLING PROVISIONS UNDER THE CONSTITUTIONS

### 14.2.1. GENERAL

The Stapling provisions in the Constitutions apply on and from the Stapling commencement time (the time and date when the Board of each Stapled Entity has determined that Stapling is to commence) and, subject to any specific provisions to the contrary in the Constitutions, the Stapling Provisions prevail over all other provisions of the Constitutions (except to the extent provided in the Constitutions or where it would result in a breach of the Corporations Act, the Listing Rules or any other law).

### 14.2.2. INTENTION

The intention of the Stapling Provisions is to ensure that to the extent permitted by law, each Security will be treated as one security.

### 14.2.3. STAPLING ARRANGEMENTS

Under the Stapling Provisions:

- **(Stapling)** each component of a Security must be Stapled to each other component of the Security on and from the Stapling commencement time;
- **(No issue)** a Stapled Entity must not offer or issue a component of a Security, or any option or rights to such a component without a corresponding and simultaneous offer or issue being made in respect of each other component of the Security;
- **(No transfer)** a Stapled Entity must not register any transfer of a component of a Security without a corresponding and simultaneous transfer of each other component of the Security;
- **(Corporate action)** a Stapled Entity must not cancel, buy-back or redeem a component of a Security without a corresponding and simultaneous corporate action being made in respect of each other component of the Security;

- **(New Attached Securities)** a Stapled Entity may cause a security to be Stapled to a Security (a **New Attached Security**) provided certain conditions are satisfied including:
  - the New Attached Security is (or will be) quoted on the Official List;
  - ASX has indicated that it will approve the Stapling of the New Attached Security to the Securities;
  - each Stapled Entity (excluding the issuer of the New Attached Security) has agreed to the Stapling of the New Attached Security and that the Stapling of the New Attached Security is in the best interests of Security Holders as a whole and is consistent with the then investment objectives of the Stapled Entities and any subsidiary of the Stapled entities;
  - the constituent documents for the New Attached Security have provisions giving effect to the Stapling;
  - the issuer of the New Attached Security has agreed to enter into a deed with the other Stapled entities acceding to the Stapling Deed;
  - where the New Attached Security is partly paid, or approval from Security Holders is required to give effect to the transaction, approval of the Security Holders has been obtained; and
  - the number of New Attached Securities is identical to the number of Securities on issue.
- **(Unstapling by Stapled Entities)** a component of the Securities may be unstapled if:
  - ASX has indicated that it will approve such unstapling and the remaining components remain quoted on the Official List as a Security;
  - each Stapled Entity has agreed to the unstapling and such unstapling is not contrary to the interests of Security Holders as a whole and is consistent with the then investment objectives of the Stapled Entities and any subsidiary of the Stapled entities; and
  - the Stapling Provisions will terminate in respect of the component of the Security that has been unstapled;
- **(Restapling)** if a component of the Security becomes unstapled, the Stapled Entity of the unstapled component may subsequently determine that the Stapling Provisions should recommence in respect of that unstapled component;
- **(Unstapling in the event of an unstapling event)** where a special resolution of the members of each Stapled Entity is passed to unstaple the Securities, stapling becomes unlawful or prohibited under the Listing Rules, or a winding up is commenced in respect of a Stapled Entity, the Securities will be unstapled, provided that:
  - ASX has indicated in writing that it will grant permission for the unstapling of the Security; and
  - each Stapled Entity has agreed to the unstapling and that the unstapling is not contrary to the interests of Security Holders as a whole.
- **(Capital reallocation)** Subject to the Corporations Act and the Listing Rules a Stapled Entity may make a capital payment to another Stapled Entity as part of a Capital Reallocation. If a stapled entity makes a capital payment to another Stapled Entity as a capital reallocation amount:
  - each Security Holder is taken to have directed the Stapled Entity to accept that capital reallocation amount; and
  - the Stapled Entity must apply that amount as an additional capital payment in respect of each Unit which is Stapled to a Security of the Stapled Entity making the capital payment equally in respect of each Unit.

After the unstapling, the Stapling Provisions cease to have effect in respect of that component of the Security.

- **(Meetings)** meetings of each Stapled Entity may be held in conjunction with the meetings of each other Stapled Entity; and
- **(Interests of Security Holders)** each Stapled Entity may, subject to the Corporations Act and the terms of any applicable ASIC relief, have regard to the interests of Security Holders as a whole and not only to the interests of holders of each component of the Security.

### 14.2.4. STAPLING MATTERS

The Stapling Provisions also provide that by acquiring a Security, each Security Holder will be taken to have consented to each provision in the constituent documents, including without limitation:

- the stapling of the Securities;
- any reorganisation proposal of the Securities (subject to an ordinary resolution if required by the constituent document of the relevant Stapled Entity);
- the disposal of any partly paid Security on which an instalment is due and payable but unpaid, or in respect of which a call has been validly made but remains unpaid by the due date for payment;
- the disposal of any small holding of Securities that is less than a marketable parcel;
- the restrictions on Securities that are “restricted securities”, as that term is defined in the Listing Rules;
- the stapling of New Attached Securities to the Securities;
- the Security Holder becoming a member of any new stapled entity and being bound by the constituent documents for any New Attached Security;
- the unstapling of one or more Securities;
- the restapling of a Security; and
- the reallocation of capital between the Stapled Entities,

(each a **Stapling Matter**).

### 14.2.5. POWERS OF ATTORNEY

In respect of each Stapling Matter, each Security Holder irrevocably appoints the Stapled Entity as the Security Holder’s agent and attorney in the Security Holder’s name and on the Security Holder’s behalf to do all acts and things and execute all documents which the Stapled Entity, in consultation with each other Stapled Entity, considers necessary, desirable or reasonably incidental to effect any Stapling Matter, and proxy to vote at any meeting in favour of a resolution to effect a Stapling Matter.

### 14.2.6. NEW ATTACHED SECURITIES

A Stapled Entity has the power to do all things considered necessary, desirable or reasonably incidental to give effect to the Stapling of New Attached Securities to the Security. A New Attached Security may be transferred to a Security Holder by any means and in any manner, including but not limited to any combination of issue, sale, reduction of capital, distribution in kind or transfer.

### 14.2.7. PARTLY PAID SECURITIES

A Security may be offered on terms that the offer price is payable by one or more instalments. If a call has been validly made on a Security but is unpaid by the due date for payment, the Security may be sold (**Defaulted Security**). Interest accrues on the unpaid amount of the call and subject to the Listing Rules, the Corporations Act and constituent documents all voting rights, entitlements to Distributions and any other rights in respect of the Defaulted Security are suspended.

### 14.2.8. APPLICATION PRICE

The Stapled Entities may agree how the application price for a Security will be allocated between the application price of each component of the Security, and in the absence of agreement will allocate in accordance with certain mechanisms set out in the Constitutions.

## 14.3 STAPLING DEED

### 14.3.1. CO-OPERATION

Each Stapled Entity is a party to the Stapling Deed. The Stapling Deed provides that the Stapled Entities must cooperate in respect of all matters necessary to ensure that the Shares and Units are Stapled and in respect of all matters relating to the Securities.

Under the Stapling Deed, each Stapled Entity must:

- agree from time to time what part of the amount payable for the issue of a Security is to represent the issue price of each component security of the Security;
- consult prior to making any calls in respect of any partly paid securities it issues to Security Holders;
- notify each other Stapled Entity if it proposes to take action under its constitution to forfeit and offer for sale any of its securities;
- obtain the consent of each other Stapled Entity prior to announcing or paying a distribution or dividend, in relation to the operation of any dividend or distribution reinvestment policy or plan or bonus security plan, undertaking a placement or rights issue, buying-back, repurchasing, cancelling or redeeming any component securities of a Security;
- not, and must procure that its controlled entities do not, acquire or dispose of an asset the value of which is 5% or greater of the net tangible assets of that Stapled Entity without first giving 10 days prior written notice to, and consulting with, each other Stapled Entity;
- obtain the consent of each other Stapled Entity before Stapling another entities securities to its securities, effecting any reorganisation or restructure of its capital or effecting any changes to the stapling arrangements contemplated by the Stapling Deed in order to comply with or overcome the adverse effect of any law, regulation or rule;
- maintain, or procure the maintenance of, a register of Security Holders and ensure that it is entirely consistent with the register of holders of its securities;
- make available to each other Stapled Entity all information and provide all assistance in relation to the preparation of financial accounts relating to the Stapled Group; and
- not, and must procure that its controlled entities do not, borrow or raise money without consulting with each other Stapled Entity.

Each Stapled Entity agrees to:

- act with a view to enhancing the value of the Securities;
- share information with each other Stapled Entity;
- adopt the valuation policies and methods of the Responsible Entity; and
- co-ordinate Security Holder meetings.

### 14.3.2. FINANCIAL OBLIGATIONS

If any loans or other financial accommodation are undertaken jointly by the Stapled Entities, or if any guarantee or security is given in respect of the loans or other financial accommodation of another Stapled Entity, whichever Stapled Entity receives the proceeds of the loan or financial accommodation must repay the loan or financial accommodation, pay all fees, interest, expenses and other amounts in respect of the loan or financial accommodation and indemnify the other Stapled Entities for such amounts.

### 14.3.3. FINANCIAL BENEFITS

Each Stapled Entity agrees with each other Stapled Entity that, to the maximum extent permitted by law, if called upon by the other, it must, if it or its controlled entities are reasonably capable of doing so on the terms and conditions proposed by the other party, enter into any agreement, document or arrangement and consider doing any act, matter or thing at the request or direction of the other in respect of lending money, guaranteeing or providing security for any loan, issuing redeemable preference securities or any other form or securities, entering into any joint borrowing with the other and guaranteeing the obligations of or providing an indemnity or undertaking to a third party in respect of the obligations of the other or any of its controlled entities or any other person.

### 14.3.4. CONSTITUTIONS TO PREVAIL

If there is any inconsistency between the Stapling Deed and the Constitutions, the provisions of the Constitutions apply to the extent of the inconsistency.

### 14.3.5. DISPUTES

A Stapled Entity claiming that a dispute has arisen out of the Stapling Deed must notify each other Stapled Entity in writing. Each party to the dispute must use its best endeavours to resolve the dispute within 10 Business Days of all parties receiving notice of the dispute. If the parties do not resolve the dispute, the chief executive officer or other senior employee must negotiate in good faith to resolve the dispute for a period of 10 Business Days. A Stapled Entity must not commence court proceedings about a dispute arising out of the Stapling Deed unless it first complies with the above steps, except where it seeks urgent injunctive relief or the dispute relates to compliance with these steps.

### 14.3.6. LIMITATION OF LIABILITY OF TRUSTEE

The Stapled Entities other than the Responsible Entity may enforce their rights against the Responsible Entity arising from non-performance of its obligations under the Stapling Deed only to the extent that the Responsible Entity is indemnified out of the assets of the Trust.

## 14.4 IMPLEMENTATION DEED

Under the Implementation Deed, and subject to certain conditions precedent, Elanor Retail Property Fund I and the Elanor Retail Property Fund II and various controlled entities and related parties of the Elanor Investors Group have agreed to a reorganisation of the structure of the Fund for the purposes of the Offer. Further detail on the Restructure is set out in Section 4.5. Under the Implementation Deed, the parties agree to execute and deliver to the Responsible Entity (or, in the case of the Responsible Entity, retain) certain specified documents (**Implementation Documents**) and to take certain actions which will, upon becoming effective on the terms of the Implementation Deed, effect that reorganisation.

### 14.4.1. CONDITIONS PRECEDENT

On execution and delivery of the Implementation Documents, the Responsible Entity will hold the Implementation Documents in escrow in accordance with the terms of the Implementation Deed. No Implementation Documents will be effective, binding or enforceable, and may not be released from escrow, until customary conditions precedent are satisfied or waived, including:

- all consents have been obtained from third parties which are necessary for the purposes of the Proposed Transaction or any transaction in connection with the Proposed Transaction (as determined by the Responsible Entity in its absolute discretion); and
- the chairperson of the due diligence committee formed in respect of the Offer has given notice to the Responsible Entity consenting to the release of the Implementation Documents from escrow.

### 14.4.2. LIMITATION OF LIABILITY

Any liability arising under or in connection with the Implementation Deed, in respect of a party which entered into the Implementation Deed in a trustee capacity, is limited, can only be enforced against the trustee to the extent that it can be satisfied out of the assets of the relevant trust of which the trustee is actually indemnified for the liability. However, such a party will be liable to the extent that the liability arises out of its own fraud, wilful default, negligence or breach of trust.

### 14.4.3. TERMINATION EVENTS

No party may terminate the Implementation Deed or the escrow arrangements, and no party may require the Responsible Entity to return to it any Implementation Document, except where any condition precedent has not been satisfied or waived by the sunset date, being 30 November 2016. In this event, each Implementation Document will fail to become effective and binding and must be destroyed or returned (as required under the terms of the Implementation Deed) to the party that delivered it. Immediately following the destruction or return of all Implementation Documents, the Implementation Deed will terminate.

## 14.5 COMPLIANCE PLAN

The Compliance Plan of the Trust describes the processes and procedures that the Responsible Entity will use to ensure compliance with its AFSL, the Constitutions, the Corporations Act, and relevant industry and internal standards.

Under the Compliance Plan, the Responsible Entity must have, in addition to the Audit and Risk Committee, a compliance manager who reviews compliance on an ongoing basis, reports on compliance matters to the Responsible Entity and acts on the recommendations of the Board.

You can inspect a copy of the Compliance Plan and Security Pricing Policy regarding the exercise of discretion under the Trust Constitutions which affect Security price calculations, valuation policy and other matters, free of charge at the offices of the Fund during business hours.

## 14.6 UNDERWRITING AGREEMENT

The Responsible Entity, in its capacity as responsible entity of the Fund, and the Lead Manager have entered into an Underwriting Agreement dated on or about the date of this PDS in respect of the Offer. Under the Underwriting Agreement, the Lead Manager has agreed to lead manage and underwrite the Offer. Key terms include:

### 14.6.1. FEES AND EXPENSES

The Responsible Entity will pay the Lead Manager:

- an advisory fee equal to \$1.97 million; and
- an underwriting fee equal to \$2.04 million.

The Responsible Entity must pay, or reimburse, the all reasonable costs of the Offer incurred by the Lead Manager, including its reasonable legal fees.

### 14.6.2. REPRESENTATIONS AND WARRANTIES

Customary representations and warranties are given by the Responsible Entity in relation to matters such as the power to enter into the Underwriting Agreement, corporate authority and approvals, and the status of the Responsible Entity. The Responsible Entity also gives a number of further representations and warranties, including that this PDS complies with the Corporations Act and the Listing Rules, and will not contain any misleading or deceptive statements or omissions. Representations and warranties are also given in relation to the assets, liabilities, financial position and business conduct of the Fund.

### 14.6.3. TERMINATION EVENTS

The Lead Manager may terminate the Underwriting Agreement by notice to the Responsible Entity on the occurrence of certain termination events (subject to, in the case of some termination events only, satisfaction of specified materiality thresholds). These termination events include:

- the Responsible Entity seeks to retire or is removed as responsible entity of the Fund;
- the S&P/ASX 300 Index published by ASX falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement, and remains at or below that level for a period of three consecutive Trading Days;
- the Responsible Entity lodges a Supplementary PDS or the Lead Manager forms the view (acting reasonably) that a Supplementary PDS must be lodged with ASIC to comply with section 1016E of the Corporations Act;
- a material adverse change occurs in the assets, liabilities, financial position or performance or, prospects or the nature of the business conducted by a member of Group;
- certain ASIC orders are issued or applied for, or certain investigations commenced by ASIC or other government agencies in relation to this PDS or certain other documents issued in connection with the Offer or the PDS;
- a Director or any member of senior management is charged with a criminal offence relating to any financial or corporate matter, dies or becomes permanently incapacitated, has an action commenced (or threatened to be commenced) against them by any regulatory body or is disqualified from managing a corporation under the Corporations Act;
- the Responsible Entity withdraws this PDS or the Offer after lodgement of this PDS with ASIC;
- approval is not given for the listing of the Trusts or quotation of the Securities;



## 14. SUMMARY OF IMPORTANT DOCUMENTS (continued)

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- a statement in this PDS is or becomes misleading or deceptive or likely to mislead or deceive, or required information is omitted, the Responsible Entity fails in any material respect to comply with any of its obligations under the Underwriting Agreement, or a representation or warranty by the Responsible Entity under the Underwriting Agreement is or becomes incorrect in any material respect;
- the Responsible Entity is prevented from allotting or issuing the Securities;
- any Material Contract is breached, terminated, repudiated, rescinded, altered or amended without the prior written consent of the Lead Manager (acting reasonably) or found to be void or voidable, in any material respect;
- any ASIC modification or ASX waiver obtained in connection with the Offer is withdrawn or revoked (without immediate replacement or renewal).

The Underwriting Agreement also contains a number of other customary termination events (e.g. insolvency of a member of the Group, certain changes in law, specified disruptions in financial markets and hostilities).

### 14.6.4. INDEMNITY

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct, negligence or breach of contract by the Lead Manager, the Responsible Entity indemnifies the Lead Manager and certain affiliated parties against all losses suffered or incurred directly or indirectly, or claims made against the Lead Manager or certain affiliated parties, in connection with the Offer and this PDS or certain other documents issued in connection with the Offer.

## 14.7 INVESTMENT MANAGEMENT AGREEMENT

The Responsible Entity has entered into an Investment Management Agreement with the Manager.

### 14.7.1. MANAGEMENT SERVICES

Under the Investment Management Agreement, the Manager has been delegated the day-to-day control over the Fund and its controlled entities (the “**Group**”) and the Group’s portfolio of assets, subject to the supervision and control of the Responsible Entity and the terms of the agreement.

Services to be provided by the Manager to the Fund and its controlled entities (the “**Services**”) include investment management services with respect to dealings in the Group’s assets, management of the equity and debt financing of the Group, day-to-day management of the Group’s secretarial, accounting, administrative and reporting, management of auditors, advisers and other consultants, Security Holder relations and meetings, management of all compliance and contractual requirements, including with respect to ASX listing obligations, and other services agreed by the Manager and the Responsible Entity. The Manager is not required to provide any Services to the extent to that they would comprise services or activities that would require the Manager to hold an Australian Financial Services Licence or that the Responsible Entity cannot delegate to the Manager under law. The Manager will separately provide property and development management services to the Responsible Entity and the Group under the Property and Development Management Agreement.

The Manager must act in accordance with the requirements of the Fund’s investment policy and any applicable legal and other requirements. The Responsible Entity may at any time overrule the Manager to the extent that the Responsible Entity believes doing so is necessary or advisable to comply with any applicable requirement or in the best interests of the Security Holders. The Manager must also seek the approval of the Responsible Entity before incurring any expenditure in excess of \$200,000 (excluding expenditure which has been agreed to by the Responsible Entity in the annual operating plan) and entering into any contract in the name of the Responsible Entity or any Group member to acquire or dispose of any asset for a consideration in excess of \$5,000,000 (whereby both thresholds are increased annually by 5%).

### 14.7.2. EXCLUSIVITY

During the term of the Investment Management Agreement, the Responsible Entity must not appoint any other party to perform the Services except where it is necessary to comply with applicable law or regulation, the terms of the Fund’s financing arrangements or other applicable requirements, or as otherwise permitted by the Manager.

The Manager and its associates may from time to time perform services for itself and other parties the same as or similar to the services provided under the Investment Management Agreement.

### 14.7.3. RIGHT OF FIRST OFFER

The Manager intends to first offer to the Fund any opportunity to acquire an investment in a neighbourhood or sub-regional shopping centre that the Manager identifies and which falls within the Fund's Investment strategy (subject to certain exceptions, including where the opportunity is subject to third party rights or the Manager or the Elanor Investors Group would be in breach of any law or document to do so).

### 14.7.4. TERM AND TERMINATION

The Investment Management Agreement commences on Allotment.

The initial term of the agreement is 10 years and is automatically extended for successive five year terms unless terminated by either the Manager or the Responsible Entity at least 12 months prior to the end of the initial term or any successive five year term. This means that the initial term of the agreement is at least 10 years unless otherwise terminated in one of the circumstances referred to below.

Where the Responsible Entity gives the required notice that it does not wish to extend the agreement at the end of a term, termination in this circumstance will give rise to the payment of a compensation amount to the Manager equal to 24 months' management fees under the agreement.

### 14.7.5. MANAGER'S TERMINATION RIGHTS

The Manager can terminate the Investment Management Agreement:

- at any time on 90 days' notice to the Responsible Entity, if there is a bona fide sale of all or substantially all of the assets of the Group to a third party on an arm's length basis; or
- immediately if:
  - there is a material default of the agreement by the Responsible Entity which is not rectified (including by way of payment of reasonable compensation) within 90 days of written notice from the Manager;
  - the Responsible Entity is insolvent (and is not replaced by another trustee within 60 days of becoming insolvent);
  - a Group entity is insolvent; or
  - without prior written approval of the Manager, there is a change of control of the Responsible Entity or the Fund, the Responsible Entity is replaced by a responsible entity that is not a member of the Elanor Investors Group or a winding-up of the Fund commences.

In addition, the Manager can terminate the agreement on 20 business days' notice where there is a variation to the investment policy of the Fund, and the Manager considers the variation will have a material effect on the Manager's obligations, liability or risk under the agreement.

Termination by the Manager in these circumstances will give rise to the payment of a compensation amount to the Manager equal to 24 months' management fees under the agreement.

### 14.7.6. RESPONSIBLE ENTITY'S TERMINATION RIGHTS

The Responsible Entity can terminate the Investment Management Agreement:

- on 90 days' notice to the Manager, if there is:
  - a bona fide sale of all or substantially all of the assets of the Group to a third party on an arm's length basis; or
  - a change of control of the Responsible Entity or the Fund, the Responsible Entity is replaced by a responsible entity that is not a member of the Elanor Investors Group or a winding-up of the Fund commences,

and in these circumstances, a compensation amount equal to 24 months' management fees under the agreement will be payable to the Manager; or

- immediately if:
  - there is a material default of the agreement by the Manager which is not rectified (including by way of payment of reasonable compensation) within 90 days of written notice from the Responsible Entity; or
  - the Manager is insolvent and is not replaced by the Elanor Investors Group with another manager within 60 days of becoming insolvent,

and in these circumstances, no compensation amount will be payable to the Manager.

### 14.7.7. FEES, COSTS AND EXPENSES

#### 14.7.7.1. Management Fee

The Manager is entitled to receive a Management Fee of 0.65% per annum of the GAV at the end of each calendar month payable monthly calculated based on the GAV at the end of each calendar month.

#### 14.7.7.2. Performance Fee

The Manager is also entitled to receive a Performance Fee calculated as:

$$PF = [20\% \times (A - B)] - C$$

where:

**PF =** Performance Fee.

**A =** the Adjusted Net Asset Value of the Fund at the end of the Performance Fee Period;

**B =** the “hurdle” net asset value of the Fund (being the Adjusted NAV of the Fund, required at the end of the Performance Fee Period, that when discounted together with the NAV of the Fund at Allotment Date and all Distributions, capital distributions and returns and other distributions (before the deduction of any taxes) paid or made after the Allotment Date during the relevant Performance Fee Period (or that have been declared or accrued and remain unpaid on the last day of the relevant Performance Fee Period) and new equity contributions (net of equity raising costs) made by Security Holders after the Allotment Date during the relevant Performance Fee Period, would result in an internal rate of return of 12% per annum being achieved.

**C =** is the aggregate of all paid Performance Fees from the Allotment Date to the last day of the relevant Performance Fee Period (but for the avoidance of doubt excluding any Performance Fees accrued or payable at the last day of the relevant Performance Fee Period).

The first Performance Fee amount (if any) will be payable in respect of the Performance Fee Period from the Allotment Date to 30 June 2019, with Performance Fees calculated and payable annually thereafter for each subsequent Performance Fee Period.

The aggregate of the Management Fee plus any Performance Fee in that may be payable for any financial year is capped at 1.0% of the GAV of the Fund. Any excess Performance Fee that has been paid must be repaid by the Manager within 30 days after the end of the relevant financial year. Any excess amount will be carried over and paid in subsequent financial years (subject to the application of the cap in those financial years). On the date a Trigger Event occurs, the Manager becomes entitled to immediate payment of all deferred Performance Fees (and the cap does not apply).

Investors should note that the Performance Fee is based on the NAV of the Fund which may not necessarily correlate with the price at which Securities trade on ASX and accordingly may not reflect the performance of an investment in Securities.

#### 14.7.7.3. Payment of Management Fee and Performance Fee in cash or Securities

The Management Fee and Performance Fee may be paid to the Manager in cash or Securities or a combination (at the election of the Manager). If the Manager elects to receive Securities, it may require some or all of the Securities to be issued to a nominee of the Manager. The issue of Securities is subject to the requirements of the Corporations Act and the Listing Rules.

If the Manager elects to receive Securities with respect to some or all of a Management Fee or Performance Fee amount (plus any GST payable in respect of that amount), the number of Securities to be issued to the Manager (or its nominee) will be calculated by reference to the volume weighted average price of the Securities during the period of 5 trading days up to the end of the relevant month to which the Management Fee relates or the relevant Performance Fee Period to which the Performance Fee relates.

#### 14.7.7.4. Costs and expenses

The Manager is entitled to be reimbursed for all costs and expenses it reasonably and properly incurs as Manager other than its own overhead, administrative or salary expenses incurred in the ordinary conduct of its business or expenses that arise as a result of the gross negligence, fraud, wilful misconduct or dishonesty of the Manager or any officer, employee, delegate, agent or contractor of the Investment Manager. The Manager must seek the approval of the Responsible Entity where expenditure would exceed the thresholds described above.

### 14.7.8. CONFLICTS AND USE OF ASSOCIATES

The Manager must establish protocols for the prevention and management of conflicts.

The Manager may, in connection with the Investment Management Agreement, invest in, deal with or engage the services of the Manager's associates engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business, on an arm's length commercial basis and approved by the Responsible Entity.

### 14.7.9. INDEMNITIES

The Manager indemnifies the Responsible Entity against any direct expenses incurred by the Responsible Entity that arise from the gross negligence, fraud, wilful misconduct or dishonesty of the Manager.

The Responsible Entity indemnifies the Manager against any direct expenses reasonably incurred by the Manager in connection with the provision of the Services, except to the extent any expense is caused by the gross negligence, fraud, wilful misconduct or dishonesty of the Manager.

## 14.8 PROPERTY AND DEVELOPMENT MANAGEMENT AGREEMENT

The Responsible Entity will appoint Elanor Asset Services Pty Limited (the "Manager") to act as the property and development manager of the Group's properties under the Property and Development Management Agreement.

### 14.8.1. PROPERTY AND DEVELOPMENT MANAGEMENT SERVICES

The Manager has been delegated all powers necessary to carry out its obligations under the Property and Development Management Agreement to manage each Group's properties, including each Property in the Portfolio, by providing:

- Property management services, which include day-to-day management, maintenance and operational decision making in connection with the properties, preparation of property business plans, budgets and reports, billing and collection of rental and other amounts and managing disbursements, management of leases and other property-related contracts and tenant and regulatory compliance, management of service, repair and maintenance works and tenant improvements, property marketing, leasing and tenant liaison and other services generally performed by a property manager whilst using commercially reasonable efforts to maximise revenues and minimise operating costs.
- Development management services, which include evaluation of the development potential of properties, preparation of development proposals, management of building and development approvals, management of development and capital expenditure, implementation and management of development works, and other services generally performed by a development manager.

The Manager will provide the services subject to the supervision and control of the Responsible Entity and the terms of the agreement.

### 14.8.2. EXCLUSIVITY

During the term of the Property and Development Management Agreement, the Responsible Entity must not appoint any other party to perform the services except where it is necessary to comply with applicable law or regulation or other applicable requirements, as set out in Section 14.8.6 or as otherwise permitted by the Manager if the Responsible Entity approves of the appointment.

The Manager may appoint other parties to assist with the delivery of all or part of the services under the agreement.

The Manager and its associates may from time to time perform services for itself and other parties the same as or similar to the services provided under the agreement.

### 14.8.3. TERM AND TERMINATION

The Property and Development Management Agreement commences on the day on which Securities are allotted and issued to investors pursuant to this PDS.

The initial term of the agreement is 10 years and is automatically extended for successive five year terms unless terminated by either the Manager or the Responsible Entity at least 12 months prior to the end of the initial term or any successive five year term. This means that the initial term of the agreement is at least 10 years unless otherwise terminated in one of the circumstances referred to below.

Where the Responsible Entity gives the required notice that it does not wish to extend the agreement at the end of a term, termination in this circumstance will give rise to the payment of a compensation amount to the Manager equal to two times the fees paid under the agreement in the 12 months up to expiry of the term.

The agreement will not automatically apply to a new property in which the Fund holds, directly or indirectly, less than a 50% interest. The agreement may also be terminated by the Manager or the Responsible Entity on the sale of an individual property or the securities in any entity which directly or indirectly owns a property. The agreement may also be terminated with respect to a property in circumstances where a property is destroyed, or a property is damaged so that the property is unfit or substantially unfit for the Manager to perform its obligations under the agreement.

#### **Manager's termination rights**

The Manager can terminate the Property and Development Management Agreement:

- at any time on 90 day's notice to the Responsible Entity; or
- immediately if:
  - there is a material default of the agreement by the Responsible Entity which is not rectified (including by way of payment of reasonable compensation) within 90 days of written notice from the Manager;
  - the Responsible Entity is insolvent (and is not replaced by another trustee within 60 days of becoming insolvent);
  - a Group entity is insolvent; or
  - without prior written approval of the Manager, there is a change of control of the Responsible Entity or the Fund, the Responsible Entity is replaced by a responsible entity that is not a member of the Elanor Investors Group or a winding-up of the Fund commences.

Note that in the case of default or the insolvency of a Group entity, the Manager's termination right can be exercised in relation to the individual property in respect of which the default or insolvency has occurred or in respect of the whole agreement (at the election of the Manager).

Termination of the agreement by the Manager in these circumstances (other than where the Manager has terminated without cause by giving 90 day's notice) gives rise to the payment of a compensation amount to the Manager equal to two times the fees paid under the agreement in the 12 months up to termination.

### 14.8.4. RESPONSIBLE ENTITY'S TERMINATION RIGHTS

The Responsible Entity can terminate the Property and Development Management Agreement:

- on 90 days' notice to the Manager, if there is:
  - a bona fide sale of all or substantially all of the assets of the Group to a third party on an arm's length basis; or
  - a change of control of the Responsible Entity or the Fund, the Responsible Entity is replaced by a responsible entity that is not a member of the Elanor Investors Group or a winding-up of the Fund commences,and in these circumstances, a compensation amount equal to two times the fees paid under the agreement in the 12 months up to termination will be payable to the Manager; or
- subject to a termination right arising as described in Section 14.8.5, immediately if:
  - there is a material default of the agreement by the Manager which is not rectified (including by way of payment of reasonable compensation) within 90 days of written notice from the Responsible Entity; or
  - the Manager is insolvent and is not replaced by the Elanor Investors Group with another manager within 60 days of becoming insolvent.

### 14.8.5. TERMINATION IN RESPECT OF DEVELOPMENT MANAGEMENT SERVICES

Where a relevant material default giving rise to a termination right for the Responsible Entity is in respect of development management services for particular development works only (in circumstances where the Manager is otherwise performing its obligations in relation to other services), the Responsible Entity may only terminate the agreement as it applies to development management services for those development works. However, in those circumstances, the exclusive engagement of the Manager to provide development management services would also cease (and the Responsible Entity could engage other parties to provide development management services).

In addition, if the agreement is terminated by either the Manager or the Responsible Entity at the end of its initial term or any subsequent term or in circumstances of a change of control of the Responsible Entity or the Fund or the Responsible Entity being replaced by a responsible entity that is not a member of the Elanor Investors Group, the Manager will continue to perform and be paid for development management services in respect of any approved development works that are ongoing at the time of termination, until completion of those works.

### 14.8.6. FEES, COSTS AND EXPENSES

#### 14.8.6.1 Fees

Unless the Manager has appointed other parties to assist with the delivery of all or part of its services, the Property and Development Management fees payable to the Manager will be as follows:

- **Property Management Fee:** 4% of gross income for each property for each month; and
- **Leasing fees:**
  - New tenants to a property: 15% of face rental (being gross rent payable by a tenant, disregarding incentives and rent abatements) for the first year of lease term ("New Tenant Lease Fee");
  - New tenancy for an existing tenant of a property: 10% of face rental for the first year of the new lease if an existing tenant enters into a new lease of its existing premises plus additional space in excess or relocates to new premises within the relevant Property ("Existing Tenant Lease Fee");
  - Lease renewal: 7% of face rental for the first year of new lease if an existing tenant enters into a new lease (including by way of exercise of an option) to continue leasing their current space in a property;
  - Market rent review: 10% of the increase between the rent payable for the year before the relevant rent review and the rent payable for the year after that rent review date as a result of a market rent review;
  - Lease administration and design costs: these services will be charged by the Manager on a cost recovery basis, unless they are payable by the tenant.
- **Development Management Fee:** 5% of total development costs (being the total cost of any development works undertaken in respect of a property). The Manager will only be able to recover an amount equal to 2% of the total development costs from the time that the development proposal is approved to the commencement of construction, with the balance to be paid in instalments from the time that construction commences to completion of the project delivery.

Where the Manager has appointed other parties to assist with the delivery of substantially all of a particular service in relation to any particular property, the Manager will be entitled to recover the cost of the fees paid to the service providers, in addition to the following fees for management, supervision and approval of activities and proposals recommended by these service providers in relation to the particular service provided:

- **Property Management Fee:** 1% of gross income for each month for each relevant property; and
- **Leasing fees:** 15% of leasing fees payable to the service provider with respect to the relevant property; and
- **Development Management Fees (pre Development Approval):** 20% of consultant costs incurred until the development proposal is approved.

The Manager's fees will be benchmarked and independently reviewed against market fees at the five year anniversary from commencement of the Property and Development Management Agreement in the initial term and on commencement of any successive term. If the Manager's fees are considered to be outside of market ranges, the parties will either agree to a revision to market based fees or refer the review of fees to expert determination (if they cannot agree).



## 14. SUMMARY OF IMPORTANT DOCUMENTS (continued)

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### 14.8.6.2 Costs and expenses

The Manager is entitled to be reimbursed for all costs and expenses it reasonably and properly incurs as Manager other than expenses that arise as a result of the gross negligence, fraud, wilful misconduct or dishonesty of the Manager or any officer, employee, delegate, agent or contractor of the Manager. The Manager must seek the approval of the Responsible Entity where expenditure is not within budget and the would exceed any relevant specified thresholds.

The Manager is also entitled to recover staff salary, salary on-costs, travel and office operating expenses associated with on-site management, operations, marketing and administration of any property and any off-site accounting, management, IT and operational costs directly related to any property.

The Manager is also entitled to recover the costs of advisers and consultants (including town planners, urban designers, architects, surveyors, engineers, traffic consultants, quantity surveyors, economic impact assessment, legal advisers, etc) to assist with the development services and activities, including evaluation of the development potential of properties, preparation of development proposals and approvals, and implementation and management of development works.

### 14.8.7. USE OF ASSOCIATES

The Manager may, in connection with the Agreement, invest in, deal with or engage the services of the Manager's associates engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business, on an arm's length commercial basis and approved by the Responsible Entity.

### 14.8.8. INDEMNITIES

The Manager indemnifies the Responsible Entity against any direct expenses incurred by the Responsible Entity that arise from the gross negligence, fraud, wilful misconduct or dishonesty of the Manager.

The Responsible Entity indemnifies the Manager against any direct expenses reasonably incurred by the Manager in connection with the provision of the services, except to the extent any expense is caused by the gross negligence, fraud, wilful misconduct or dishonesty of the Manager.

## 14.9 CUSTODY DEED

The Custody Deed was entered into between the Responsible Entity and The Trust Company (Australia) Limited ("**Custodian**") on 23 May 2012, as amended most recently on 26 September 2016, for a number of its managed investment schemes, including for the Fund.

Under the Custody Deed, the Custodian will:

- provide custody for assets of the Fund;
- hold assets in its own name, but still for the Fund;
- act in accordance with the directions of the Responsible Entity;
- have in place disaster recovery and internal systems and controls;
- keep all appropriate records and reports as required;
- maintain all appropriate records and report as required;
- maintain adequate insurance covering professional indemnity and fraud; and
- not subcontract its responsibilities (without the written consent of the Responsible Entity).

The Custodian is authorised to provide custodial services.

The Custodian is entitled to be indemnified from the Fund for all actions taken, or omitted to be taken, in accordance with a proper instruction given by the Responsible Entity.

Either party may terminate the Custody Deed on 90 days' written notice to the other. In addition, either party may terminate the Custody Deed immediately in certain circumstances, including where the other party has materially breached the Custody Deed and has not remedied that breach within 10 Business Days.

The Custodian is entitled to 0.02% of the GAV of each Trust per year payable quarterly in arrears. The minimum annual fee payable to the Custodian is \$15,000 plus GST (adjusted by CPI).



## 14.10 LOAN SECURITY PLAN

The Fund has established the Loan Security Plan as its long term incentive arrangement to assist in the motivation of key management personnel. The Fund will provide the Loan Security Plan documentation to the ASX for release to the market after completion of the Offer.

By applying for Securities under the Offer, you will be taken effectively to have consented to the issue of Loan Securities under the Loan Security Plan as described below and you acknowledge that it is not necessary to submit the issue or grant of awards to a Security Holder's meeting for approval.

### Loan Security Plan key terms

The key terms of the Loan Security Plan are set out in the table below.

Feature	Key terms of the Loan Security Plan
Eligibility	<ul style="list-style-type: none"> <li>Loan Security awards (comprising the loan of funds to acquire Securities which are subject to vesting conditions) may be offered to eligible persons (including the Fund Manager) as determined by the Board from time to time.</li> </ul>
Offer to be made under the Loan Security Plan	<ul style="list-style-type: none"> <li>Loan Security awards will be offered to the Fund Manager over an aggregate 1.0 million Securities (at the Offer Price of \$1.35 per Security).</li> </ul>
Grant of Loan Securities	<ul style="list-style-type: none"> <li>Loan Securities entitle a participant to purchase Securities at market value, using a loan provided (or procured) by the Fund. Securities which can be sold, subject to meeting vesting conditions, with the participant realising any growth in value (after repayment of the loan provided (or procured)) by the Fund.</li> <li>The loan provided by the Fund to fund the purchase cost will be limited-recourse, and may be offered interest-free or interest-bearing. For the initial award to be offered at Allotment, the loan will carry interest at a rate equivalent to cash dividends and distributions paid on the underlying Securities. The loan must be repaid by the earliest to occur of:               <ol style="list-style-type: none"> <li>1) sale of vested Securities;</li> <li>2) the participant ceasing employment with Elanor; or if the Securities vest after cessation, within 90 days of that date in respect of vested Securities; or</li> <li>3) the fourth anniversary of the date the Securities were allocated to the participant.</li> </ol> </li> <li>Under the terms of the loan the participant's liability is limited to the value of the underlying Securities. If, when the loan is required to be repaid, the outstanding loan balance is greater than the value of the relevant Securities the participant can transfer the Securities to the Fund (or its nominee) in full and final settlement of the loan. In this respect, the Fund bears the risk of the loan not being repaid in full should the Security price fall below the Offer Price.</li> </ul>
Issue price of Loan Securities	<ul style="list-style-type: none"> <li>For the initial grant at Allotment, the purchase price will be the Offer Price of \$1.35 per Security.</li> </ul>
Vesting period	<ul style="list-style-type: none"> <li>The initial grant to the Fund Manager will have a vesting period commencing on Allotment and ending on the third anniversary of the Allotment.</li> </ul>

## 14. SUMMARY OF IMPORTANT DOCUMENTS (continued)

Feature	Key terms of the Loan Security Plan
Vesting conditions	<ul style="list-style-type: none"> <li>The vesting conditions for Securities allocated at Allotment will comprise:               <ol style="list-style-type: none"> <li>a service-based hurdle, which requires that the participant remains employed by Elanor until the third anniversary of Allotment; and</li> <li>achievement of an absolute total Security Holder return (<b>TSR</b>) performance hurdle, which requires that the Fund's TSR (Security price appreciation with dividends and distributions reinvested) must be at least 10% per annum over the three year vesting period.</li> </ol> </li> <li>On satisfaction of the vesting conditions, the participant may sell the vested Securities with the proceeds first being directed to repay the outstanding loan balance. If the vesting conditions are not met, or if the loan is not repaid by the due date, the Securities will normally be sold or transferred as directed by the Fund with the result that (in respect of Securities for which the vesting conditions have not been met) the participant will forfeit the opportunity to benefit from any increase in Security value since the Securities were allocated.</li> </ul>
Restrictions on dealing	<ul style="list-style-type: none"> <li>The Board may determine prior to a grant of awards whether there will be any restrictions on the disposal of Securities prior to and following the vesting of awards.</li> </ul>
Cessation of employment of holders of Loan Securities	<ul style="list-style-type: none"> <li>If cessation of employment occurs, the following treatment will apply in respect of unvested awards:               <ul style="list-style-type: none"> <li>Where a participant's employment is terminated for cause or on the participant's resignation, unvested awards will be forfeited and surrendered (unless the Board determines otherwise).</li> <li>In all other circumstances, where a participant's employment ceases, unvested Loan Securities will remain 'on foot' subject to the original vesting conditions and vesting period.</li> <li>The Board will have discretion to pro-rate awards which remain on foot (e.g., to reflect the portion of the vesting period that has elapsed). The Board may lapse an award in full and also allow accelerated vesting (pro-rated for time and performance) in special circumstances (subject to the termination benefit cap rules).</li> </ul> </li> <li>In relation to vested Loan Securities, any outstanding loan must be repaid within 90 days of ceasing employment. Any proceeds from a sale of Securities must first be directed to repay the outstanding loan.               <ul style="list-style-type: none"> <li>If Securities vest after cessation of employment, the loan must be repaid within 90 days of vesting of those Loan Securities.</li> <li>The Board may determine that for a particular participant a longer period than 90 days should apply to repay the loan in relation to vested Loan Securities.</li> </ul> </li> </ul>
Change of control impact of holders of Loan Securities	<ul style="list-style-type: none"> <li>In the event of a takeover or any proposed transaction that the Board in its discretion determines should be treated as a change of control, unvested Loan Securities will vest on completion of the transaction to the extent the applicable vesting conditions have been achieved. The Board will have discretion to determine, taking into account the circumstances of the transaction, whether any additional unvested awards held by participants (if any) should also vest.</li> </ul>

## 14.11 NORTHWAY PLAZA ACQUISITION

### 14.11.1. NORTHWAY OPTION

Under a Put and Call Option dated 21 September 2016 (**Northway Option**), Amiga Pty Ltd ACN 080 557 213 trustee under instrument 709108297 (**Northway Seller**) has granted Elanor Investment Nominees Pty Ltd ACN 602 165 971 ATF Northway Plaza Property Trust (**Northway Grantee**) a call option (**Call Option**) and the Northway Grantee has granted the Northway Seller a put option (**Put Option**) for the purchase of the Northway Property on the terms set out in the Northway Contract. The option fee is \$1.

The Call Option may be exercised by the Northway Grantee (or by its nominee) (**Northway Buyer**).

The exercise of the Call Option is subject to certain conditions precedent, which are to be satisfied no earlier than 15 November 2016 (and in any event, before 31 December 2016, being the sunset date). These are:

- Bundaberg Regional Council must waive any requirement for the owner of the land to comply with a number of roadworks-related conditions contained in a development approval issued in December 1995 (on the basis these conditions are now redundant);
- the Northway Seller must procure the withdrawal of a caveat registered over the Northway Property by a third party; and
- the Northway Seller must procure the agreement of the IGA tenant and its guarantor to a deed of covenant (Northway Deed of Covenant) setting out certain mutual covenants between the Northway Buyer, the Northway Seller, the IGA tenant and its guarantor (see below). The Deed of Covenant must be executed once the identity of the Northway Buyer is known.

The Call Option is exercisable within 5 business days after the conditions precedent are satisfied, and the Put Option will be exercisable within 5 further business days if the Call Option is not exercised.

### 14.11.2. NORTHWAY CONTRACT

Settlement of the Northway Contract is due on the later of 15 November 2016 and 10 business days after the Northway Contract is exchanged (being, on the last day on which the Put Option may be exercised). The Northway Buyer can bring forward settlement to an earlier date on at least 10 business days' notice.

The purchase price payable under the Northway Contract is \$14,000,000.

The Northway Contract contains certain representations and warranties by the Seller for the benefit of the buyer, including, in relation to the accuracy of the information provided and that certain fundamental matters (eg that the Northway Seller is not under any legal disability) are true at the date of the Northway Option. In addition, the Seller also warrants as to specific matters in relation to the property, including, in relation to recent repairs and outgoing recovery have been carried out properly on the property.

The Northway Seller's liability under the Northway Contract for a breach of warranty is limited to \$1,400,000.

The Northway Seller will reimburse the Northway Buyer for all outstanding tenancy incentives on settlement.

### 14.11.3. NORTHWAY RENTAL GUARANTEE

The Northway Seller will provide a rental guarantee for nominated vacant tenancies for a period of 2 years following settlement. The guarantee only operates with respect to nominated vacant tenancies, and ceases to operate in respect of a vacant tenancy if it becomes subject to a lease. The guarantee will however cover any rent free period for a new lease of a vacant tenancy, for up to 3 months' rent.

### 14.11.4. NORTHWAY DEED OF COVENANT - IGA LEASE

Under the Northway Deed of Covenant, the Northway Seller, Northway Buyer, IGA tenant and its guarantor covenant with each other in relation to certain matters, including:

- the Northway Buyer will observe all covenants on the part of the landlord under the IGA lease in favour of the IGA tenant and its guarantor;
- the parties agree that there will be no rent review carried out under the IGA lease on 1 November 2016 (notwithstanding the terms of the IGA lease); and
- the Northway Buyer may subdivide areas of the Northway Property for future stand-alone development for specified purposes and carry out related works without IGA tenant prior consent.

### 14.12 TWEED MALL ACQUISITION

#### 14.12.1. TWEED MALL OPTION

Under a Put and Call Option dated 26 August 2016 (**Tweed Mall Option**), Tweed Mall Pty Ltd ACN 006 766 374 and Vicinity Custodian Pty Ltd ACN 077 870 243 (**Tweed Mall Seller**) has granted Elanor Investment Nominees Pty Limited ACN 602 165 971 (**Tweed Mall Grantee**) a call option (**Call Option**) and the Tweed Mall Grantee has granted the Tweed Mall Seller a put option (**Put Option**) for the purchase of Tweed Mall, Corner Wharf and Bay Street, Tweed Heads NSW (**Tweed Mall Property**) on the terms set out in the contract attached to the Tweed Mall Option (**Tweed Mall Contract**). The option fee is \$1.

The Call Option may be exercised by the Tweed Mall Grantee (or by its nominee) (**Tweed Mall Buyer**) at any time between 27 August 2016 and 14 October 2016 (inclusive).

The Put Option may be exercised at any time between 15 October 2016 and 22 October 2016 (inclusive) if the Call Option is not exercised.

#### 14.12.2. TWEED MALL CONTRACT

Settlement of the Tweed Mall Contract is due on 14 November 2016 (**Tweed Mall Settlement Date**). If settlement does not occur by this date, either party can issue a notice to complete making time of the essence for settlement. If settlement of the Tweed Mall Contract does not occur within 14 days of the date of the notice to complete, the party who issued the notice can terminate the Tweed Mall Contract. If settlement is delayed through no fault of the Tweed Mall Seller, the Tweed Mall Seller will also be entitled to charge interest on the balance of the purchase price at a rate of 8% per annum calculated daily from the Tweed Mall Settlement Date until settlement occurs.

The purchase price payable under the Tweed Mall Contract is \$81,250,000.

The Tweed Mall Contract contains certain representations and warranties by the Tweed Mall Seller for the benefit of the Tweed Mall Buyer, including, in relation to the accuracy of the information provided and that certain fundamental matters (eg that the Tweed Mall Seller is not under any legal disability) are true at the date of the Tweed Mall Contract.

Any claims to be made by the Tweed Mall Buyer against the Tweed Mall Seller for a breach of warranty (**Warranty Claim**) are limited to \$1,625,000 and must be made within 12 months from the settlement date. The Tweed Mall Seller is not obliged to satisfy a Warranty Claim unless the amount of the individual Warranty Claim is equal to or greater than \$50,000 and until there are Warranty Claims in an aggregate amount of equal to or greater than \$150,000. Vicinity Limited ACN 114 757 783 has also guaranteed the due and punctual payment of any Warranty Claim which the Tweed Mall Seller is required to pay the Tweed Mall Buyer.

The Tweed Mall Seller will reimburse the Tweed Mall Buyer for all outstanding incentives for existing tenancies on settlement. The Tweed Mall Buyer will be responsible for all incentives payable under any new tenancies granted (with the Tweed Mall Buyer's consent) between 26 August 2016 until the completion date.

#### 14.12.3. TWEED MALL RENTAL GUARANTEE

The Tweed Mall Seller will provide a rental guarantee for nominated vacant tenancies for a period of 2 years following settlement. The guarantee only operates with respect to nominated vacant tenancies, and ceases to operate in respect of a vacant tenancy if it becomes subject to a lease.

#### 14.12.4. LICENCE

The Tweed Mall Seller must use reasonable endeavours to procure the grant of a new licence of the road reserve adjacent to Lot 1 in DP886236 (**Road Reserve**) from Tweed Shire Council (**Council**) to the Tweed Mall Buyer. The new licence must be on similar terms to the licence dated 23 September 2014 between Council (as Licensor) and Tweed Mall Pty Ltd ACN 006 766 374 (as Licensee) for the Road Reserve (**Council Licence**). If Council does not grant a new licence, Tweed Mall Pty Ltd ACN 006 766 374 must grant to the Tweed Mall Buyer a sub-licence of the whole of the licensed area under the Council Licence.

## 14.13 DEBT FACILITY

### 14.13.1 SUMMARY OF THE DEBT FACILITY

The Fund has entered into a credit approved term sheet from its Bank setting out a high level summary of the agreed terms for the proposed Debt Facility. The proposed Debt Facility will only be available on finalisation and execution of full-form financing documents and satisfaction of each condition precedent in the documents associated with the proposed Debt Facility, including Completion occurring.

The Fund may use the proposed Debt Facility:

- to maintain the existing financial facilities of ERPF I and ERPF II;
- to assist in funding of the acquisition of the New Properties; and
- for capital expenditure, leasing incentives and deposits for future acquisitions.

### 14.13.2 DEBT FACILITY'S EXPIRY

The Debt Facility comprises two facilities as follows:

- a \$41.70 million facility to ERPF II maturing in May 2020
- a \$48.30 million facility to ERPF I maturing in December 2018

### 14.13.3 UNDERTAKINGS AND FINANCIAL COVENANTS

The Debt Facility will contain undertakings from the Fund and the Sub-Trusts that provide security for the Debt Facility that the Responsible Entity considers appropriate or customary for a facility of this nature, including but not limited to:

- not creating or allowing any encumbrance or security interest over the Properties or other assets of the Fund or Sub-Trusts (other than certain agreed permitted encumbrances) without prior consent; and
- not permitting further financial indebtedness to be incurred by the Fund or Sub-Trusts (other than certain agreed permitted indebtedness) without prior consent.

The proposed Debt Facility will also contain certain restrictions on:

- declaring, making or paying any dividend, charge, fee or other distribution or subordinated debt;
- repaying or distributing any dividend;
- paying or allowing any member of the group to pay any management, advisory or other fee to or to the order of any of the Securityholders of the Fund or to any related parties of those Securityholders; or
- redeeming, repurchasing, defeasing, retiring or repaying any of the Fund's share or equity capital, membership interests or subordinated debt or resolving to do so.

at a time when the financial covenants in the Debt Facility are not satisfied or if an event of default is continuing or would occur as a result of making the Distributions.

In addition, the proposed Debt Facility documentation will include all usual or appropriate financial covenants that the Responsible Entity considers appropriate for a facility of this nature, including but not limited to:

- LVR of no more than 50%, defined as the amount outstanding under the Debt Facility divided by the (GST-exclusive) market value of the Properties, based on the most recent valuation accepted by the security trustee; and
- Interest cover ratio of at least 2.0 times, calculated over a 12 month period, defined as net rental income from the Properties divided by interest expense (in accordance with the methodology set out in the proposed Debt Facility).

### 14.13.4 SECURITY

The Debt Facility will be secured by the following security:

- first ranking registered mortgages over the Properties;
- general security agreement over all the assets and undertakings of the Fund and the relevant Sub-Trusts; and
- an account control deed between the security trustee (as holder of the securities on behalf of all lenders) and the Fund's transactional bank.

### 14.13.5 EVENTS OF DEFAULT

The proposed Debt Facility will contain certain events of default (subject, in certain cases, to materiality thresholds and cure periods) which the Responsible Entity considers customary and usual for a financing of this nature. These events include, but are not limited to:

- failure to pay;
- breach of any covenants, financial covenants and undertakings;
- breach of any of the representation or warranties;
- certain events in respect of the Properties (for example, an encumbrance is enforced or becomes enforceable against any of the Properties, failure to maintain the Properties or pay outgoings, or an environmental event occurs);
- termination of certain material documents;
- a material adverse effect on: the business, operation, property condition or prospects of the Fund and the Sub-Trusts, the ability of the Fund or the Sub-Trusts to perform their obligations under the finance documents or the validity or enforceability of the security;
- insolvency, or administration of the Fund or a relevant Sub-Trust, or enforcement of an encumbrance against any of the Properties;
- the Fund is delisted or all of the Securities are suspended from trading on the ASX for 10 or more consecutive business days (for reasons other than being an imminent announcement of a major acquisition or merger transaction); and
- change of Responsible Entity without the Bank's prior written consent.

An enforcement of security by the Bank due to an event of default will have a significant impact on the Securities and the Fund.

It will also be a review event under the Debt Facility if there is a change of control in respect of the Responsible Entity or the Fund, in which case the Bank may require the Debt Facility to be repaid if agreement cannot be reached as to the terms on which the Bank are prepared to continue to maintain the facility having regard to the change of control.



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## 15. ADDITITONAL INFORMATION



## 15. ADDITIONAL INFORMATION

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### 15.1 COMPLAINTS

If you have a complaint about the Fund or the Responsible Entity in connection with your investment in the Fund you can write to the Compliance Officer at:

Elanor Funds Management Limited  
Level 38, 259 George Street  
Sydney NSW 2000  
Australia

The Compliance Officer will acknowledge your complaint, investigate it and report back to you as soon as practicable, and in any event, within 45 days.

If you are dissatisfied with the response or the complaint is not resolved within 45 days, you may raise the matter directly with the Financial Ombudsman Service Limited ("**FOS**"). The FOS's contact details are:

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne VIC 3001  
Telephone: 1300 78 08 08  
Email: [info@fos.org.au](mailto:info@fos.org.au)

If you are after investment advice you should contact your financial adviser.

### 15.2 ASX WAIVERS AND CONFIRMATIONS

In order to conduct the Offer, the Responsible Entity has sought, certain in principle waivers and confirmations to the Listing Rules by ASX, including:

- confirmation that the structure of the Fund is appropriate for a listed entity for the purposes of Listing Rule 1.1 (condition 1);
- confirmation that ASX considers the Constitutions to be consistent with the listing rules, in accordance with Listing Rule 1.1 (condition 2);
- confirmation that the Fund is not required to provide accounts for the last three financial years under Listing Rule 1.3.5(a);
- confirmation that the reviewed financial statements provided in this PDS are sufficient for the purposes of Listing Rule 1.3.5(c);
- confirmation under Listing Rule 2.1 (condition 1) and Rule 6.1 that the terms of the Securities are appropriate and equitable;
- customary stapling relief in relation to Listing Rules 1.1. (condition 7 and condition 8), 2.1 (condition 2), 3.1, 6.24, 8.10, 10.1 and 19.12;
- a waiver of Listing Rule 6.12 to the extent necessary to allow the Responsible Entity to redeem Units of the Trusts under the Restructure;
- a waiver of Listing Rules 7.15 and 10.11 to allow the issue of Securities to entities associated with the Elanor Investors Group pursuant to the Restructure and to allow the issue of Securities to the Responsible Entity or the Manager to satisfy payment of the Management and Performance Fee under the Constitutions and the Investment Management Agreement;
- confirmation under Listing Rule 7.40 that the proposed timetable is acceptable to ASX;
- confirmation that the Fund will not, at the time of its admission to the Official List, have any restricted securities on issue;
- a waiver of Listing Rule 6.24, clause 1 of Appendix 6A to the extent necessary so that the Group does not need to advise ASX of the rate of Distribution on the date the record date is announced on the condition that an estimated distributed rate is advised to ASX on that date and the actual rate is advised to ASX as soon as it becomes known; and
- confirmation that there will be no mandatory escrow of the Securities pursuant to Listing Rule 9.1.3.

## 15.3 ASIC RELIEF

The Responsible Entity has also sought, the following relief and modifications from ASIC:

- customary stapling relief modifying Part 5C.7 of the Corporations Act to allow the Fund to be treated as a single stapled economic entity;
- modification of sections 601FC(1)(c), 601FC(1)(e), 601FD(1)(c) – 601FD(1)(e), 601FE(1)(a), 601FE(1)(b), 601JD(1)(c) and 601JD(1)(d) to allow the Responsible Entity and its officers to consider the interests of Security Holders as holders of Securities, not just in their capacity as holders of Units in each Trust;
- modification of section 601LC to allow the Responsible Entity to give financial benefits out of property of the Trust to the Responsible Entity and Manager;
- modification of section 1012D(3) to allow the Responsible Entity to apply dividends and distributions made to their respective members who are participants in a distribution reinvestment plan to acquire Securities; and
- modification of section 601GA and Part 5C.6 of the Corporations Act to allow the Responsible Entity to undertake a redemption of Units in each Trust in connection with the Restructure.

## 15.4 INTERESTS OF THE RESPONSIBLE ENTITY DIRECTORS

Except as set out in this PDS, no director or proposed director of the Responsible Entity holds, or held at any time during the last two years any interest in:

the formation or promotion of the Fund; or

- property acquired or proposed to be acquired by the Fund in connection with either of their formation or promotion with the Offer and no person had paid or agreed to pay, or given or agreed to give, any benefit to a director or proposed director of the Responsible Entity to induce them to become, or to qualify as, a director of the Responsible Entity; or
- for services provided by a director or proposed director of the Responsible Entity in connection with either the formation or promotion of the Fund or with the Offer.

## 15.5 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out in this PDS, no person named in this PDS as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this PDS and no promoter of the Fund or Lead Manager of the Offer or financial services licensee named in this PDS as a financial services licensee involved in the Offer, holds at the date of this PDS, or has held in the two years prior to that date, an interest in the formation or promotion of the Fund, any property acquired or proposed to be acquired by the Fund in connection with its formation or promotion or the Offer, nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to such persons for services provided in connection with the formation or promotion of the Fund or the Offer.

Moelis Australia Asset Management Limited (“Moelis Asset Management”), an entity associated with the Lead Manager, in its capacity as trustee of the Moelis Australia SIV Property Fund and the Moelis Australia Property Visa Fund currently holds Units in ERPF II. If Moelis Asset Management elected, on behalf of the underlying funds, to retain its holding under the Restructure, it would hold approximately 7.0% of the Securities on Allotment. Moelis Asset Management may seek to subscribe for additional Securities under the Offer.

Moelis Australia Advisory Pty Limited is acting as Sole Lead Manager and Underwriter to the Offer. The Responsible Entity has paid, or has agreed to pay, the Lead Manager the fees described in Sections 13.3 and 14.6 for these services in respect of the Offer.

Deloitte Corporate Finance Pty Limited has acted as the Investigating Accountant and has prepared the Independent Limited Assurance Report in Section 9. Deloitte Corporate Finance Pty Limited has also performed certain due diligence investigations in respect of the Offer. The Responsible Entity has paid, or agreed to pay, approximately \$135,000 (excluding disbursements and GST) for these services in respect of the Offer. For further details of the fees the Responsible Entity has paid, or agreed to pay, refer to the Financial Services Guide attached to the Independent Limited Assurance Report. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with its time-based charge-out rates.

## 15. ADDITIONAL INFORMATION (continued)

Deloitte Tax Services Pty Limited has also prepared Section 11 of this PDS in its capacity as taxation adviser to the Responsible Entity. The Responsible Entity has paid, or agreed to pay, approximately \$40,000 (excluding disbursements and GST) for these services in respect of the Offer.

Baker & McKenzie is the Australian legal adviser to the Responsible Entity in relation to the Offer. The Responsible Entity has paid, or agreed to pay, approximately \$420,000 (excluding disbursements and GST) for the above services in respect of the Offer.

CBRE Valuations Pty Limited and Knight Frank Valuations have acted as property valuers in respect of the Offer, and have prepared independent valuation reports (the summaries of which appears in Section 9). The Responsible Entity has paid, or agreed to pay, CBRE \$14,250 (excluding GST) and Knight Frank \$71,500 (excluding GST) for these services in respect of the Offer.

These are included in the fees and expenses set out in Section 13.3. Further amounts may be paid to one or more of the parties above based for services providing following the date of this PDS. Any amounts incurred have not been taken into account in setting the Offer Price, but may be payable from the Fund following Allotment.

## 15.6 CONSENTS TO BE NAMED AND LODGEMENT OF PDS

### 15.6.1. CONSENTS TO BE NAMED AND TO INCLUSION OF STATEMENTS IN PDS

The persons listed in the table below have given and have not, before the lodgement of this PDS with ASIC, withdrawn their written consent to:

- (a) be named in this PDS in the form and context in which they are named;
- (b) the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this PDS; and
- (c) the inclusion of other statements in this PDS which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included:

Name of person	Named as	Reports or statements
Deloitte Corporate Finance Pty Limited	Investigating Accountant	Investigating Accountant's Report set out in Section 9
Moelis Australia Advisory Pty Ltd	Lead Manager, Underwriter and Financial Adviser	–
Deloitte Tax Services Pty Ltd ACN 092 223 240	Taxation Adviser	Taxation Implications set out in Section 11
Computershare Investor Services Pty Limited	Registry	–
Deloitte Touche Tohmatsu	Auditor	–
Baker & McKenzie	Australian Legal Adviser	–
Valuations Services (NSW) Pty Limited, trading as Knight Frank Valuations	Valuer	Valuation Reports of Manning Mall, Auburn Central, Glenorchy Plaza, and Tweed Mall
CBRE Valuations Pty Limited	Valuer	Valuation Report of Northway Plaza
The Trust Company (Australia) Limited	Custodian	–

Each Director has given and has not, before lodgement of this PDS with ASIC, withdrawn his or her consent to be named in this PDS as a director in the form and context in which they are named and for the statements made by and on behalf of him or her to be included in this PDS.

None of the persons referred to above has made any statement that is included in this PDS or any statement on which this PDS is based, other than any statement or report included in this PDS with the consent of that person as specified above.

Each of the persons referred to above:

- (a) has not authorised or caused the issue of this PDS, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this PDS; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS other than references to its name or a statement or report included in this PDS with the consent of that person as specified above.

## 15.6.2. DIRECTOR'S CONSENT TO LODGEMENT

Each director of the Responsible Entity as at the date of this PDS has consented to the lodgement of this PDS with ASIC.

## 15.7 LITIGATION

Neither the Responsible Entity nor the Fund is a party to any current litigation material to the financial standing of the Responsible Entity or the Fund and the Directors have no such knowledge of any such potential litigation.

## 15.8 ENVIRONMENT, ETHICAL AND SOCIAL CONSIDERATIONS

The Responsible Entity does take into account labour standards or environmental, social or ethical considerations when making investment decisions.

## 15.9 EXERCISE OF PRICING DISCRETIONS

The Responsible Entity has elected that ASIC Class Order CO 13/655 will apply to pricing of Securities in the Fund. The Offer Price has been calculated in accordance with the Constitution of the Fund as a fixed price equal to the Issue Price in the PDS. Details of any discretion which will be applied to the pricing of Securities following listing is accessible on the Fund's website [www.elanorinvestors.com](http://www.elanorinvestors.com) free of charge.

## 15.10 PRIVACY AND PERSONAL INFORMATION

The Application Form requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988* (Cth) (as amended) (**Privacy Act**). The Responsible Entity as the responsible entity of the Fund (and the Registry on its behalf) collects, holds and uses that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and to administer the Fund. The Corporations Act requires certain particulars of security holders to be collected and maintained in a public register.

Access to information may also be provided to other Fund entities and to the Responsible Entity's agents and service providers, in circumstances including:

- the Lead Manager, in order to assess your Application and for ongoing administration;
- the Registry, to deal with your holding and organise mail-outs and other essential services;
- printers and mail companies, to prepare and distribute statements and reports to you;
- professional advisers, in relation to specific or general questions of the Responsible Entity, the Fund, or in response to enquiries or disputes;
- market research and support companies of the Fund, for product development and planning, as well as analysing the Security Holder base of the Fund; and
- service companies (such as those which may provide the services of management or a Director, or the Compliance Officer), in respect of any relevant matter relating to the Responsible Entity or the Fund, may process your information, provide services that you request, and inform you about products and services (including future offers of securities) for the Fund,

on the basis that they deal with such information in accordance with the Fund's privacy policy and otherwise as required by law. If you do not provide the information requested of you in the Application Form, the Responsible Entity, the Lead Manager, and Registry may not be able to process, deal with, or otherwise accept your Application for Securities appropriately. Those entities may not be able to administer your Security holding going forward and/or send information about the Fund or other managed investment schemes or services of Group, including any future offers of securities.

## 15. ADDITIONAL INFORMATION (continued)

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Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Responsible Entity. You can request access to your personal information by telephoning or writing to the Registry.

### 15.11 APPLICATION FORM

Returning a completed Application Form will be taken to constitute a representation by the Applicant that they:

- have received a printed or electronic copy of the PDS (and any supplementary or replacement document) accompanying the Application Form and have read them all in full;
- agree that their Application is completed and lodged in accordance with this PDS and subject to the declarations and statements on the Application Form;
- declare and confirm that all details and statements in the Application Form are complete and accurate;
- acknowledge that once the Application Form is returned it may not be withdrawn;
- agree to being issued the number of Securities referable to the value they apply for (or a lower number issued in accordance with this PDS);
- if natural persons, are at least 18 years old and do not suffer from any legal disability preventing them from applying for Securities; and
- authorise the Responsible Entity and the Lead Manager and their respective officers or agents, to do anything on their behalf necessary for Securities to be issued to them, including to act on instructions received by the Registry using the contact details in the Application Form.

### 15.12 COOLING-OFF PERIOD

Cooling-off rights do not apply to an investment in Securities pursuant to this Offer. This means that, in most circumstances, Applicants cannot withdraw their Application once it has been accepted.

### 15.13 ACCESS TO INFORMATION

The Responsible Entity will provide regular communication to Security Holders, including publication of:

- the Fund's half yearly reports which provides an update on the investments held, operation of the Fund and performance for the period;
- the Fund's annual report including audited financial statements for each financial year ending 30 June;
- half yearly distribution statements;
- annual taxation statements; and
- any continuous disclosure notices given by the Fund.

This information will be accessible on the Fund's website [www.elanorinvestors.com](http://www.elanorinvestors.com).

The Responsible Entity, as a disclosing entity, will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund Trusts may be obtained from, or inspected at, an ASIC office (or may be available through the Fund's website), and will also be lodged with ASX as required, and available through the ASX website.

You also have the right to obtain a copy of each annual report, half yearly report and any continuous disclosure notice from the Fund free of charge.

As at the date of this PDS, the Fund has not lodged with ASIC any annual report or half year report and has not given any continuous disclosure notices to ASX.

## 15.14 FOREIGN JURISDICTIONS

As at the date of this PDS, no action has been taken to register or qualify the Securities or the Offer or to otherwise permit a public offering of the Securities outside Australia.

The distribution of this PDS (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this PDS outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This PDS does not constitute an Offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer or invitation.

The Securities may be offered in a jurisdiction outside Australia where such offer is made in accordance with the laws of that jurisdiction.

Each person submitting an Application Form will be deemed to have acknowledged that it is aware of the restrictions referred to in this Section 15.14 and to have represented and warranted that it is able to apply for and acquire the Securities in compliance with those restrictions.

## 15.15 ANTI-MONEY LAUNDERING/COUNTER-TERRORISM FINANCING ACT 2006

The Responsible Entity may be required to collect certain customer identification information and verify that information in compliance with the *Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cth) (the **AML/CTF Act**) and AML/CTF Rules before it can issue Securities to Applicants.

Customer identification information may include detailed know your customer (**KYC**) information in relation to the Applicant such as, for an individual Applicant, name, address, and date of birth and for an Applicant that is a business entity, details of directors and beneficial owners, and where the Applicant is a trustee, details of the trust and beneficiaries. The Responsible Entity may require further KYC information such as information concerning business activities, structure and source of funds of Applicants and from time to time may require an Applicant to provide updated or additional information.

The Responsible Entity may refuse to accept an application or decline to issue Securities to an Applicant until it has satisfactorily concluded a customer identification procedure in relation to the Applicant.

The Responsible Entity may delay or refuse any request or transaction, including by suspending the issue or redemption of Securities in the Fund if the Responsible Entity is concerned that the request or transaction may cause the Responsible Entity to contravene the AML/CTF Act. The Responsible Entity will incur no liability to the Applicant if it does so.

## 15.16 COPIES OF DOCUMENTS

The following documents are available for inspection at the offices of the Responsible Entity between 9.00 am and 5.00 pm (AEST) on Business Days in Sydney NSW. Alternatively, a copy of the following documents may be requested (to be provided free of charge) by contacting the Responsible Entity on +61 2 9239 8400:

- the Constitutions;
- Compliance Plans; and

the Fund's policy regarding the exercise of discretions under the Constitutions which affect Security price calculations, valuation policy, and other matters.



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## 16. GLOSSARY



Term	Definition
<b>\$ or A\$</b>	Australian dollars.
<b>AAS</b>	Australian Accounting Standards.
<b>AASB</b>	Australian Accountings Standards Board.
<b>Acquisitions</b>	the proposed acquisitions of the New Properties by the Fund, pursuant to the Acquisition Agreements.
<b>Acquisition Agreements</b>	the Acquisition Agreements between the Responsible Entity (or its Controlled Entities) and the vendors of the New Properties, as described in Section 14.11 and 14.12.
<b>Adjusted NAV</b>	of the Fund means for a Performance Fee Period, the NAV of the Fund at the last day of the Performance Fee Period excluding any Performance Fees accrued or payable at that date.
<b>AFSL</b>	an Australian Financial Services Licence issued under the Corporations Act.
<b>Aggregate Distributions</b>	the aggregate of all Distributions, capital returns and distributions and other distributions paid by the Fund during a Performance Fee Period, plus any such Distribution or returns that have been declared or accrued during that period but remain unpaid.
<b>Allotment</b>	the allotment of Securities following acceptance of an Application.
<b>Allotment Date</b>	the date on which Securities are allotted under the Offer, expected to be 9 November 2016.
<b>Applicant</b>	a person who submits a valid Application Form pursuant to this PDS.
<b>Application</b>	an application for Securities under the Offer described in this PDS.
<b>Application Form</b>	each of the paper and electronic application forms attached to, or accompanying this PDS upon which an Application may be made.
<b>Application Monies</b>	monies received from Applicants in respect of their Application(s).
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited (ACN 008 624 691), the Australian Securities Exchange, or the market operated by it, as the context requires.
<b>ASX Guidelines</b>	the ASX Corporate Governance Principles and Recommendations, as amended.
<b>ASX Operating Rules</b>	the Settlement Operating Rules made by ASX Settlement Pty Limited (ACN 008 504 532).
<b>ATO</b>	Australian Taxation Office.
<b>Auditor</b>	the auditor of the Fund, Deloitte Touche Tohmatsu.
<b>Bank</b>	an Australian authorised deposit taking institution which has offered to provide finance to the Fund as part of the Debt Facility.
<b>Board</b>	the board of Directors of the Responsible Entity.
<b>Broker</b>	a broker appointed by the Lead Manager to act as a participating broker to the Offer.
<b>Broker Firm Applicant</b>	a person who submits a valid Application under the Broker Firm Offer.
<b>Broker Firm Offer</b>	the offer under this PDS available to all investors who have received a firm allocation from their Broker.
<b>Business Day</b>	a day on which ASX is open for trading in securities and banks are open for general business in Sydney, NSW.

Term	Definition
<b>Capitalisation Rate</b>	which represents a widely used measurement for comparing real estate investment opportunities, but should not be the sole factor in any real estate investment decision. The capitalisation rate for a property or portfolio of properties calculated by dividing the level of Net Operating Income of that property or portfolio by the assessed independent valuation of that property or portfolio.
<b>CBRE</b>	CBRE Valuations Pty Limited.
<b>CHES</b>	ASX's Clearing House Electronic Subregister System.
<b>Completion</b>	The completion of the issue of Securities pursuant to the Offer and the implementation of the Proposed Transaction.
<b>Compliance Plan</b>	the Compliance Plan of Elanor Retail Property Fund I dated 13 October 2016 (as amended from time to time) or the Compliance Plan of Elanor Retail Property Fund II dated 13 October 2016 (as amended from time to time), and Compliance Plans means both of them, in each case, as the context requires.
<b>Constitution(s)</b>	the Constitution of Elanor Retail Property Fund I dated 20 September 2016 (as amended from time to time) or the Constitution of Elanor Retail Property Fund II dated 20 September 2016 (as amended from time to time), and Constitutions means both of them, in each case, as the context requires.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>CPI</b>	Consumer Price Index.
<b>CPS</b>	Cents Per Security.
<b>Custodian</b>	The Trust Company (Australia) Limited (ACN 000 000 993).
<b>Custody Deed</b>	the Custody Deed entered into between the Responsible Entity and the Custodian on 23 May 2012, as amended most recently on 26 September 2016.
<b>CY17</b>	the calendar year ending 31 December 2017.
<b>CY</b>	The calendar year ended in any respective year.
<b>DDS</b>	Discount Department Store. DDS sales are considered to comprise both Discretionary and Non-Discretionary sales.
<b>Debt Facility</b>	the borrowing of money by, and other financial accommodation provided to, the Fund from the Banks, summarised in Sections 4.8 and 14.13.
<b>Director(s)</b>	the directors of the Responsible Entity.
<b>Distributable Earnings</b>	the profit reported in accordance with International Financial Reporting Standards after excluding property revaluations, mark to market adjustments for derivative financial instruments, transaction costs, capital profits and losses and tax thereon, deferred tax expense and adjustments for non-cash items including straight-lining of rental income and amortisation of Rental Guarantees.
<b>Distributable Earnings Yield</b>	the rate of return derived by dividing the Distributable Earnings per Security by the Offer Price.
<b>Distribution</b>	the amount payable to Security Holders by the Fund at the discretion of the Directors in accordance with the Constitutions.

Term	Definition
<b>Distribution Yield</b>	the rate of return derived by dividing the Distribution per Security by the Offer Price.
<b>Discretionary sales</b>	Retail sales other than Non-Discretionary sales
<b>DRP</b>	distribution reinvestment plan.
<b>EIN</b>	Elanor Investment Nominees Pty Limited (ACN 602 165 971), a wholly owned subsidiary of the Elanor Investors Group.
<b>Elanor or ENN</b>	Elanor Investors Group.
<b>Elanor Investors Group</b>	the ASX listed stapled group (ASX:ENN) comprised of Elanor Investors Limited (ABN 33 169 308 187) and the Elanor Investment Fund (ARSN 169 450 926) and their respective controlled entities.
<b>Elanor Offer</b>	the offer of Securities to Eligible Existing Investors, Eligible ENN Security Holders and others persons with a registered address in Australia, as described in Section 7.
<b>Elanor Offer Applicant</b>	a person who submits a valid Application under the Elanor Offer.
<b>Elanor Retail Property Fund I or ERPF I</b>	Elanor Retail Property Fund I (ARSN 615 291 220).
<b>Elanor Retail Property Fund II or ERPF II</b>	Elanor Retail Property Fund II (ARSN 615 291 284).
<b>Eligible ENN Security Holders</b>	those persons who hold a stapled security in Elanor Investors Group as at the PDS lodgement date with ASIC and who have a registered address on the ENN register in Australia.
<b>Eligible Existing Investors</b>	those persons who hold a Unit in either or both of the Trusts as at 1 October 2016 and who have a registered address on Unit register of a Trust in Australia.
<b>ERPF</b>	the Fund.
<b>Existing Investors</b>	those investors who as at the date of this PDS hold Units in either or both of the Trusts, being Elanor Retail Property Fund I and the Elanor Retail Property Fund II.
<b>Existing Properties</b>	the properties in the Portfolio owned by the Fund prior to Completion, being the Auburn Central Shopping Centre, Manning Mall Shopping Centre and the Glenorchy Plaza Shopping Centre, each as described in Section 5.
<b>Exposure Period</b>	the seven day period after the date of lodgement of the PDS with ASIC, which may be extended by ASIC by up to another seven days.
<b>Financial Information</b>	the financial information of the Fund as described in Section 8.
<b>Forecast Financial Information</b>	the Pro Forma Forecast Financial Information and the Statutory Forecast Financial Information of the Fund as described in Section 8.3.
<b>Forecast Period</b>	the period from Completion until 31 December 2017.
<b>Fully Leased Net Operating Income</b>	with respect to a Property, the NOI on a fully leased basis.
<b>Fund</b>	the Elanor Retail Property Fund, comprised of the Elanor Retail Property Fund I and the Elanor Retail Property Fund II.
<b>Fully Leased Gross Income</b>	with respect to a Property, the projected Gross Income on a fully leased basis.
<b>FY17</b>	the financial year ending 30 June 2017.

Term	Definition
<b>GAV</b>	means the consolidated gross asset value of the Group calculated in accordance with the Constitutions, and with the effects of all transactions between the Group members being eliminated in full.
<b>Gearing</b>	Drawn debt less cash divided by total assets less cash.
<b>GLA or Gross Lettable Area</b>	total lettable floor area in square metres.
<b>Gross Income</b>	with respect to a property, all annual income before any adjustment for annual operating expenses or non recoverable outgoings.
<b>Group</b>	means the Fund and its controlled entities.
<b>Implementation Deed</b>	the implementation deed dated 14 October 2016 entered into by the Responsible Entity and other members of the Elanor Investors Group to effect the Restructure.
<b>Institutional Investor</b>	a person to whom offers and issues of Securities may lawfully be made without the need for disclosure under Part 7.9 of the Corporations Act or without any other lodgement, registration or approval with or by a government agency (other than one with which the Responsible Entity, in its absolute discretion, is willing to comply), provided that such person is not in the United States.
<b>Institutional Offer</b>	the offer under this PDS to certain Institutional Investors to apply for Securities.
<b>Investigating Accountant</b>	Deloitte Corporate Finance Pty Limited (ACN 003 833 127).
<b>Investigating Accountant's Report</b>	the Investigating Accountant's Report prepared by the Investigating Accountant as set out in Section 9.
<b>Knight Frank</b>	Knight Frank Valuations Services
<b>Lead Manager</b>	Moelis Australia Advisory Pty Limited (ACN 142 008 446; AFSL 345 499).
<b>Investment Management Agreement</b>	the Investment Management Agreement between the Responsible Entity and the Manager in respect of the Fund, as described in Section 14.7.
<b>Listing Rules</b>	the official listing rules of the ASX from time to time as modified by any express written confirmation, waiver or exemption given by ASX.
<b>Management Agreements</b>	comprises the Investment Management Agreement and the Property Management and Development Agreement as described in Sections 14.7 and 14.8.
<b>Manager</b>	Elanor Asset Services Pty Limited (ACN 614 670 622), a wholly-owned subsidiary of the Elanor Investors Group.
<b>NAV</b>	means the consolidated net asset value of the Group calculated in accordance with the Constitutions, and with the effects of all transactions between the Group members being eliminated in full.
<b>New Equity Contributions</b>	the aggregate of any contribution of equity made to the Fund during a Performance Fee Period (net of equity raising costs).
<b>New Properties</b>	the properties to be acquired by the Fund on Completion, being Tweed Mall and Northway Plaza, each of which are described in Section 5, 14.11 and 14.12.
<b>New Securities</b>	Refers to Securities available under the Offer.
<b>NOI</b>	with respect to a property, the annual Gross Income less outgoings.
<b>Non-Discretionary</b>	includes supermarkets, fresh and prepared foods and other essential services.

Term	Definition
<b>NTA</b>	net tangible assets.
<b>NTM</b>	next twelve months from the Allotment Date.
<b>Offer</b>	the offer under this PDS to issue Securities under the Elanor Offer, the Broker Firm Offer and the Institutional Offer.
<b>Offer Price</b>	the price at which each Security is issued under the Offer, which is \$1.35 per Security.
<b>Official List</b>	has the meaning given in the ASX Listing Rules.
<b>Official Quotation</b>	has the meaning given in the ASX Listing Rules.
<b>PDS</b>	this document, the Product Disclosure Statement, dated 14 October 2016.
<b>Performance Fee</b>	the performance fee payable to the Manager under the Investment Management Agreement, as described in Section 13.4.5 and 14.7.7.
<b>Performance Fee Period</b>	means the first period from the Allotment Date to 30 June 2019, each period from the Allotment to each successive 30 June thereafter and the last period from the Allotment Date to a Trigger Event.
<b>Portfolio</b>	the property portfolio of the Fund as described in Section 5 of this PDS.
<b>Pro Forma Balance Sheet</b>	has the meaning given in Section 8.3.4.
<b>Properties</b>	the Existing Properties and the New Properties, each as described in the Section 5 of this PDS.
<b>Property and Development Management Agreement</b>	the Property and Development Management Agreement between the Responsible Entity and the Manager in respect of the Fund, as described in Section 14.8.
<b>Proposed Transaction</b>	the establishment and listing of the Fund through the Restructure, the Acquisitions and the Offer as described in this PDS.
<b>Responsible Entity</b>	Elanor Funds Management Limited (ABN 39 125 903 031), as Responsible Entity of each of the Elanor Retail Property Fund I and Elanor Retail Property Fund II.
<b>Register</b>	the Securities register of the Fund.
<b>Registry</b>	Computershare Investor Services Limited (ACN 078 279 277).
<b>REIT</b>	real estate investment trust.
<b>Rental Guarantees</b>	The rental guarantees provided by the vendors of the New Properties under the Acquisition Agreements, as described in Section 14.11 and 14.12.
<b>Restructure</b>	the reorganisation of the Funds, as described in Section 4.5.
<b>Retail Investor</b>	a person who is a resident of Australia and who is not in the United States, and is not otherwise treated as an Institutional Investor.
<b>Retail Offer Period</b>	the period commencing on the Retail Offer Opening Date and ending on the Retail Offer Closing Date.
<b>Retail Offer Closing Date</b>	the closing date for the Elanor Offer and Broker Firm Offer being 4 November 2016.
<b>Retail Offer Opening Date</b>	the opening date for the Elanor Offer and Broker Firm Offer being 24 October 2016.

Term	Definition
<b>Security</b>	A Security in the Fund comprising a Unit in Elanor Retail Property Fund I stapled to a Unit in Elanor Retail Property Fund II, such that the Units can only be purchased and sold together.
<b>Security Holder</b>	A registered holder of Securities.
<b>Stapled or Stapling</b>	the linking together of Securities so that one Security may not be issued, transferred or otherwise dealt with without a corresponding and simultaneous issue, transfer or dealing of the other security and which securities are quoted on ASX jointly as a “stapled security” or such other term as ASX permits.
<b>Stapled Entities</b>	the entities whose securities are Stapled together in accordance with the Stapling Deed and the Constitutions. As at the Allotment Date, the Stapled Entities are the Trusts.
<b>Stapling Deed</b>	the stapling deed entered into between the Elanor Retail Property Fund I and the Elanor Retail Property Fund II and dated 14 October 2016.
<b>Sub-Trusts</b>	each of the trusts owned by the Fund, being the Glenorchy Plaza Property Trust, the Northway Plaza Property Trust and the Tweed Heads Property Trust.
<b>Trigger Event</b>	means when the Investment Management Agreement terminates or expires, there is a change of control of the Responsible Entity or the Fund, the Responsible Entity is replaced by a responsible entity that is not a member of the Elanor Investors Group or a winding-up of the Fund commences, or the management of the Fund is internalised.
<b>Trusts</b>	each of the Elanor Retail Property Fund I and the Elanor Retail Property Fund II.
<b>Unit</b>	means a fully paid ordinary unit in the Elanor Retail Property Fund I or the Elanor Retail Property Fund II (as applicable).
<b>US Securities Act</b>	U.S. Securities Act of 1933, as amended.
<b>WACR</b>	Weighted Average Capitalisation Rate (weighted by property value).
<b>WALE</b>	weighted average lease expiry for a property or portfolio by gross lettable area excluding vacancies and including Rental Guarantees as at the Allotment Date.



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## 17. DIRECTORY



## 17. DIRECTORY

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### ELANOR RETAIL PROPERTY FUND

Level 38, 259 George Street  
Sydney NSW 2000

### FINANCIAL ADVISER, LEAD MANAGER AND UNDERWRITER

Moelis Australia Advisory Pty Ltd  
Level 27, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

### LEGAL ADVISER

Baker & McKenzie  
Level 27, AMP Centre  
50 Bridge Street  
Sydney NSW 2000

### INVESTIGATING ACCOUNT

Deloitte Corporate Finance Pty Limited  
Level 9, 225 George Street  
Sydney NSW 2000

### TAXATION ADVISER

Deloitte Tax Services Pty Ltd  
Level 9, 225 George Street  
Sydney NSW 2000

### AUDITOR

Deloitte Touche Tohmatsu  
Level 9, 225 George Street  
Sydney NSW 2000

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