Elanor RETAIL PROPERTY FUND

Annual Report

For the year ended 30 June 2020

Tweed Mall Shopping Centre, Tweed Heads, NSW

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DEC — December 2020
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AUG — August 2021
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SEP — September 2021
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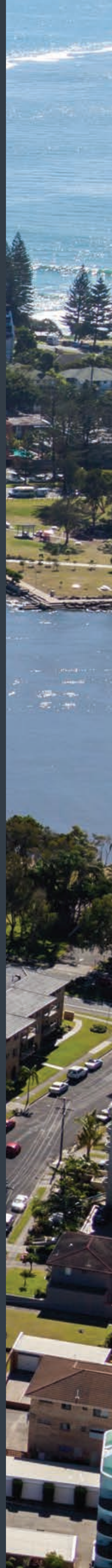
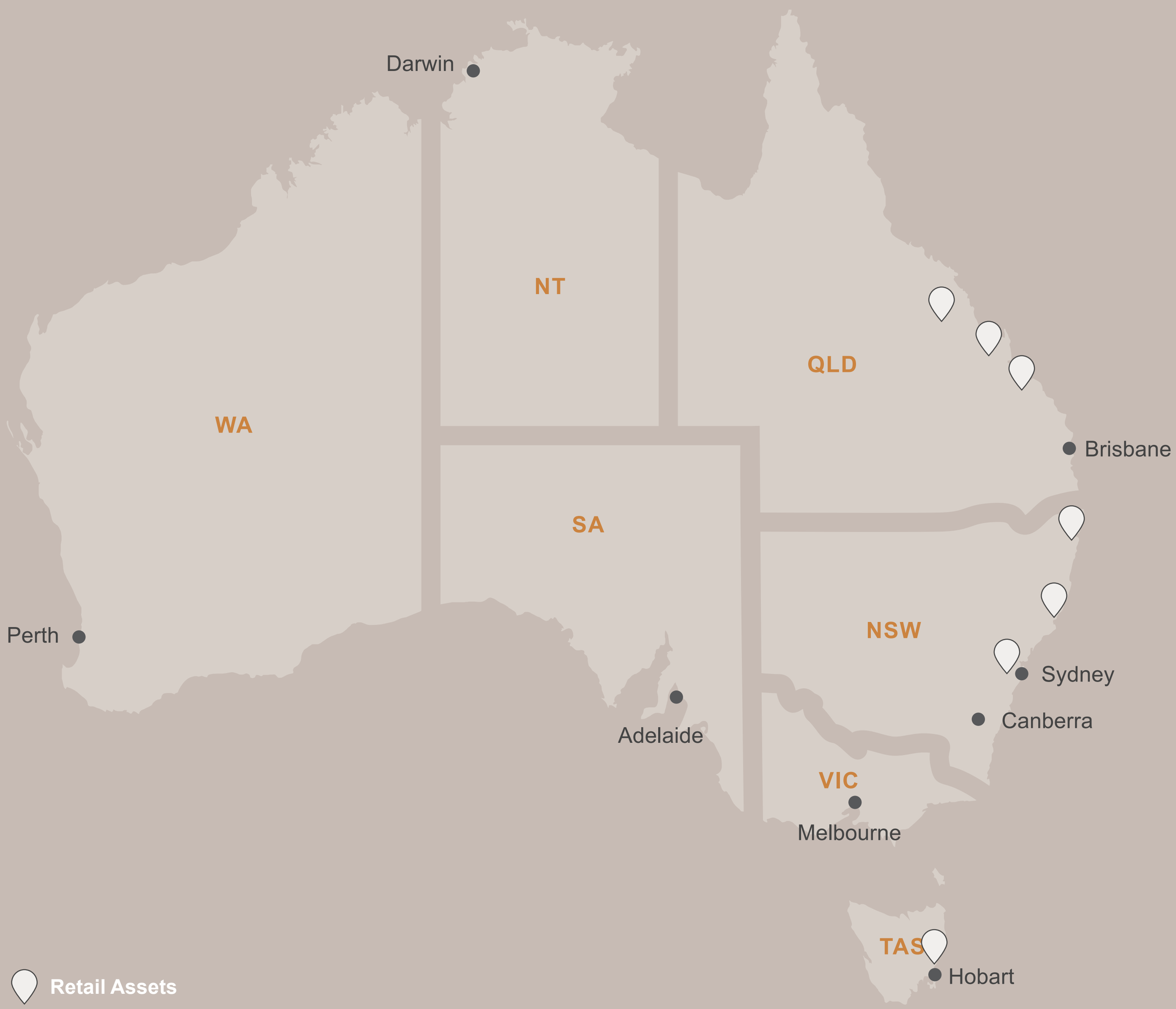
SEP — September 2021
Annual tax statements

Responsible Entity
Elanor Funds Management Limited ABN 39 125 903 031. AFSL 398196.



Highlights



Elanor Retail Property Fund's assets are located in metropolitan and prime regional locations across Australia

Portfolio Value
as at 30 June 2020

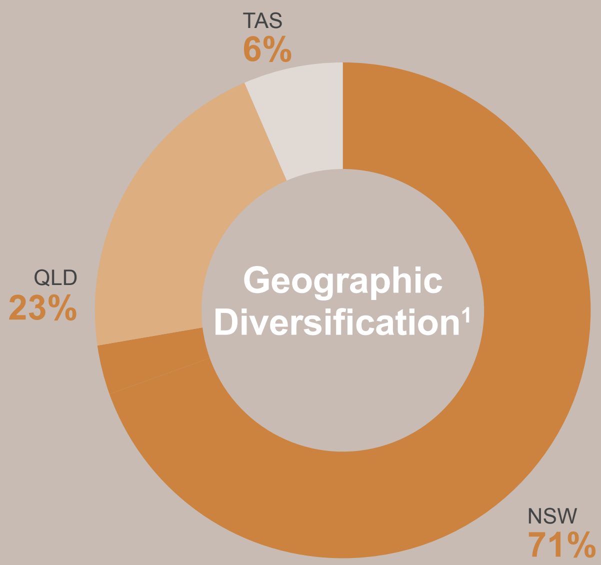
$321.2m
↓ 4.0%

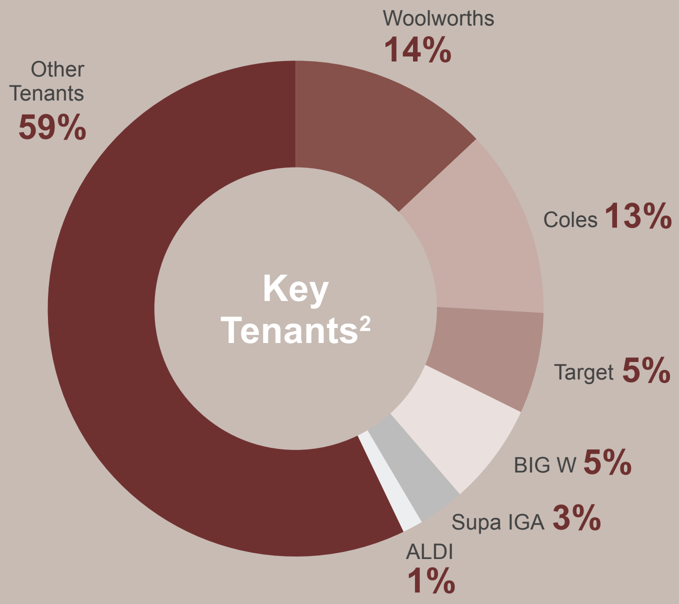
Portfolio Weighted Average Capitalisation Rate
as at 30 June 2020

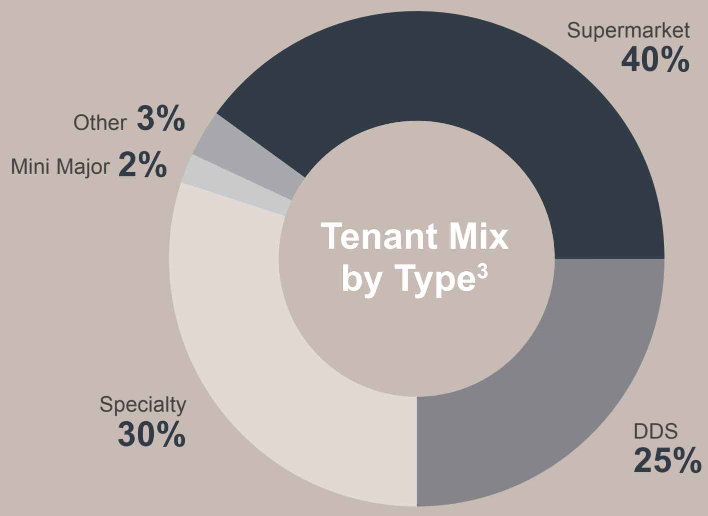
6.94%

Portfolio WALE (by income)
as at 30 June 2020

4 years







1. By asset value
2. By base rent, excluding Auburn Central BIG W tenancy
3. By lettable area

Core Earnings
for the financial year 2020

$11.1m
↓ 8.8%

Distributions (per security)
for the financial year 2020

5.24c

Net Asset Value (per security)
as at 30 June 2020

$1.34
↓ 12.4%

Gearing
as at 30 June 2020

43.7%
↑ from 38.8%

Message from the Chairman

On behalf of the Board, I am pleased to present Elanor Retail Property Fund's Annual Report, including its Financial Statements for the year ended 30 June 2020.

Elanor Retail Property Fund (ERF or Fund) is an externally managed real estate investment trust focused on investing in neighbourhood and sub-regional shopping centres with a high proportion of non-discretionary focused retailers. The Fund's objective is to provide investors with strong, stable and growing income returns and capital growth.

The Fund delivered Core Earnings of $11.1 million for the year. Notwithstanding the Fund's resilience to the impact of COVID-19, the distribution for the six months to 30 June 2020 was suspended given the uncertain and unpredictable economic environment. As such, distributions for the full year were $6.75 million, or 5.24 cents per security, reflecting a 95% payout ratio of Core Earnings for the six months to 31 December 2019 only.

Achievements

The Fund has successfully negotiated the early surrender of Auburn Central's BIG W lease to facilitate the transformation of the property into a Sydney metropolitan, triple supermarket, neighbourhood shopping centre. An Agreement for Lease has been executed with ALDI to anchor the new retail precinct. The repositioning strategy of Auburn Central is scheduled for completion in November this year.

The Fund completed the first stage of its retail repositioning strategy for Tweed Mall in August 2019, introducing ALDI to the centre as its third major supermarket and completing the tenancy remix in the northern mall. The strategic value-add project to reposition the property into a significant mixed-use asset is progressing well.

As at 30 June 2020, the Fund's Net Tangible Assets per security was $1.34.

Capital Management

As at 30 June 2020, ERF's gearing level was 43.7% - temporarily above the Fund's target gearing range of 30% to 40% due to the repositioning projects in progress at the Fund's Value-Add assets. The Fund's gearing will be reduced upon divestment of the Income Assets in the short to medium term. The weighted average cost of debt has reduced from 4% p.a. to 3% p.a. and the average debt maturity decreased to 2.3 years from 3.2 years.

COVID-19

There has been a significant change to operating and financial conditions across the Australian economy due to the disruption caused by the COVID-19 pandemic. These changes have impacted the Fund but have been well managed by ERF's management team. Social distancing requirements and other health related regulatory measures in response to the COVID-19 pandemic have been monitored closely and implemented at each of the Fund's properties, in accordance with the various Federal and State Government regulations and recommendations. Operational procedures have been modified as required, to ensure the health, safety and wellbeing of our staff, tenants and visitors to the Fund's properties.

Outlook

The Fund's key strategic objective will remain focused on actively managing and growing earnings from its investment portfolio and acquiring additional high investment quality, non-discretionary, retail properties with value-add potential.

The Fund is well positioned to enhance value for securityholders in the short term, following the execution of current initiatives that are targeted to realise the operational and strategic value-add opportunities within the portfolio.

Thank you to my fellow Board members, the executive leadership team and in particular to the Fund team, led by Michael Baliva, for their hard work, dedication and enthusiasm in an abnormal and challenging year.

Finally, to all Elanor Retail Property Fund securityholders, thank you for your continued support.

Yours sincerely,

Paul Bedbrook
Chairman

CEO's Message

I am pleased to present Elanor Retail Property Fund's (ERF or Fund) Annual Report for financial year ended 30 June 2020.

We continued to deliver on the Fund's strategy during the year. Core Earnings for the year ended 30 June 2020 were $11.1 million. We remain firmly of the view that the Fund is a low risk retail REIT with significant income and capital growth potential. Furthermore, we are confident that the Fund will deliver high risk-adjusted returns.

We are pleased with the performance of the Fund's Income Assets and the progress of the repositioning strategies at the Fund's Value-Add assets. The defensive nature of our non-discretionary focused portfolio is highlighted by the strong rental collections achieved over the COVID-19 impacted quarter to 30 June 2020 (having collected in excess of 78% of gross rent) and the strength of the Fund's property valuations in these challenging times. We remain confident that the Fund is well positioned to grow value for securityholders.

Strategy

The Fund's objective is to provide investors with strong and growing income returns and capital growth. To achieve this objective, the Fund's strategy is to:

- Invest in non-discretionary focused retail properties that provide quality earnings from rental income across a diversified retail tenant mix
- Implement leasing and other operational initiatives to grow the income and value of the retail properties
- Implement development and repositioning strategies within the portfolio
- Acquire additional high investment quality retail properties with a significant value-add potential
- Optimise the capital structure of the Fund based on a conservative approach to gearing

Key Results

- Core Earnings for the period of $11.1 million, or 8.63 cents per security
- Distributions for the period of $6.75 million, or 5.24 cents per security (representing 95% of 1HFY20 Core Earnings). 2HFY20 distribution suspended due to prevailing operating and market conditions as a result of the COVID-19 pandemic
- Net Tangible Assets per security of $1.34 as at 30 June 2020

Investment Portfolio

As at 30 June 2020, ERF had a total investment portfolio of $321.2 million, down 4.8% from 31 December 2019. The portfolio's overall value remained largely unchanged, with the exception of Tweed Mall, which reduced by $18.1 million as a result of the ongoing repositioning of the centre to a triple supermarket anchored, non-discretionary focused retail asset. The balance of the portfolio increased 0.8% from the December 2019 valuations.

Highlights include:

- Within six months of the opening of ALDI in Tweed Mall on 21 August 2019, the asset experienced a 15.4% increase in sales and a 13.8% increase in footfall traffic. These significant increases surpassed earlier forecasts and support Tweed Mall's continued repositioning towards a retail offering which is increasingly non-discretionary focused
- The Fund's repositioning of Auburn Central into a triple supermarket neighbourhood shopping centre is on schedule for completion in November 2020. Construction commenced in March 2020 following the closure of BIG W's store in February 2020, in accordance with the agreed early lease surrender. The project is forecast to generate an incremental yield of 10% on its estimated $20.0 million development cost, which is fully debt funded
  On completion, the project will introduce an ALDI supermarket (1,755m^2 secured by a 15-year lease and two five-year options), a Tong Li Asian supermarket (900m^2 secured by a 10-year lease), a mini-major discounter, a new food-court and an expanded range of medical, health and well-being services
- The Fund has successfully renewed a $41.7 million debt tranche which was due to expire in May 2020, to May 2022. This reduces the Fund's weighted average cost of debt to

“We continue to focus on executing initiatives to add value, consistent with our highly active approach to asset management.”

Manning Mall, Taree, NSW

approximately 3.25% per annum and increases the weighted average term to maturity to approximately 2.6 years

- Continued focus on the divestment of the Income Assets, particularly given their strong performance during the challenging market conditions presented by the COVID-19 pandemic
- In June 2020, the Fund exchanged contracts for the sale of Auburn Ambulance Station for $4.0 million. This asset has been classified as Assets held for sale as at 30 June 2020. Settlement occurred on 7 August 2020

Capital Management

Gearing of the Fund at 30 June 2020 was 43.7% - temporarily above the Fund’s target gearing range of between 30% and 40% due to the repositioning projects in progress at the Fund’s Value-Add assets. The Fund’s gearing will be reduced upon divestment of the Income Assets in the short to medium term.

During the year ahead, we will continue to explore capital management opportunities to deliver value to securityholders.

COVID-19

The Group’s ‘defensive’ shopping centre portfolio has performed well during the COVID-19 pandemic. Following the outbreak of the COVID-19 pandemic, both Federal and State Governments imposed operating restrictions on certain shopping centre retailers. Only those retailers deemed to be providers of ‘essential services’ were able to trade for the three months to 30 June 2020. The level of trading activity across ERF’s assets continues to improve as Government imposed restrictions are relaxed. As at 31 July 2020, 78% of rental billings across April, May and June 2020 had been collected.

Outlook

The Fund’s core strategy will remain focused on actively managing the portfolio to grow Core Earnings and capital value. Furthermore, we will continue to focus on acquiring additional high investment quality, value-add, retail properties.

The Fund’s properties present strong operational and strategic opportunities to further increase value. We continue to focus on executing initiatives to add value, consistent with our highly active approach to asset management.

I wish to thank my fellow Board members, my executive leadership team and the Fund’s management team, led by Michael Baliva, for their dedication, enthusiasm and successful execution of the Fund’s strategy.

Yours sincerely,

Glenn Willis
Managing Director and Chief Executive Officer

Financial Report

for the year ended 30 June 2020

Directors' Report

The Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II, present their report together with the consolidated financial report of Elanor Retail Property Fund (Group, Consolidated Group or Fund) and the consolidated financial report of the Elanor Retail Property Fund I Group (ERPF I Group) for the year ended 30 June 2020.

The financial report of the Consolidated Group comprises Elanor Retail Property Fund II (ERPF II) and Elanor Retail Property Fund I (ERPF I) and its controlled entities. The financial report of the ERPF I Group comprises Elanor Retail Property Fund I and its controlled entities.

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

ERPF I and ERPF II were registered as managed investments schemes on 13 October 2016. The units of ERPF I and the units of ERPF II are combined and issued as stapled securities in the Group. The Group's securities are traded on the Australian Securities Exchange (ASX: ERF), having listed on 9 November 2016. The units of each scheme cannot be traded separately and can only be traded as stapled securities. Although there is no ownership interest between ERPF I and ERPF II, ERPF II is deemed to be the parent entity of the Group in accordance with the Australian Accounting Standards.

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

1. Directors

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

- Paul Bedbrook (Chair)
- Glenn Willis (Managing Director and Chief Executive Officer)
- Nigel Ampherlaw
- Lim Kin Song
- Anthony Fehon (appointed 20 August 2019)
- William (Bill) Moss AO (resigned 17 September 2019)

2. Principal activities

The principal activities of the Fund are the investment in non-discretionary focused neighbourhood and sub-regional shopping centres that have strong value-add potential.

3. Distributions

Distributions relating to the year ended 30 June 2020 comprise:

Distributions	Year Ended 30 June 2020
Interim Distribution	
Amount paid (cents per stapled security)	5.24
Payment Date	28 February 2020

The Group achieved Core Earnings of $11.1 million for the financial year ended 30 June 2020 and $4.0 million for the six months ended 30 June 2020. In light of the COVID-19 pandemic, the Directors have determined to suspend the Fund's distribution for the six months ended 30 June 2020. Therefore, total distributions in respect of the year ended 30 June 2020 is 5.24 cents per stapled security being the interim distribution made in February 2020.

4. Operating and financial review

OVERVIEW AND STRATEGY

The Fund is an externally managed real estate investment fund investing in Australian retail property, focusing on high investment quality neighbourhood and sub-regional shopping centres, with strong value-add potential.

The Fund's objective is to provide investors with strong and growing income returns, and capital growth. To achieve this objective, the Fund's strategy is to:

- Invest in non-discretionary focused retail properties that provide quality earnings from rental income across a diversified retail tenant mix;
- Implement leasing and other asset management initiatives to grow the income and value of the retail properties;
- Acquire additional high investment quality retail properties with a significant component of non-discretionary retailers;
- Implement development and repositioning strategies in the Portfolio; and
- Optimise the capital structure of the Fund based on a conservative approach to gearing.

The Fund will focus on retail assets that provide opportunities for high, risk-adjusted total returns from realising the highest and best use via a repositioning of the centres' retail tenant mix, repositioning existing retail for higher and better use, and/or unlocking the assets' development potential.

The Fund's portfolio of non-discretionary focused retail properties:

- Comprises of two 'Value-Add' properties currently undergoing repositioning projects - Auburn Central and Tweed Mall, valued at $192.5 million;
- Comprises of five 'Income Assets', being sub-regional and neighbourhood shopping centres located across NSW, Tasmania and Queensland, with a combined value of $124.7 million;
- Has occupancy of 96.2% at balance date; and
- Generates approximately 40% of its income from major retailers and 53% from specialty retailers.

<u>Impact of the COVID-19 Pandemic on the Fund</u>

There has been a significant change to operating and financial conditions across the Australian economy due to the COVID-19 pandemic. The Australian Government has taken steps to support jobs, incomes and businesses by providing multiple economic stimulus packages, including wage subsidies, income support to households and cash flow support to businesses. The recovery of the Australian economy is dependent on the successful and ongoing management of the COVID-19 related health outcomes. Given the prevailing market conditions, active communication is being maintained with all tenants across the Fund's portfolio.

Social distancing requirements and other related measures implemented by government in response to the COVID-19 pandemic have been monitored closely and implemented at each of the Fund's properties in accordance with the various state government regulations and recommendations, and also in accordance with various industry body recommendations. Operational procedures have been modified as required, to ensure the health, safety and wellbeing of our staff, tenants and visitors to the Fund's properties.

The Fund's strategy is to invest in non-discretionary focused retail properties that provide quality earnings from rental income across a diversified retail tenant mix. These retailers primarily provide 'essential goods and services', and include supermarkets, discount department stores, pharmacies, fresh food, liquor medical and other services. Importantly, approximately 77% of the Fund's gross rental is generated by retailers in these categories. These tenants have been less impacted by the challenging trading conditions resulting from the COVID-19 pandemic than more discretionary focused retailers.

The Group's 'defensive' shopping centre portfolio has performed well during the COVID-19 pandemic. Following the outbreak of the COVID-19 pandemic both Federal and State Governments imposed operating restrictions on certain shopping centre retailers. Only those retailers deemed to be providers of 'essential services' were able to trade for the three months to 30 June 2020. The level of trading activity across ENN's retail Managed Funds continues to improve as Government imposed restrictions are relaxed. As at 31 July 2020, 78% of rental billings across April, May and June 2020 had been collected.

4. Operating and financial review (continued)

OVERVIEW AND STRATEGY (CONTINUED)

The National Cabinet announced the Mandatory Code of Conduct (National Code) for COVID-19 impacted small and medium sized retail tenants in early April 2020. Subsequently, States and Territories have been preparing legislation to implement the National Code within their own jurisdictions. As the Fund owns properties in multiple states, the legislation will be referred to generically as the 'Code of Conduct'.

The Fund has adhered to the Leasing Principles of the Code of Conduct when negotiating rent concessions with tenants. The code requires that the COVID-19 rent concessions must include proportionate reductions in rent payable in the form of waivers and deferrals based on the reduction in the tenant's trade during the COVID-19 pandemic period and a subsequent reasonable recovery period. Rental waivers must constitute no less than 50% of the total reduction in rent payable (unless tenants waive the requirement by agreement). Payment of rental deferrals by the tenant must be amortised over the balance of the lease term for a period of not less than 24 months, whichever is greater, unless otherwise agreed by the parties (please see Note 3 to the financial statements for further information).

Rental relief arrangements continue to be negotiated in accordance with the Code of Conduct, to support occupancy levels in conjunction with pursuing opportunities to improve the tenancy mix and extend lease tenure at each centre. At balance date, 23 agreements for COVID-19 related rent relief under the Code of Conduct have been executed across the Fund's portfolio (further information in this regard is provided in the Financial Results section of the Directors' Report).

INVESTMENT PORTFOLIO

The following table shows the Group's investment portfolio as at balance date:

Property	Location	Type	Carrying Value $'m
Auburn Central	Auburn, NSW	Neighbourhood shopping centre	108.0
Tweed Mall	Tweed Heads, NSW	Sub-regional shopping centre	84.5
Manning Mall	Taree, NSW	Sub-regional shopping centre	34.0
Gladstone Square	Gladstone, QLD	Neighbourhood shopping centre	28.0
Moranbah Fair	Moranbah, QLD	Neighbourhood shopping centre	28.0
Glenorchy Plaza	Glenorchy, TAS	Sub-regional shopping centre	18.5
Northway Plaza	Bundaberg, QLD	Neighbourhood shopping centre	16.2
Total investment property			**317.2**
Auburn Ambulance Station	Auburn, NSW	Retail property	4.0
Total assets held for sale			**4.0**
Total investment portfolio			**321.2**

In June 2020, the Fund exchanged contracts for the sale of Auburn Ambulance Station for $4.0 million. This asset has been classified as Assets held for sale as at 30 June 2020. Settlement occurred on 7 August 2020.

At 30 June 2020, the value of the Fund's investment portfolio was $321.2 million, including the Auburn Ambulance Station valued at the contracted sale price of $4 million. The valuation of the Fund's portfolio of investment properties at 30 June 2020 has declined by only 4.8% compared to the portfolio valuation at 31 December 2019 of $337.4 million (or 4.0% compared to 30 June 2019).

Independent valuers of the Fund's properties have included a statement within their valuation reports noting that in their view, significant valuation uncertainty exists in the current market environment. The significant uncertainty declaration is to serve as a precaution and does not invalidate the valuation. Rather, the statement is to ensure transparency of the fact that in the current extraordinary market circumstances as a result of the COVID-19 pandemic, less certainty can be attached to the valuations and continued periodic assessment should be performed subsequent to the date of the valuation assessment. The Fund will manage this increased uncertainty through active management of the investment portfolio, including ongoing detailed engagement with tenants across the portfolio in respect of their business operations and future leasing transactions.

4. Operating and financial review (continued)

INVESTMENT PORTFOLIO (CONTINUED)

The portfolio valuation decline was largely due to the $18.1 million reduction in value of the Tweed Mall property, to $84.5 million at balance date. The valuation of the Tweed Mall property reflects the current development impacted nature of the property with the assets' re-positioning project in progress. Whilst the transformation of the property into a triple supermarket neighbourhood centre, anchoring a significant mixed use precinct, is progressing well, it was insufficiently de-risked to be incorporated into the independent valuation prepared as at 30 June 2020. The value-add potential of the property, given its favourable location and existing planning controls, will be reflected in its valuation as key components of the repositioning project are de-risked/delivered.

The valuation of the Fund's Auburn Central property increased to $108 million at 30 June 2020, an increase of $5.7 million from the December 2019 valuation of $102.3 million (or an increase of $6.5 million from 30 June 2019 of $101.5 million). The increased valuation of the property reflects the progress in de-risking the repositioning of Auburn Central into a triple supermarket neighbourhood shopping centre. This repositioning is on schedule for completion in November 2020.

On completion, the project will introduce an Aldi supermarket (1,755m^2 secured by a 15-year lease and two five-year options), a Tong Li Asian supermarket (900m^2 secured by a 10-year lease), a mini-major discounter, a new food-court, and an expanded range of medical, health and well-being services.

Excluding the valuation reduction for the Tweed Mall property, the value of the Fund's portfolio has increased by 0.8% from the 31 December 2019 valuations (or an increase of 1.5% from 30 June 2019).

Further detailed discussion in respect of the increased uncertainty in future asset performance and valuation of investment properties is disclosed in both the Critical accounting judgments and key sources of estimation uncertainty (Page 29) and Note 6 Investment Properties in the consolidated financial statements.

FINANCIAL RESULTS

The Group recorded a statutory loss of $11.96 million for the year ended 30 June 2020, including movements in the Fund's valuation of the Fund's investment portfolio.

Core Earnings for the year were $11.1 million or 8.63 cents per stapled security. Core Earnings is considered more relevant than statutory profit as it represents an estimate of the underlying recurring cash earnings of the Fund and has been determined in accordance with ASIC Regulatory Guide 230.

As discussed above, at balance date, 23 agreements for COVID-19 related rent relief under the relevant state government Codes of Conduct have been executed. These agreements are in respect of approximately $0.3 million of rental income, representing only 1.2% of Net Operating Income (NOI) for the financial year ended 30 June 2020. Negotiations are in progress with certain other tenants in respect of COVID-19 related rental relief requests. Discussions with tenants in respect of requested rental relief are being conducted in accordance with the Code of Conduct principles, incorporating a component of rent abatement and rent deferment, with the rent deferment to be typically repaid over a 24-month period. In many circumstances, rental relief negotiations also include discussions with the tenant in respect of an increased lease term in consideration of any relief granted.

At balance date, the Fund has recognised a total provision for COVID-19 related rental relief requests of $1.3 million, representing 4.8% of NOI for the twelve months to 30 June 2020. This reflects both rent waived for the year ended 30 June 2020 and the provision for doubtful debts as at 30 June 2020. The provision for doubtful debts reflects the amount of tenant rental arrears at balance date that is likely to be waived in respect of past occupancy and also includes any additional amount relating to arrears at balance date that has been assessed to have credit risk in respect of the financial position of the tenant. As at 31 July 2020, the weighted average percentage of rent collected across the Fund's portfolio for the months of April, May and June 2020 was 78%. The percentage of rent collected at the Auburn Central property is lower than the other properties in the portfolio substantially due to the impact of the ongoing development works over the period, relating to the repositions of the property.

4. Operating and financial review (continued)

FINANCIAL RESULTS (CONTINUED)

Property	Percentage of Rent Collected (as at 31 July 2020) April - June 2020 Consolidated Group
Auburn Central	58%
Tweed Mall	74%
Manning Mall	84%
Gladstone Square	83%
Moranbah Fair	96%
Glenorchy Plaza	83%
Northway Plaza	100%
ERF Weighted Average	**78%**

The Fund has received certain immaterial Government support during the COVID-19 pandemic, including deferral and abatement of certain land tax obligations across the portfolio.

The Fund's balance sheet at 30 June 2020 reflects Net Assets of $172.7 million, and cash on hand of approximately $4.0 million. The Fund also has access to $2.0 million in undrawn working capital facilities.

A summary of the Group and ERPF I Group's results for the year to 30 June 2020 is set out below:

Key financial results	Consolidated Group 30 June 2020	ERPF I Group 30 June 2020
Net loss ($'000)	(11,964)	(20,261)
Core Earnings ($'000)	11,107	5,338
Distributions payable to securityholders ($'000)	6,748	2,736
Core Earnings per stapled security (cents)	8.63	4.15
Core Earnings per weighted average stapled security (cents)	8.63	4.15
Distributions (cents per stapled security)	5.24	2.13
Net tangible assets ($ per stapled security)	1.34	0.32
Gearing (net debt / total assets less cash) (%)	43.73%	44.28%

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

	Consolidated Group 30 June 2020 $'000	ERPF I Group 30 June 2020 $'000
Statutory net loss	**(11,964)**	**(20,261)**
Adjustments for items included in statutory loss		
Fair value adjustments on investment property	21,602	24,722
Straight lining of rental income[2]	194	59
Amortisation expense[3]	1,275	818
Core Earnings[1]	**11,107**	**5,338**

Note 1: Core Earnings has been determined in accordance with ASIC RG 230 and represents the Directors' view of underlying earnings from ongoing operating activities for the period, being net loss, adjusted for one-off realised items (being formation or other transaction costs that occur infrequently or are outside the course of ongoing business activities), and non-cash items (being fair value movements, amortisation and lease straight-lining).

Note 2: Straight-lining of rental income is a non-cash accounting adjustment recognised in rental income in the Consolidated Statement of Profit or Loss.

Note 3: Amortisation expense includes the amortisation of capitalised leasing costs and debt establishment costs, recognised in rates, taxes and other outgoings, other expenses and borrowing costs in the Consolidated Statement of Profit or Loss.

SUMMARY AND OUTLOOK

The Fund's core strategy remains focused on actively managing and growing earnings from its defensive investment portfolio, realising value-add opportunities across the portfolio from development and repositioning strategies, and acquiring additional high investment quality retail properties.

4. Operating and financial review (continued)

SUMMARY AND OUTLOOK (CONTINUED)

During the year ended 30 June 2020, the Fund has undertaken the following activities:

- Within six months of the opening of Aldi in Tweed Mall on 21 August 2019, the asset experienced a 15.4% increase sales and a 13.8% increase in footfall traffic. These significant increases surpassed earlier forecasts and support Tweed Mall's continued repositioning towards a retail offering which is increasingly non-discretionary focused.
- The Fund's repositioning of Auburn Central into a triple supermarket neighbourhood shopping centre is on schedule for completion in November 2020. Construction commenced in March 2020 following the closure of BigW's store in February 2020, in accordance with the agreed early lease surrender. The project is forecast to generate an incremental yield of 10% on its estimated $20.0 million development cost, which is fully debt funded. On completion, the project will introduce an Aldi supermarket (1,755m^2 secured by a 15-year lease and two five-year options), a Tong Li Asian supermarket (900m^2 secured by a 10-year lease), a mini-major discounter, a new of food-court and an expanded range of medical, health and well-being services.
- The Fund has successfully renewed a $41.7 million debt tranche which was due to expire in May 2020, to May 2022. This reduces the Fund's weighted average cost of debt to approximately 3.25% per annum and increases the weighted average term to maturity to approximately 2.6 years.
- Continued focus on the divestment of the Income Assets, particularly given their strong performance during the challenging market conditions presented by the COVID-19 pandemic.
- In June 2020, the Fund exchanged contracts for the sale of Auburn Ambulance Station for $4.0 million. Settlement completed on 7 August 2020.

The risks to the Fund in the coming year primarily comprise potential earnings variability associated with uncertain economic and market conditions related to the COVID-19 pandemic. These risks may result in reduced retailer demand and domestic retail spending, softening of rental growth and increases in required incentives. While general market uncertainty may impact the availability of capital for acquisition opportunities, investment demand for quality assets is expected to remain positive. Other risks include potential related movements in property valuations and possible weather-related events.

These risks to the Fund are primarily mitigated through the active management of the Fund's portfolio, including ongoing detailed engagement with tenants across the portfolio in respect of their business operations and any potential rental arrears risks. This tenant level risk assessment, including relevant scenario analyses, is ongoing. Risk mitigation includes the broadening the Fund's tenant mix, ensuring that appropriate insurance arrangements are in place and actively managing the Fund's cash position and capital structure.

The Fund is strongly positioned to enhance value for security holders. The active asset management of the portfolio is generating improved operational performance and returns. Furthermore, targeted strategic initiatives to increase the capital value of the Fund are in progress.

5. Value of assets

	Consolidated Group 30 June 2020 $'000	ERPF I Group 30 June 2020 $'000
Value of total assets	327,823	214,013
Value of net assets	172,718	41,453

6. Directors

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

Name	Particulars
Paul Bedbrook	Independent Non-Executive Chairman Chairman, Remuneration and Nominations Committee Paul was appointed a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF) 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), CEO of the ING Australia/ANZ Bank Wealth JV (2003-2008) 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, and a non-executive director of Credit Union Australia and the National Blood Authority. Former listed directorships in the last three years: None Interest in stapled securities: None Qualifications: B.Sc, F FIN, FAICD
Glenn Willis	Managing Director and Chief Executive Officer Glenn has over 30 years' experience in the Australian and international capital markets. Glenn was the co-founder and Chief Executive Officer of Moss Capital, prior to its ASX listing as Elanor Investors Group in July 2014. Prior to Elanor, Glenn co-founded Grange Securities and led the team in his role as Managing Director and CEO. After 12 years of growth, Grange Securities 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 Director of FSHD Global Research Foundation. Former listed directorships in the last three years: None Interest in stapled securities: 278,775 Qualifications: B.Bus (Econ & Fin)

6. Directors (continued)

Name	Particulars
Nigel Ampherlaw	Independent Non-Executive Director Chairman, Audit and Risk Committee Nigel was appointed a Director of the Responsible Entity and Elanor Investors 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 Chairman of Credit Union Australia 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. Former listed directorships in the last three years: Quickstep Holdings Ltd Interest in stapled securities: 109,630 Qualifications: B.Com, FCA, MAICD
Lim Kin Song	Non-Executive Director Kin Song was appointed as a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF) in May 2019. Kin Song is the CEO of Rockworth Capital Partners (which holds a 15% ownership interest in the Group) and is responsible for all aspects of Rockworth's business with a focus on strategy, transactions, business development and investor relations. With over 20 years of experience in the real estate sector, Kin Song specialises in acquisitions, asset management, business development and leasing. He has extensive experience across multi-core real estate sectors in Australia and South East Asia. Kin Song has been the key driver of Rockworth's rapid growth in its assets under management since its inception in 2011, and provided leadership and strategic direction in transactions, corporate development, capital allocation and asset management. Prior to founding Rockworth in 2011, Kin Song held various positions in leading property groups in Asia, including Frasers Centrepoint Ltd, Ascendas-MGM Funds Management and the CapitaLand Group. Former listed directorships in the last three years: None Interest in stapled securities: None Qualifications: MBA, B.Sci, SISV, RICS

6. Directors (continued)

Name	Particulars
Anthony (Tony) Fehon	Independent Non-Executive Director Tony was appointed as a Director of both the Company and the Responsible Entity (also the Responsible Entity of ERF and ECF) in August 2019. Tony has more than 30 years' experience working in senior roles with some of Australia's leading financial services and funds management businesses. He has broad experience in operational and leadership roles across many industries. Tony is an Executive Director of Volt Bank Limited and has primary responsibility for capital management. He is also director of enLighten Australia Pty Limited, Global Bioprotect Pty Limited, Maker Films and Team Mates Pty Limited. Previously Tony was an Executive Director of Macquarie Bank Limited where he was involved in the formation and listing of several of Macquarie's listed property trusts including being a director of the listed leisure trust. Tony continues to be involved in developing and completing investment structures for real estate investment and development, financial assets and leisure assets. Former listed directorships in the last three years: None Interest in stapled securities: 60,000 Qualifications: B. Com, FCA Appointed: 20 August 2019
William (Bill) Moss AO	Non-Executive Director Bill was appointed a Director of the Responsible Entity and Elanor Investors 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. Former listed directorships in the last three years: None Interest in stapled securities: 803,100 Qualifications: B.Ec Resigned: 17 September 2019

7. Directors' relevant interests

	Securities at the date of this report
Paul Bedbrook	–
Glenn Willis	278,775
Nigel Ampherlaw	109,630
Lim Kin Song	–
Anthony Fehon (appointed 20 August 2019)	60,000
William (Bill) Moss (resigned 17 September 2019)	803,100

Other than as disclosed in the Annual Financial Report, no contracts exist where a director is entitled to a benefit. Refer to Note 14 for additional information.

8. Directors' remuneration

The Directors of the Responsible Entity and other management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

9. Meetings of Directors

The attendance at meetings of Directors of the Responsible Entity and the Audit and Risk Committee of the Group during the year is set out in the following table:

Name	Elanor Board (Responsible Entity)		Audit and Risk Committee	
	Held	Attended	Held	Attended
Paul Bedbrook	7	7	4	4
Glenn Willis	7	7	4	4
Nigel Ampherlaw	7	7	4	4
Lim Kin Song	7	7	–	–
Anthony Fehon (appointed 20 August 2019)	5	5	–	–
William (Bill) Moss (resigned 17 September 2019)	3	3	–	–

10. Company Secretary

Symon Simmons held the position of Company Secretary of the Responsible Entity during the period. Symon is the Chief Financial Officer of the Group and holds a Bachelor of Economics with majors in Economics and Accounting, has extensive experience as a company secretary, is a Justice of the Peace in NSW and is a Responsible Manager on the Australian Financial Services Licence held by the Responsible Entity.

11. Indemnification and insurance of officers and auditors

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the Directors of the Responsible Entity (as named above), the company secretary, and all executive officers of the Responsible Entity and of any related body corporate against a liability incurred in their capacity as Directors and officers of the Responsible Entity to the extent permitted by the Corporations Act 2001 (Cth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Responsible Entity or of any related body corporate against a liability incurred in their capacity as an officer.

The auditor of the Fund is not indemnified out of the assets of the Fund.

12. Environmental regulation

To the best of their knowledge and belief after making due enquiry, the Directors have determined that the Fund has complied with all significant environmental regulations applicable to its operations in the jurisdictions in which it operates.

13. Significant changes in state of affairs

There was no significant change in the state of affairs of the Fund during the year.

14. Auditor’s independence declaration

A copy of the auditor's independence declaration, as required under Section 307C of the Corporations Act 2001 (Cth), is included on the page following the Directors' Report.

15. Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 17 to the consolidated financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor’s behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).The Directors are of the opinion that the services as disclosed in Note 18 to the consolidated financial statements do not compromise the external auditor’s independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 ‘Code of Ethics for Professional Accountants’ issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Fund, acting as advocate for the Fund or jointly sharing economic risks and rewards.

16. Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of the current known market conditions. The extent of any potential deterioration in either the capital or physical property markets on the future results of the Fund is unknown. Such results could include property market valuations, the ability of the Fund to raise or refinance debt, and the cost of such debt and the ability to raise equity.

The ongoing economic and market impacts of the COVID-19 pandemic are difficult to forecast. The Fund will continue to engage regularly with all tenants across the Fund’s portfolio. As at balance date, the Fund has recognised a COVID-19 related provision in respect of potential impacts to rental income as a result of tenant rent relief requests and any risk in respect of rental arrears, following a detailed review across the portfolio.

At the date of this report and to the best of the Directors’ knowledge and belief, there are no other anticipated changes in the operations of the Fund which would have a material impact on the future results of the Fund.

17. Going concern

The Fund has a net current asset position of $3.8 million and net assets of $172.7 million as at 30 June 2020. Despite the challenging economic environment and increased variability created by the COVID-19 pandemic, the Fund is not expected to be materially impacted based on the strength of the non-discretionary focus of the properties, the observed results to date including the level of rental collections and the tenancy mix of the Fund’s portfolio. The Fund has access to $2.0 million of undrawn working capital facilities as at balance date and is wholly in compliance with all banking covenants as at 30 June 2020. The Fund has not required any covenant waivers in response to the impacts of the COVID-19 pandemic.

17. Going concern (continued)

These consolidated financial statements have been prepared on a going concern basis.

18. Events occurring after reporting date

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

19. Rounding of amounts to the nearest thousand dollars

In accordance with ASIC Corporations (Rounding in Financials / Directors' Reports) Instrument 2016/191, dated 24 March 2016, issued by the Australian Securities and Investments Commission, amounts in the financial statements have been rounded to the nearest thousand dollar, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of the Responsible Entity.

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

Paul Bedbrook Chairman	Glenn Willis CEO and Managing Director

Sydney, 19 August 2020

Auditor's Independence Declaration

Deloitte Touche Tohmatsu
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The Board of 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

19 August 2020

Dear Board Members,

Elanor Retail Property Fund I and Elanor Retail Property Fund II

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Elanor Funds Management Limited in its capacity as responsible entity for Elanor Retail Property Fund I and Elanor Retail Property Fund II.

As lead audit partner for the audit of the financial statements of Elanor Retail Property Fund I and Elanor Retail Property Fund II for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Nell
Partner
Chartered Accountants

Consolidated Statements of Profit or Loss

For the year ended 30 June 2020

	Note	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Income					
Rental income	2	27,198	28,848	19,050	20,526
Outgoings reimbursement		2,723	2,454	2,470	2,214
Interest income		3	47	2	41
Fair value increment / (decrement) on investment properties	6	(21,602)	8,781	(24,722)	(9,361)
Total income		**8,322**	**40,130**	**(3,200)**	**13,420**
Expenses					
Rates, taxes and other outgoings		9,749	9,647	7,249	7,149
Borrowing costs		5,605	5,804	6,559	6,600
Investment management fees	14	3,279	3,297	2,205	2,336
Other expenses		1,653	1,367	1,048	972
Total expenses		**20,286**	**20,115**	**17,061**	**17,057**
Net profit / (loss) for the period		**(11,964)**	**20,015**	**(20,261)**	**(3,637)**
Attributable to security holders of:					
- Elanor Retail Property Fund II		8,297	23,652	–	–
- Elanor Retail Property Fund I (Non-controlling interest)		(20,261)	(3,637)	(20,261)	(3,637)
Net profit / (loss) for the period		**(11,964)**	**20,015**	**(20,261)**	**(3,637)**
Basic earnings per stapled security (cents)	4	(9.29)	15.55	(15.74)	(2.83)
Diluted earnings per stapled security (cents)	4	(9.29)	15.55	(15.74)	(2.83)

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

Consolidated Statements of Comprehensive Income

For the year ended 30 June 2020

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Net profit / (loss) for the period	**(11,964)**	**20,015**	**(20,261)**	**(3,637)**
Other comprehensive income				
Items that may be reclassified to profit and loss				
Loss on revaluation of cash flow hedge	(453)	(3,111)	(756)	(2,921)
Other comprehensive loss for the period	(453)	(3,111)	(756)	(2,921)
Total comprehensive income / (loss) for the period	**(12,417)**	**16,904**	**(21,017)**	**(6,558)**
Attributable to security holders of:				
- Elanor Retail Property Fund II	8,600	23,462	–	–
- Elanor Retail Property Fund I (Non-controlling interest)	(21,017)	(6,558)	(21,017)	(6,558)
Total comprehensive income / (loss) for the period	**(12,417)**	**16,904**	**(21,017)**	**(6,558)**

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

Consolidated Statements of Financial Position

As at 30 June 2020

	Note	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Current assets					
Cash and cash equivalents	5	4,003	4,171	3,071	3,134
Receivables	11	1,830	765	1,186	460
Other current assets		169	57	112	–
Prepayments		624	592	447	412
Assets held for sale	7	4,000	–	–	–
Total current assets		**10,626**	**5,585**	**4,816**	**4,006**
Non-current assets					
Investment properties	6	317,197	334,518	209,197	230,494
Total non-current assets		**317,197**	**334,518**	**209,197**	**230,494**
Total assets		**327,823**	**340,103**	**214,013**	**234,500**
Current liabilities					
Interest bearing liabilities	8	–	41,663	–	–
Payables	12	4,486	3,729	3,470	2,927
Rent received in advance		674	730	519	544
Derivative financial instruments	9	1,689	1,323	1,626	1,042
Total current liabilities		**6,849**	**47,445**	**5,615**	**4,513**
Non-current liabilities					
Interest bearing liabilities	8	145,620	92,860	96,477	89,860
Interest bearing cross-staple loan	8	–	–	67,949	69,717
Derivative financial instruments	9	2,636	2,348	2,519	2,348
Total non-current liabilities		**148,256**	**95,208**	**166,945**	**161,925**
Total liabilities		**155,105**	**142,653**	**172,560**	**166,438**
Net assets		**172,718**	**197,450**	**41,453**	**68,062**
Equity					
Equity Holders of Parent Entity					
Contributed equity	10	90,421	90,421	66,116	66,116
Reserves		(135)	(443)	(4,113)	(3,361)
Retained profits / (accumulated losses)		40,979	39,410	(20,550)	5,307
Parent entity interest		**131,265**	**129,388**	**41,453**	**68,062**
Equity Holders of Non-Controlling Interest					
Contributed equity	10	66,116	66,116	–	–
Reserves		(4,113)	(3,361)	–	–
(Accumulated losses) / Retained profits		(20,550)	5,307	–	–
Non-controlling interest		**41,453**	**68,062**	**–**	**–**
Total equity attributable to stapled securityholders:					
- Elanor Retail Property Fund II		131,265	129,388	–	–
- Elanor Retail Property Fund I		41,453	68,062	41,453	68,062
Total equity		**172,718**	**197,450**	**41,453**	**68,062**

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

Consolidated Statements of Changes in Equity

For the year ended 30 June 2020

	Contributed Equity $'000	Cash flow Hedge Reserve $'000	Security Based Payment Reserve $'000	Retained Profits/ (Accumulated Losses) $'000	Parent Entity Total Equity $'000	Non-Controlling Interests $'000	Total Equity $'000
Consolidated Group							
Total equity at 1 July 2019	90,421	(483)	40	39,410	129,388	68,062	197,450
Profit / (loss) for the period	–	–	–	8,297	8,297	(20,261)	(11,964)
Other comprehensive income / (expense) for the period	–	303	–	–	303	(756)	(453)
Total comprehensive income / (expense) for the period	**–**	**303**	**–**	**8,297**	**8,600**	**(21,017)**	**(12,417)**
Transactions with owners in their capacity as owners:							
Security-based payments	–	–	5	–	5	4	9
Distributions paid	–	–	–	(6,728)	(6,728)	(5,596)	(12,324)
Total equity at 30 June 2020	**90,421**	**(180)**	**45**	**40,979**	**131,265**	**41,453**	**172,718**
Consolidated Group							
Total equity at 1 July 2018	90,421	(293)	25	24,949	115,102	78,053	193,155
Profit / (loss) for the period	–	–	–	23,652	23,652	(3,637)	20,015
Other comprehensive income / (expense) for the period	–	(190)	–	–	(190)	(2,921)	(3,111)
Total comprehensive income / (expense) for the period	**–**	**(190)**	**–**	**23,652**	**23,462**	**(6,558)**	**16,904**
Transactions with owners in their capacity as owners:							
Security-based payments	–	–	15	–	15	11	26
Distributions paid	–	–	–	(9,191)	(9,191)	(3,444)	(12,635)
Total equity at 30 June 2019	**90,421**	**(483)**	**40**	**39,410**	**129,388**	**68,062**	**197,450**

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

Consolidated Statements of Changes in Equity

For the year ended 30 June 2020

	Contributed Equity $'000	Cash flow Hedge Reserve $'000	Security Based Payment Reserve $'000	Retained Profits/ (Accumulated Losses) $'000	Total Equity $'000
ERPF I Group					
Total equity at 1 July 2019	66,116	(3,391)	30	5,307	68,062
Profit / (loss) for the period	–	–	–	(20,261)	(20,261)
Other comprehensive income / (expense) for the period	–	(756)	–	–	(756)
Total comprehensive income / (expense) for the period	**–**	**(756)**	**–**	**(20,261)**	**(21,017)**
Transactions with owners in their capacity as owners:					
Security-based payments	–	–	4	–	4
Distributions paid	–	–	–	(5,596)	(5,596)
Total equity at 30 June 2020	**66,116**	**(4,147)**	**34**	**(20,550)**	**41,453**
ERPF I Group					
Total equity at 1 July 2018	66,116	(470)	19	12,388	78,053
Profit / (loss) for the period	–	–	–	(3,637)	(3,637)
Other comprehensive income / (expense) for the period	–	(2,921)	–	–	(2,921)
Total comprehensive income / (expense) for the period	**–**	**(2,921)**	**–**	**(3,637)**	**(6,558)**
Transactions with owners in their capacity as owners:					
Security-based payments	–	–	11	–	11
Distributions paid	–	–	–	(3,444)	(3,444)
Total equity at 30 June 2019	**66,116**	**(3,391)**	**30**	**5,307**	**68,062**

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

Consolidated Statements of Cash Flows

For the year ended 30 June 2020

	Note	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Cash flows from operating activities					
Rental and other property income received		31,099	33,004	22,457	24,188
Payments to suppliers and the Responsible Entity		(15,913)	(15,894)	(11,693)	(11,693)
Interest received		3	47	3	41
Finance costs paid		(5,269)	(5,212)	(3,790)	(3,702)
Net cash flows from operating activities	5(a)	**9,920**	**11,945**	**6,977**	**8,834**
Cash flows from investing activities					
Payments for additions to investment properties		(8,726)	(12,322)	(3,524)	(9,171)
Receipts from disposals of investment properties		–	5,000	–	–
Net cash flows from investing activities		**(8,726)**	**(7,322)**	**(3,524)**	**(9,171)**
Cash flows from financing activities					
Net proceeds from interest bearing liabilities	5(b)	10,962	5,218	2,080	149
Distributions paid		(12,324)	(12,635)	(5,596)	(3,444)
Net cash flows from financing activities		**(1,362)**	**(7,417)**	**(3,516)**	**(3,295)**
Net (decrease) / increase in cash and cash equivalents		(168)	(2,794)	(63)	(3,632)
Cash and cash equivalents at the beginning of the period		4,171	6,965	3,134	6,766
Cash at the end of the period		**4,003**	**4,171**	**3,071**	**3,134**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

About this Report

Elanor Retail Property Fund (the Fund, Group or Consolidated Group) is a 'stapled' entity comprising of Elanor Retail Property Fund I (formerly Elanor Retail Property Fund) (ERPF I) and its controlled entities, and Elanor Retail Property Fund II (formerly Auburn Central Syndicate) (ERPF II). The units in ERPF I are stapled to units in ERPF II. The stapled securities cannot be traded or dealt with separately. The stapled securities of the Fund were listed on the Australian Securities Exchange (ASX: ERF) on 9 November 2016.

For the purposes of the consolidated financial report, ERPF II has been deemed the parent entity of ERPF I in the stapled structure. The Directors applied judgement in the determination of the parent entity of the Fund and considered various factors including asset size and capital structure. The financial report of the Fund comprises the consolidated financial report of Elanor Retail Property Fund II, including Elanor Retail Property Fund I and its controlled entities (ERPF I Group). As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838, this report is a combined report that presents the consolidated financial statements and accompanying notes of both the Fund and ERPF I Group.

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, the Scheme Constitutions and Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards (‘IFRS’).

The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year. Management has also assessed the impact of the adoption of AASB 16 *Leases* (mandatory for all financial years beginning on or after 1 January 2019). Given that the Fund is not a party to any significant lease agreements as lessee, and on the basis that this remains the same, the new standard has been assessed as not having a material impact on the recognition, measurement and disclosure of lease-related revenues, assets or liabilities. The Fund has adopted AASB 16 in the financial year beginning 1 July 2019.

Basis of consolidation

The consolidated financial report of the Fund incorporates the assets and liabilities of ERPF II (the Parent) and all of its subsidiaries, including ERPF I and its subsidiaries as at 30 June 2020. 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.

This consolidated financial report also includes a separate column representing the financial report of ERPF I, incorporating the assets and liabilities of ERPF I and all of its subsidiaries, as at 30 June 2020.

For the purpose of preparing the financial statements, the Fund is a for-profit entity. The financial report is presented in Australian Dollars. These consolidated financial statements have been prepared on a going concern basis.

Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors’ Reports) Instrument 2016/191*, dated 24 March 2016, issued by the Australian Securities and Investments Commission, amounts in the financial statements have been rounded to the nearest thousand dollar, unless otherwise indicated.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Critical accounting judgments and key sources of estimation uncertainty (continued)

In preparing the consolidated financial statements for the year ended 30 June 2020, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are consistent with those disclosed in the financial report of the previous financial year.

Useful and meaningful disclosure on sources of estimation uncertainty and key assumptions will enable users to understand the basis for the estimates and judgements made.

COVID-19 Pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the financial statements. This uncertainty is associated with the extent and duration of the economic disruption to business arising from the response of government, businesses and consumers to the COVID-19 pandemic.

The impact of the COVID-19 pandemic has heightened uncertainty in applying accounting estimates and critical judgments for the year ended 30 June 2020. As a result, additional external expertise and information has been utilised in reviewing and assessing key areas of judgement, particularly in respect of the fair value measurement of investments and the impairment testing of assets.

In response to the recent market volatility, the appropriateness of the inputs to the valuation of the Fund's investment properties (including vacancy allowances, lease renewal probabilities, levels of leasing incentives and market rent growth assumptions), and the impact of any changes in these inputs have been considered in detail in both independent and internal property valuations (including relevant sensitivity analysis) with respect to the fair value hierarchies. The Fund's portfolio of investment properties has been appropriately valued at balance date. Refer to Note 6 for further information.

The recoverability of the Fund's rent receivables has been assessed in detail. This assessment has been completed by the Fund's asset management team in conjunction with the property manager for each asset through the review of expected or requested waivers and deferrals of rent, assessment of tenant financial situation and the outstanding debtor ageing balance. Regular and ongoing tenant engagement continues, with information provided by tenants in response to requests for rental relief under the Code of Conduct (including financial information and JobKeeper eligibility information) utilised in recoverability assessments.

Enhanced disclosures have been incorporated throughout the consolidated financial statements to enable users to understand the basis for the estimates and judgments utilised. Refer to Note 2 Revenue, Note 6 Investment properties and Note 11 Financial risk management.

New accounting standards and interpretations

Certain new Accounting Standards and Interpretations have been published that are mandatory for the financial year ended 30 June 2020. The Fund's assessment of the impact of these new standards and interpretation are set out below.

Reference	Description	Impact on the Fund's financial statements
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle *Effective for reporting periods after 1 January 2019*	Amendments made to the following accounting standards: • AASB 3 *Business Combination* to clarify that remeasure of a previously held interest in a joint operation is required on obtaining control of the joint operation; • AASB 11 *Joint Arrangements* to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; • AASB 112 *Income Tax* to clarify the requirements surrounding when the tax consequence of distributions should be recognised in income tax expense rather than retained earnings; and • AASB 13 *Borrowing costs* to clarify that if any specific borrowing cost remains outstanding after the related asset is ready for its intended use or sale that borrowing becomes part of the funds that any entity borrows generally when calculating the capitalisation rate on general borrowings.	The application of the amendments does not have a material impact on the Fund's financial statements.

New accounting standards and interpretations (continued)

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the financial year ended 30 June 2020 but are available for early adoption. They have not been applied in preparing this financial report. The Fund's assessment of the impact of these new standards and interpretation are set out below.

Reference	Description	Impact on the Fund's financial statements
AASB 2018-7 Amendments to Australia Accounting Standards – Definition of Material *Effective for annual periods beginning on or after 1 January 2020*	These amendments are intended to address concerns that the wording in the definition of 'material' was different in the *Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments address these concerns by: • Replacing the term 'could influence' with 'could reasonably be expected to influence'; • Including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating ' information in the definition of material; • Clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; and • Aligning the definition of material across IFRS Standards and other publications.	The application of the amendments is not expected to have a material impact on the Fund's financial statements.
AASB 2019-1 Amendments to Australia Accounting Standards – References to the Conceptual Framework *Effective for annual periods beginning on or after 1 January 2020*	Makes amendments to various Accounting Standards and other pronouncements to support the issue of the revised *Conceptual Framework for Financial Reporting.* Some Accounting Standards and other pronouncements contain references to, or quotations from, the previous versions of the *Conceptual Framework.* This Standard updates some of these references and quotations so they refer to the *Conceptual Framework* issued by the AASB In June 2019, and also makes other amendments to clarify which version of the *Conceptual Framework* is referred to in particular documents.	The application of the amendments is not expected to have a material impact on the Fund's financial statements.

New accounting standards and interpretations (continued)

Reference	Description	Impact on the Fund's financial statements
AASB 2019-3 Amendments to Australia Accounting Standards – Interest Rates Benchmark Reform *Effective for annual periods beginning on or after 1 January 2020*	The amendments affect entities that apply the hedge accounting requirements of AASB 9 *Financial Instruments* to hedging relationships directly affected by the interest rate benchmark reform. The amendments would mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform and modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.	The directors of the Fund anticipate that the application of these amendments may have an impact on the Fund's consolidated financial statements, as the Fund will be able to continue to apply hedge accounting to hedges that are eligible for the relief in the amendments.
Conceptual Framework for Financial Reporting *Effective for annual periods beginning on or after 1 January 2020*	Revised version of the AASB's framework for financial reporting, based on an equivalent pronouncement issued by the IASB. The *Conceptual Framework* replaces an earlier version, updating a number of definitions and guidance, introduces new guidance on a number of topics including the reporting entity and presentation and disclosure, and clarifies a number of other matters.	The application of the amendments is not expected to have a material impact on the Fund's financial statements.
AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia *Effective for annual periods beginning on or after 1 January 2020*	Amends AASB 1054 Australian Additional Disclosures to add a requirement for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the AASB.	The application of the amendments is not expected to have a material impact on the Fund's financial statements.
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current Effective for annual periods beginning on or after 1 January 2022	Amends AASB 101 *Presentation of Financial Statements* to: • Clarify that the classification of liabilities as current or non-current is based on rights that in existence at the end of the reporting period • Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability • Explain that rights are in existence if covenants are complied with at the end of the reporting period • Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services	The directors of the Fund have not yet assessed the impact that the application of this Standard will have on the Fund's consolidated financial statements.

New accounting standards and interpretations (continued)

Reference	Description	Impact on the Fund's financial statements
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments *Effective for annual periods beginning on or after 1 January 2022*	The annual improvements amend the following standards: • AASB 9 *Financial Instruments* to clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of AASB 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included • AASB 16 *Leases* to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	The directors of the Fund anticipate that the application of the amendments will not have an impact on the Fund's consolidated financial statements, as many of the amendments either do not affect the Fund's existing accounting policies, or apply to situations, transactions and events that the Fund does not undertake.

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

Results

This section focuses on the operating results and financial performance of the Fund. It includes disclosures of revenue and distributions.

1. Segment information

OVERVIEW

The Fund only operates in one business segment, being the investment in retail shopping centres in Australia.

2. Revenue

OVERVIEW

The Fund's main source of revenue is rental income from its investment in retail shopping centres.

(a) Rental income

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Tweed Mall	6,889	7,632	6,889	7,632
Auburn Central	8,148	8,322	–	–
Manning Mall	3,148	3,498	3,148	3,498
Gladstone Square	2,721	2,822	2,721	2,822
Moranbah Fair	2,960	3,075	2,960	3,075
Glenorchy Plaza	1,781	1,887	1,781	1,887
Northway Plaza	1,551	1,612	1,551	1,612
Total revenue from operating activities	**27,198**	**28,848**	**19,050**	**20,526**

At balance date, 23 agreements for COVID-19 related rent relief under the relevant state government Codes of Conduct have been executed. A total rent waiver of $0.3 million in relation to these agreements is expensed in the financial year, representing only 1.2% of rental income for the financial year ending 30 June 2020. The Fund has recognised a total provision (including rent waivers for the year ended 30 June 2020 and the provision for doubtful debts as at 30 June 2020) for COVID-19 related rent relief requests, representing 4.8% of NOI for the twelve months to 30 June 2020. The provision for doubtful debts as at 30 June 2020 reflects the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant. Refer Note 11 for further information.

ACCOUNTING POLICY

Rental income

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

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

When an agreement is made with tenants impacted by the COVID-19 pandemic to waive rent, any rent waived that relates to future occupancy is spread over the remaining lease term and recognised on a straight-line basis. Rent waived that relates to past occupancy is expensed immediately in Other Expenses, except to the extent of a pre-existing provision for expected credit losses relating to the unpaid rent.

2. Revenue (continued)

Rental abatements

Rental abatements arising from operating leases are recognised as revenue on a straight-line basis over the lease term.

Lease incentives

Lease incentives (including rent free periods, fit out and other payments) are accounted for on a straight-line basis over the lease term and offset against rental income in the consolidated statement of profit or loss. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Rental deferrals as part of COVID-19 rent concessions subsequently waived in consideration for extension of the lease term will be treated as Lease Incentive on straight-line basis over the new lease term.

3. Distributions

OVERVIEW

In accordance with the Fund's Constitutions, the Responsible Entity determines Core Earnings attributable to security holders as the net profit for the year, excluding certain non-recurring and non-cash items.

The Fund aims to distribute between 90% and 100% of Core Earnings each year.

(a) Distributions during the year

Consolidated Group

The Directors resolved not to declare a distribution for the six months ended 30 June 2020. The following distributions were declared by the Consolidated Group in respect of the year ended 30 June 2020:

	Distribution cents per stapled security	Total amount $'000
Distribution for the period ended 31 December 2019	5.24	6,748
Total	**5.24**	**6,748**

Please refer to the Directors' Report for the calculation of Core Earnings and the Distribution.

ERPF I Group

The Directors resolved not to declare a distribution for the six months ended 30 June 2020. The following distributions were declared by the ERPF I Group in respect of the year ended 30 June 2020:

	Distribution cents per unit	Total amount $'000
Distribution for the period ended 31 December 2019	2.13	2,736
Total	**2.13**	**2,736**

Please refer to the Directors' Report for the calculation of Core Earnings and the Distribution.

ACCOUNTING POLICY

Distributions are recognised when declared. Distributions paid and payable are recognised as distributions within equity. A liability is recognised where distributions have been declared but not been paid. Distributions paid are included in cash flows from financing activities in the consolidated statement of cash flows.

4. Earnings / (losses) per stapled security

OVERVIEW

Basic earnings per stapled security is calculated as net profit or loss attributable to security holders divided by the weighted average number of ordinary stapled securities issued.

Diluted earnings per stapled security is calculated as profit or loss attributable to security holders adjusted for any profit or loss recognised in the period in relation to dilutive potential stapled securities divided by the weighted average number of stapled securities and dilutive stapled securities.

Earnings used in the calculation of basic and diluted earnings per stapled security reconciles to the net profit or loss in the consolidated statements of comprehensive income as follows:

	Consolidated Group 30 June 2020	Consolidated Group 30 June 2019	ERPF I Group 30 June 2020	ERPF I Group 30 June 2019
The (losses) / earnings per stapled security measure shown below is based upon the profit / (loss) attributable to securityholders:				
Basic (losses) / earnings per stapled security (cents)	(9.29)	15.55	(15.74)	(2.83)
Diluted (losses) / earnings per stapled security (cents)	(9.29)	15.55	(15.74)	(2.83)
(Loss) / profit attributable to securityholders used in calculating basic and diluted earnings per stapled security ($'000)	(11,964)	20,015	(20,261)	(3,637)
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	128,729,755	128,729,755	128,729,755	128,729,755
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security	128,729,755	128,729,755	128,729,755	128,729,755

5. Cash flow information

OVERVIEW

This note provides further information on the consolidated cash flow statements of the Fund. It reconciles profit for the year to cash flows from operating activities, reconciles liabilities arising from financing activities and provides information about non-cash transactions.

5. Cash flow information (continued)

(a) Reconciliation of (loss) / profit for the year to net cash provided by operating activities

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
(Loss) / profit for the period	**(11,964)**	**20,015**	**(20,261)**	**(3,637)**
Fair value adjustment on revaluation of investment property	21,602	(8,781)	24,722	9,361
Amortisation	1,000	1,349	552	860
Other non cash items	9	26	2,671	2,588
Straight-lining of rental income and rental guarantee	(219)	(1,446)	(352)	(1,145)
Net cash provided by operating activities before changes in working capital	**10,428**	**11,163**	**7,332**	**8,027**
Movement in working capital				
(Increase) in trade and other receivables	(1,065)	(49)	(726)	235
(Increase) in prepayments	(32)	(66)	(35)	(42)
(Increase) in other current assets	(112)	–	(112)	–
Increase in trade and other payables	757	701	543	455
Increase in amounts received in advance	(56)	196	(25)	159
Net cash from operating activities	**9,920**	**11,945**	**6,977**	**8,834**

(b) Reconciliation of liabilities arising from financing activities

Consolidated Group

	30 June 2019 $'000	*Cash flows* Debt drawdowns/ (paydowns) net of borrowing costs $'000	*Non-cash items* Amortisation of borrowing costs $'000	30 June 2020 $'000
Interest bearing loans	134,523	10,962	135	145,620
Total liabilities from financing activities	**134,523**	**10,962**	**135**	**145,620**

	30 June 2018 $'000	*Cash flows* Debt drawdowns/ (paydowns) net of borrowing costs $'000	*Non-cash items* Amortisation of borrowing costs $'000	30 June 2019 $'000
Interest bearing loans	128,948	5,218	357	134,523
Total liabilities from financing activities	**128,948**	**5,218**	**357**	**134,523**

ERPF I Group

	30 June 2019 $'000	*Cash flows* Debt drawdowns/ (paydowns) net of borrowing costs $'000	*Non-cash items* Amortisation of borrowing costs $'000	Accumulated interest expense $'000	30 June 2020 $'000
Interest bearing loans	89,860	6,516	101	–	96,477
Cross-staple loan	69,717	(4,436)	–	2,668	67,949
Total liabilities from financing activities	**159,577**	**2,080**	**101**	**2,668**	**164,426**

	30 June 2018 $'000	*Cash flows* Debt drawdowns/ (paydowns) net of borrowing costs $'000	*Non-cash items* Amortisation of borrowing costs $'000	Accumulated interest expense $'000	30 June 2019 $'000
Interest bearing loans	87,322	2,218	320	–	89,860
Cross-staple loan	69,208	(2,069)	–	2,578	69,717
Total liabilities from financing activities	**156,530**	**149**	**320**	**2,578**	**159,577**

Operating Assets

This section includes information about the assets used by the Fund to generate profits and revenue, specifically information relating to its investment properties.

6. Investment properties

OVERVIEW

Investment properties are held solely for the purpose of earning rental income and / or for capital appreciation. At balance date, the Fund's investment property portfolio comprises seven retail shopping centres in Australia.

In response to the significant uncertainty created by the COVID-19 pandemic, the Fund obtained five independent valuations at balance sheet date covering 60% of the portfolio (by value). Internal valuations on the remaining portfolio were completed with reference to both a discounted cash flow and income capitalisation valuation methods. The property valuations were completed using detailed forecasts prepared by the Fund's asset management teams. Key valuation assumptions including capitalisation rates, terminal yields and discount rates were determined based on comparable market evidence and valuation parameters determined in external valuations completed for comparable properties.

In June 2020, the Fund exchanged contracts for the sale of Auburn Ambulance Station for $4.0 million. This asset has been classified as Assets held for sale as at 30 June 2020. Settlement occurred on 7 August 2020.

At 30 June 2020, the value of the Fund's investment portfolio was $321.2 million, including the Auburn Ambulance Station valued at the contracted sale price of $4 million (Assets held for sale). The valuation of the Fund's investment portfolio (including Auburn Ambulance) at 30 June 2020 has declined by only 4.8% compared to the portfolio valuation at 31 December 2019 of $337.4 million (or 4.0% compared to 30 June 2019).

The portfolio valuation decline was largely due to the $18.1 million reduction in value of the Tweed Mall property, to $84.5 million at balance date. The valuation of the Tweed Mall property reflects a broader market softening of capitalisation rates for sub-regional shopping centres, Target's lease expiry in September 2020 and the current development impacted nature of the property with the repositioning project in progress. While the transformation of the property into a triple supermarket neighbourhood centre, anchoring a significant mixed use precinct, is progressing well, it was insufficiently de-risked to be incorporated into the independent valuation prepared as at 30 June 2020. The value-add potential of the property, given its favourable location and existing planning controls, will be reflected in its valuation as key components of the repositioning project are de-risked.

The valuation of the Fund's Auburn Central property increased to $108.0 million at 30 June 2020, an increase of $5.7 million from the December 2019 valuation of $102.3 million (or an increase of $6.5 million from June 2019 of $101.5 million). The increased valuation of the property reflects progress in the successful execution of the repositioning strategy of Auburn Central into a triple supermarket neighbourhood shopping centre. The repositioning is on schedule for completion in November 2020. On completion, the project will introduce an Aldi supermarket (1,755m^2 secured by a 15-year lease and two five-year options), a Tong Li Asian supermarket (900m^2 secured by a 10-year lease), a mini-major discounter, a new food-court and an expanded range of medical, health and well-being services.

Excluding the valuation reduction at the Tweed Mall property, the valuation of the Fund's portfolio has increased by 0.8% from the 31 December 2019 valuations (or an increase of 1.5% from 30 June 2019), including the Auburn Ambulance Station valued at $4.0 million as at 30 June 2020.

Capitalisation rates for independently valued assets have remained unchanged from December 2019. The internal valuations have also maintained capitalisation rates compared the last external valuations.

6. Investment properties (continued)

(a) Carrying values of investment properties

	Valuation	Date	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Tweed Mall	Independent	Jun-20	84,500	101,346	84,500	101,346
Auburn Central [1]	Internal	Jun-20	108,000	104,024	–	–
Manning Mall	Independent	Jun-20	34,000	38,180	34,000	38,180
Gladstone Square	Independent	Jun-20	28,000	30,200	28,000	30,200
Moranbah Fair	Internal	Jun-20	27,997	26,300	27,997	26,300
Glenorchy Plaza	Independent	Jun-20	18,500	18,300	18,500	18,300
Northway Plaza	Independent	Jun-20	16,200	16,168	16,200	16,168
Total investment properties			**317,197**	**334,518**	**209,197**	**230,494**

Note 1: The 30 June 2020 value does not include the Auburn Ambulance Station ($4 million) as it is classified as an Asset Held for Sale at balance date. Refer to Note 7. The value of Auburn Central as at 30 June 2019 includes the Auburn Ambulance Station ($2.5 million).

(b) Movement in investment properties

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Opening balance	**334,518**	**317,729**	**230,494**	**230,077**
Acquisitions	–	3,274	–	750
Disposals	–	(5,000)	–	–
Reclassification	(4,000)	–	–	–
Capital expenditure	8,726	9,044	3,524	8,640
Straightlining of rental income	(194)	690	(59)	388
Amortisation	(251)	–	(40)	–
Net fair value adjustments	(21,602)	8,781	(24,722)	(9,361)
Total investment properties	**317,197**	**334,518**	**209,197**	**230,494**

(c) Fair value measurement

Highest and best use

For all investment properties, the current use equates to the highest and best use.

6. Investment properties (continued)

ACCOUNTING POLICY

(c) Fair value measurement (continued)

Fair value hierarchy and valuation techniques

The fair value measurement for investment properties has been categorised as Level 3 fair value based on the key inputs to the valuation techniques used below:

Valuation Techniques	Significant unobservable inputs	Range	Weighted average
Discounted cash flows – involves the projection of a series of inflows and outflows to which a market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property.	Adopted discount Rate[1]	7.50% - 9.00%	7.87%
	Adopted terminal yield[2]	5.75% - 8.29%	7.05%
	Net property income (per sqm) [3]	\$168 - \$568	\$380
Capitalisation method – involves determining the net market income of the investment property. This net market income is then capitalised at the adopted capitalisation rate to derive a core value.	Adopted capitalisation rate[4]	6.00% - 8.04%	6.94%

Note 1: Adopted discount rate: The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence.

Note 2: Adopted terminal yield: The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence.

Note 3: Net property income (per sqm): The forecast annual net rental income per sqm reflecting leased occupancy and likely to be leased space based on commitments and estimates. Resulting WALE and occupancy rate from existing tenancies will impact the forecast cash flow from net property income. The rate is determined with regard to existing lease terms and other market evidence.

Note 4: Adopted capitalisation rate: The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence.

Recognition and measurement

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 consolidated statement of profit or loss in the year in which they arise.

Fair value is defined as the price at which an asset or liability could be exchanged in an arm's length transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

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 derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year in which the property is derecognised.

Valuation process

In reaching estimates of fair value, management judgment needs to be exercised. The level of management judgment required in establishing fair value of the investments for which there is no quoted price in an active market is reduced through the use of external valuations.

6. Investment properties (continued)

(c) Fair value measurement (continued)

The aim of the valuation process is to ensure that assets are held at fair value and that the Fund is compliant with applicable Australian Accounting Standards, regulations, and the Fund's Constitutions.

The internal valuations are performed by utilising the information from a combination of asset plans and forecasting tools prepared by the asset management team. Appropriate capitalisation rate, terminal yield and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation based valuation and a discounted cash flow valuation.

The Fund's valuation policy requires that each property in the portfolio is valued by an independent valuer at least every three years. In practice, properties may be valued more frequently than every three years primarily where there may have been a material movement in the market and where there is a significant variation between the carrying value and the internal valuation.

Independent valuations are performed by independent and external valuers who hold a recognised relevant professional qualification and have specialised expertise and experience in the location and types of investment properties valued.

Independent valuers of the Fund's properties have included a statement within their valuation reports noting that in their view, significant valuation uncertainty exists in the current market environment. The significant uncertainty declaration is to serve as a precaution and does not invalidate the valuation. Rather, the statement is to ensure transparency of the fact that in the current extraordinary market circumstances as a result of the COVID-19 pandemic, less certainty can be attached to the valuations and continued periodic assessment should be performed subsequent to the date of the valuation assessment. The Fund will manage this increased uncertainty through active management of the investment portfolio, including ongoing detailed engagement with tenants across the portfolio in respect of their business operations and future leasing transactions.

Internal valuations use the Fund's best estimate of the economic and financial impacts of the COVID-19 pandemic using information available, at the time of preparation of the consolidated financial statements, in respect of existing conditions at reporting date and in relation to forward looking assumptions. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of the Fund's investment property portfolio.

All properties are required to be internally valued every six months with the exception of those independently valued during that six month period. The internal valuations are performed by utilising the information from a combination of asset plans and forecasting tools prepared by the asset management team. Appropriate capitalisation rate, terminal yield and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation based valuation and a discounted cash flow valuation.

The Fund's valuation policy requires that each property in the portfolio is valued by an independent valuer at least every three years. In practice, properties may be valued more frequently than every three years primarily where there may have been a material movement in the market and where there is a significant variation between the carrying value and the internal valuation.

Independent valuations are performed by independent and external valuers who hold a recognised relevant professional qualification and have specialised expertise in the types of investment properties valued.

(d) Valuation technique and inputs

The key inputs used to measure fair values of investment properties are disclosed below along with their sensitivity to an increase or decrease.

The investment property fair values presented are based on market values, which are derived using the capitalisation and the discounted cash flow methods. The Fund's preferred or primary method is the capitalisation method.

6. Investment properties (continued)

(c) Valuation techniques and inputs (continued)

Capitalisation method

Capitalisation rate is an approximation of the ratio between the net operating income produced by an investment property and its fair value. This excludes consideration of costs of acquisition or disposal. The net income is capitalised in perpetuity from the valuation date at an appropriate investment yield. The adopted percentage rate investment yield reflects the capitalisation rate and includes consideration of the property type, location and comparable sales.

Discounted cash flows (DCF)

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. The cash flow projections reflect tenants currently in occupation or are contracted to meet lease commitments or are likely to be in occupation based on market's general perception and relevant available market evidence. To this projected cash flow series, an appropriate discount rate is applied to establish the present value of the income stream associated with the property. The discount rate is the rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The rate is determined with regard to market evidence and prior independent valuation.

All property investments are categorised as Level 3 in the fair value hierarchy. There were no transfers between the hierarchies during the period.

Sensitivity Information

The key unobservable inputs to measure the fair value of investment properties are disclosed below along with sensitivity to a significant increase or decrease set out in the following table:

	Fair value measurement sensitivity to increase in input	Fair value measurement sensitivity to decrease in input
Discount rate (%)	Decrease	Increase
Terminal yield (%)	Decrease	Increase
Net property income ($m)	Increase	Decrease
Capitalisation rate (%)	Decrease	Increase

Sensitivity Analysis

When calculating the income capitalisation approach, the net property income has a strong inter-relationship with the adopted capitalisation rate given the methodology involves assessing the total income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the income and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the income and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the income and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value. The impact on the fair value of an increase (softening) in the adopted discount rate could potentially offset the impact of a decrease (tightening) in the adopted terminal yield. The same can be said for a decrease (tightening) in the adopted discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and adopted terminal yield could potentially magnify the impact to the fair value.

The adopted forecast net property income in the discounted cash flow is reflective of existing lease terms and other market data. Assets with higher WALE and occupancy rates improves net property income resulting in higher cash flow forecasts. The increased forecasted cash flow increases the fair value of the property.

6. Investment properties (continued)

(d) Valuation techniques and inputs (continued)

	Fair value measurement sensitivity			
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
	$'000	$'000	%	%
Discount rate (%)	(5,818)	5,977	(1.8%)	1.9%
Terminal yield (%)	(6,951)	7,414	(2.2%)	2.3%
Capitalisation rate (%)	(9,220)	11,413	(2.9%)	3.6%

7. Assets held for sale

Assets held for sale are recognised separately from other assets and valued at their contractual sale price.

Prior to 30 June 2020, the Fund entered an agreement with an external third party for the sale of the Auburn Ambulance Station. At balance date, the Fund valued the asset at the sale price of $4.0 million, therefore recognising a fair value increment of $1.5 million. The sale completed on 7 August 2020.

Finance and Capital Structure

This section provides further information on the Fund's debt structure, and also in relation to financial risk management for its exposure to credit, liquidity and market risks.

8. Interest bearing liabilities

OVERVIEW

The Fund has access to a combined $163.4 million debt facility. The drawn amount at 30 June 2020 is $145.8 million. During the period, the Fund refinanced debt facilities of $41.7 million for a new 2-year term, and obtained new capital expenditure debt facilities totalling $25.0 million, of which $7.4 million has been utilised at 30 June 2020. The weighted average cost of debt is 3.03% p.a., and the weighted average debt facility maturity at year end is 2.29 years. At 30 June 2020, the interest rate risk of drawn facilities is hedged to 75.2%.

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Current				
Bank loan - term debt	–	41,700	–	–
Borrowing costs less amortisation	–	(37)	–	–
Total current interest bearing liabilities	**–**	**41,663**	**–**	**–**
Non-current				
Bank loan - term debt	145,825	93,113	96,639	90,113
Borrowing costs less amortisation	(205)	(253)	(162)	(253)
Total non-current interest bearing liabilities	**145,620**	**92,860**	**96,477**	**89,860**
Cross-staple loan	–	–	67,949	69,717
Total interest bearing liabilities	**145,620**	**134,523**	**164,426**	**159,577**

The Fund has not required any covenant support from its financier in respect of COVID-19 related impacts.

ACCOUNTING POLICY

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 consolidated statement of profit or loss 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 one year. Amounts drawn under financial facilities which expire after one year are classified as non-current.

9. Derivative financial instruments

OVERVIEW

The Fund's derivative financial instruments consist of interest rate swap contracts to hedge its exposure to movements in variable interest rates. The interest rate swap agreements allow the Fund to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Current assets				
Interest rate swaps	–	–	–	–
Non-current assets				
Interest rate swaps	–	–	–	–
Current liabilities				
Interest rate swaps	1,689	1,323	1,626	1,042
Non-current liabilities				
Interest rate swaps	2,636	2,348	2,519	2,348
Total derivative financial instruments	**4,325**	**3,671**	**4,145**	**3,390**

(a) Valuation

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves (Level 2). The Fund has hedged $109.4 million of its $145.8 million floating interest bearing loans using interest rate swap agreements. These agreements are in place to swap the floating interest payable to a fixed rate to minimise the interest rate risk, and have been assessed as effective. The Fund's interest rate swap has remained effective despite the continual decreases in interest rates due to COVID-19. The change in the counterparty's credit rating did not have a material impact on the fair value of the interest rate swap.

All of the resulting fair value estimates are included in Level 2. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates fixed rate and forward interest rate curves.

ACCOUNTING POLICY

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.

Hedge Accounting

The Fund designates its hedging instruments, which include derivatives, as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Fund documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

9. Derivative financial instruments (continued)

Cash flow hedges

Hedge accounting is discontinued when the Fund revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The movement in the effective portion of the hedge will be recognised in Other Comprehensive Income. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

10. Contributed equity

OVERVIEW

The Fund is a 'stapled' entity comprising of ERPF I and its controlled entities, and ERPF II. The units in ERPF I are stapled to units in ERPF II. The stapled securities cannot be traded or dealt with separately.

(a) Parent entity

	No. of securities 30 June 2020 '000	No. of securities 30 June 2019 '000	Parent Entity 30 June 2020 $'000	Parent Entity 30 June 2019 $'000
Opening balance	128,730	128,730	90,421	90,421
Redemptions	–	–	–	–
Capital restructure	–	–	–	–
Capital raised (net of capital raise costs)	–	–	–	–
Total contributed equity	**128,730**	**128,730**	**90,421**	**90,421**

(b) ERPF I Group

	No. of securities 30 June 2020 '000	No. of securities 30 June 2019 '000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Opening balance	128,730	128,730	66,116	66,116
Redemptions	–	–	–	–
Capital restructure	–	–	–	–
Capital raised (net of capital raise costs)	–	–	–	–
Total contributed equity	**128,730**	**128,730**	**66,116**	**66,116**

11. Financial risk management

OVERVIEW

The Fund's principal financial instruments comprise cash, receivables, interest bearing loans and derivatives. The Fund's activities are exposed to a variety of financial risks: market risk (including interest rate risk); credit risk; and liquidity risk.

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk and the Fund's management of capital. Further quantitative disclosures are included through these financial statements.

The Board of Directors (Board) of the Responsible Entity of the Fund has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is responsible for monitoring the identification and management of key risks to the business.

11. Financial risk management (continued)

The Board has established Treasury Guidelines outlining principles for overall risk management and policies covering specific areas, such as mitigating foreign exchange, interest rate and liquidity risks.

The Fund's Treasury Guidelines provide a framework for managing the financial risks of the Fund with a key philosophy of risk mitigation. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments. The Fund uses derivative financial instruments such as interest rate swaps where possible to hedge certain risk exposures.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, ageing analysis for credit risk and cash flow forecasting for liquidity risk.

There have been no other significant changes in the types of financial risks or the Fund's risk management program (including methods used to measure the risks).

(a) Market risk

Market risk refers to the potential for changes in the value of the Fund's financial instruments or revenue streams from changes in market prices, being interest rate risk.

(b) Interest rate risk

Interest rate risk refers to the potential fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates.

As at reporting date, the Fund had the following undiscounted (including future interest payable) interest bearing assets and liabilities:

Consolidated Group 30 June 2020	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	4,003	–	–	4,003
Total assets	**4,003**	–	–	**4,003**
Weighted average interest rate				**0.07%**
Liabilities				
Interest bearing loans	5,749	151,813	–	157,562
Derivative financial instruments	1,689	2,636	–	4,325
Total liabilities	**7,438**	**154,449**	–	**161,887**
Weighted average interest rate				**3.03%**

Consolidated Group 30 June 2019	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	4,171	–	–	4,171
Total assets	**4,171**	–	–	**4,171**
Weighted average interest rate				**1.78%**
Liabilities				
Interest bearing loans	48,758	101,516	–	150,274
Derivative financial instruments	1,323	2,348	–	3,671
Total liabilities	**50,081**	**103,864**	–	**153,945**
Weighted average interest rate				**4.01%**

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11. Financial risk management (continued)

(b) Interest rate risk (continued)

ERPF I Group 30 June 2020	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	3,071	–	–	3,071
Total assets	**3,071**	**–**	**–**	**3,071**
Weighted average interest rate				**0.06%**
Liabilities				
Interest bearing loans	4,779	107,878	–	112,657
Interest bearing cross-staple loan	–	–	86,748	86,748
Derivative financial instruments	1,626	2,519	–	4,145
Total liabilities	**6,405**	**110,397**	**86,748**	**203,550**
Weighted average interest rate				**3.87%**

ERPF I Group 30 June 2019	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	3,134	–	–	3,134
Total assets	**3,134**	**–**	**–**	**3,134**
Weighted average interest rate				**1.80%**
Liabilities				
Interest bearing loans	5,262	98,494	–	103,756
Interest bearing cross-staple loan	–	–	89,382	89,382
Derivative financial instruments	1,042	2,348	–	3,390
Total liabilities	**6,304**	**100,842**	**89,382**	**196,528**
Weighted average interest rate				**4.20%**

(c) Interest rate sensitivity

At reporting date, if Australian interest rates had been 1% higher / lower and all other variables were held constant, the impact on the Fund in relation to cash and cash equivalents, derivatives, interest bearing loans and the Fund's profit and equity would be:

		Increase by 1%		Decrease by 1%	
Consolidated Group 30 June 2020	Amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Cash and cash equivalents	4,003	40	-	(40)	-
Derivative financial instruments	4,325	-	1,090	-	(1,090)
Interest bearing loans	145,620	(1,458)	-	1,458	-
Total increase / (decrease)	**153,948**	**(1,418)**	**1,090**	**1,418**	**(1,090)**

		Increase by 1%		Decrease by 1%	
Consolidated Group 30 June 2019	Amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Cash and cash equivalents	4,171	42	-	(42)	-
Derivative financial instruments	3,671	-	1,090	-	(1,090)
Interest bearing loans	134,523	(1,348)	-	1,348	-
Total increase / (decrease)	**142,365**	**(1,306)**	**1,090**	**1,306**	**(1,090)**

11. Financial risk management (continued)

(c) Interest rate sensitivity (continued)

ERPF I	Amount	Increase by 1% Profit	Increase by 1% Equity	Decrease by 1% Profit	Decrease by 1% Equity
30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	3,071	31	-	(31)	-
Derivative financial instruments	4,145	-	680	-	(680)
Interest bearing loans	164,426	(930)	-	930	-
Total increase / (decrease)	**171,642**	**(899)**	**680**	**899**	**(680)**

ERPF I	Amount	Increase by 1% Profit	Increase by 1% Equity	Decrease by 1% Profit	Decrease by 1% Equity
30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	3,134	31	-	(31)	-
Derivative financial instruments	3,390	-	680	-	(680)
Interest bearing loans	159,577	(901)	-	901	-
Total increase / (decrease)	**166,101**	**(870)**	**680**	**870**	**(680)**

Of the $145.8 million floating interest bearing loans, an amount of $109.4 million has been hedged using interest rate swap agreements. These agreements are in place to swap the floating interest payable to a fixed rate to minimise the interest rate risk.

(d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The Fund manages credit risk on receivables by performing credit reviews of prospective debtors, obtaining collateral where appropriate and performing detailed reviews on any debtor arrears. Credit risk on derivatives is managed through limiting transactions to investment grade counterparties.

A detailed tenant level analysis has been completed in respect of the recoverability and credit risk of outstanding arrears at balance date and future expected impacts of COVID-19 on leasing transactions. Recoverability risks have also been assessed through maintaining active tenant engagement and observation of relevant market conditions. A provision to cover the difference between contractual cash flows that are due and cash flows expected to be received following the detailed review has been included in the Fund's results. The provision includes both that part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant. Probability weighted scenarios have been applied in determining expected credit losses.

At balance date, the Fund has recognised a total provision for COVID-19 related rental relief requests of $1.3 million, representing 4.8% of Rental Income for the twelve months to 30 June 2020. This provision reflects the amount of tenant rental arrears at balance date that is likely to be waived in respect of past occupancy and also includes any additional amount relating to arrears at balance date that has been assessed to have credit risk in respect of the financial position of the tenant.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Cash and other cash equivalents	4,003	4,171	3,071	3,134
Trade and other receivables	1,830	765	1,186	460
Total	**5,833**	**4,936**	**4,257**	**3,594**

11. Financial risk management (continued)

(d) Credit risk (continued)

Where entities have a right of set-off and intend to settle on a net basis under netting arrangements, this set-off has been recognised in the consolidated financial statements on a net basis. Details of the Fund's contingent liabilities are disclosed in Notes 16.

At balance date there were no other significant concentrations of credit risk.

No allowance has been recognised for the GST from the taxation authorities. Based on historical experience, there is no evidence of default from these counterparties which would indicate that an allowance was necessary.

The ageing profile of the trade and other receivables balance as at 30 June 2020 is as follows:

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Current	598	443	685	145
Past due 31-60 days	1,223	150	528	136
Past due 61+ days	922	523	680	530
Total aged receivables	2,743	1,116	1,893	811
Provision for doubtful debts	(913)	(351)	(707)	(351)
Net Trade and other receivables	**1,830**	**765**	**1,186**	**460**

(e) Capital risk management

The Fund maintains its capital structure with the objective to safeguard its ability to continue as a going concern, to increase the returns for security holders and to maintain an optimal capital structure. The capital structure of the Fund consists of equity as listed in Note 9.

The Fund assesses its capital management approach as a key part of the Fund's overall strategy and it is continuously reviewed by management and the Directors of the Responsible Entity.

To achieve the optimal capital structure, the Board may use the following strategies: amend the distribution policy of the Fund; issue new units through a private placement; conduct a buyback of units; acquire debt; or dispose of investment properties.

(f) Liquidity risk

The Fund manages liquidity risk by maintaining sufficient cash including working capital and other reserves, as well as through securing appropriate committed credit facilities.

As a result of the uncertain economic environment created by the COVID-19 pandemic, Fund cashflow management and tenant related cash flows have been subject to heightened levels of review and focus to ensure the Fund maintains strong balance sheet liquidity. At balance date, the Fund had access to a $2.0 million debt facility available to support any required capital expenditure, lease incentives and general working capital needs of the Fund.

11. Financial risk management (continued)

(f) Liquidity risk (continued)

The following are the undiscounted contractual cash flows of derivatives and non-derivative financial liabilities shown at their nominal amount (including future interest payable).

Consolidated Group 30 June 2020	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
Derivative financial instruments						
Derivatives	1,689	2,636	–	–	–	4,325
Non derivative financial liabilities						
Payables	4,486	–	–	–	–	4,486
Interest bearing loans	–	65,064	91,560	–	–	156,624
Total	**6,175**	**67,700**	**91,560**	**–**	**–**	**165,435**

Consolidated Group 30 June 2019	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
Derivative financial instruments						
Derivatives	1,323	2,348	–	–	–	3,671
Non derivative financial liabilities						
Payables	3,729	–	–	–	–	3,729
Interest bearing loans	43,330	–	110,033	–	–	153,363
Total	**48,382**	**2,348**	**110,033**	**–**	**–**	**160,763**

ERPF I Group 30 June 2020	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
Derivative financial instruments						
Derivatives	1,626	2,519	–	–	–	4,145
Non derivative financial liabilities						
Payables	3,470	–	–	–	–	3,470
Interest bearing loans	–	18,286	88,271	–	–	106,557
Total	**5,096**	**20,805**	**88,271**	**–**	**–**	**114,172**

ERPF I Group 30 June 2019	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
Derivative financial instruments						
Derivatives	1,042	2,348	–	–	–	3,390
Non derivative financial liabilities						
Payables	2,927	–	–	–	–	2,927
Interest bearing loans	–	–	106,446	–	–	106,446
Total	**3,969**	**2,348**	**106,446**	**–**	**–**	**112,763**

Other Items

This section provides information that is not directly related to the specific line items in the consolidated financial statements, including information about contingent liabilities, related parties, events after the end of the reporting period, remuneration of auditors and changes in accounting policies and disclosures.

12. Other assets and liabilities

OVERVIEW

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

(a) Trade and other payables

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Trade creditors	1,736	1,155	1,544	1,160
Related party payables	1,349	1,315	785	930
Accrued expenses	1,044	1,162	564	856
GST payable	357	97	577	(19)
Total payables	**4,486**	**3,729**	**3,470**	**2,927**

ACCOUNTING POLICY

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.

13. Net tangible assets

OVERVIEW

This note sets out the net tangible assets of the Fund and the ERPF I Group.

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Net tangible assets are calculated as follows:				
Total assets	327,823	340,103	214,013	234,500
Less: total liabilities	(155,105)	(142,653)	(172,560)	(166,438)
Net tangible assets	**172,718**	**197,450**	**41,453**	**68,062**
Total number of stapled securities on issue	128,729,755	128,729,755	128,729,755	128,729,755
Net tangible asset backing per stapled security / unit ($)	1.34	1.53	0.32	0.53

14. Related parties

OVERVIEW

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

(a) Key management personnel

Responsible Entity

Elanor Funds Management Limited is the Responsible Entity of the Fund, and is the key management personnel (KMP) of the Fund.

Directors of the Responsible Entity

The Directors of Elanor Funds Management Limited are:

Paul Bedbrook (Chair)
Glenn Willis (Managing Director and Chief Executive Officer)
Nigel Ampherlaw
Lim Kin Song
Anthony Fehon (appointed 20 August 2019)
William (Bill) Moss AO (resigned 17 September 2019)

Other Management Personnel

In addition to the directors, the following persons were Management Personnel of the Responsible Entity with the authority for the strategic direction of the Fund:

Michael Baliva – Fund Manager
Symon Simmons – Chief Financial Officer
Paul Siviour – Chief Operating Officer

Remuneration of Management Personnel

Compensation is paid to the Responsible Entity in the form of fees and is disclosed below. No other amounts are paid by the Fund directly or indirectly to the Management Personnel for services provided to the Fund.

The Directors of the Responsible Entity and other management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Consequently, no compensation as defined in AASB 124 Related Party Disclosures, is paid by the Fund to its Management Personnel, other than that paid to the Responsible Entity.

Michael Baliva, the Fund Manager, participates in the Fund's executive loan security plan.

Related party disclosure

During the period, fees were incurred by the Fund to Elanor Investors Group and its controlled entities, in accordance with the Constitution of each Scheme, including management fees, accrued performance fee and cost recoveries.

Fees paid to Elanor Investors Group and its controlled entities:	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Management fees	2,822	2,105	1,529	1,419
Accrued performance fee	1,165	1,297	676	917
Total investment management fees	3,987	3,402	2,205	2,336
Other	469	396	325	330
Total	**4,456**	**3,798**	**2,530**	**2,666**

14. Related parties (continued)

Related party holdings

Key Management Personnel and other Management Personnel of the Responsible Entity and of its related entities may hold investments in the Fund. Such investments were purchased on normal commercial terms and were at arm's length. The number of securities held by Key Management Personnel and other Management Personnel are 828,641 as follows:

	Stapled Securities 30 June 2020
Investments held by Elanor Investment Trust	23,026,082
Investments held by Directors and other Management Personnel	828,641
Total	**23,854,723**

Cross-Staple Loan

On 9 November 2016, as part of the internal funding structure on listing of the Fund, ERPF I entered into a 10 year interest-bearing loan with ERPF II at arm's length commercial terms. As at 30 June 2020, the outstanding loan balance payable to ERPF II was $67.9 million.

15. Non-cancellable operating lease receivables

OVERVIEW

This note sets out the non-cancellable operating lease receivables of the Fund and the ERPF I Group.

	Consolidated Group 30 June 2020 $'000	Consolidated Group 30 June 2019 $'000	ERPF I Group 30 June 2020 $'000	ERPF I Group 30 June 2019 $'000
Not later than 1 year	22,934	23,502	16,929	16,711
Later than 1 year and not longer than 5 years	53,099	59,059	43,261	39,248
Later than 5 years	27,081	23,507	26,848	22,843
Total	**103,114**	**106,068**	**87,038**	**78,802**

16. Unrecognised items

OVERVIEW

Items that have not been recognised on the Fund's balance sheet, including contractual commitments for future expenditure and contingent liabilities which are not sufficiently certain to qualify for recognition as a liability on the balance sheet, are defined as unrecognised items. This note provides details of any such items.

(a) Contingent liabilities

The Directors are not aware of any material contingent liabilities of the Fund as at 30 June 2020 (30 June 2019: nil).

(b) Commitments

The Fund, including ERPF I Group, had capital commitments of $8.95 million as at 30 June 2020 (30 June 2019: $1.2 million) in respect of capital expenditures contracted for the development works at Auburn Central.

17. Parent entity disclosure

OVERVIEW

The financial information below on Elanor Retail Property Fund's parent entity, ERPF II, and ERPF I Group's parent entity, ERPF I, as stand-alone entity has been provided in accordance with the requirements of the Corporations Act 2001.

(a) Summarised financial information

Financial Position	ERPF II 30 June 2020 $'000	ERPF II 30 June 2019 $'000	ERPF I 30 June 2020 $'000	ERPF I 30 June 2019 $'000
Current assets	2,350	1,665	(2,514)	3,849
Non - current assets	179,950	173,742	147,475	151,655
Total Assets	**182,300**	**175,407**	**144,961**	**155,504**
Current liabilities	1,714	1,076	2,180	1,762
Non - current liabilities	49,323	44,944	120,025	114,683
Total Liabilities	**51,037**	**46,020**	**122,205**	**116,445**
Contributed equity	90,422	90,422	66,213	66,213
Reserves	(137)	(445)	(2,577)	(2,013)
Retained profits / (accumulated losses)	40,978	39,410	(40,880)	(25,141)
Total Equity	**131,263**	**129,387**	**22,756**	**39,059**
Financial performance				
Profit / (loss) for the period	8,297	23,652	(10,143)	(10,833)
Other comprehensive income for the year	302	(190)	(570)	(1,510)
Total comprehensive income for the year	**8,599**	**23,462**	**(10,713)**	**(12,343)**

(b) Commitments

ERPF I had no commitments as at 30 June 2020 (2019: none), while ERPF II had $8.95 million as at 30 June 2020 (2019: none) in relation to capital expenditure contracted for but not recognised as liabilities.

(c) Guarantees provided

ERPF I and ERPF II had no outstanding guarantees as at 30 June 2020 (2019: none).

(d) Contingent liabilities

ERPF I and ERPF II has no contingent liabilities as at 30 June 2020 (2019: none).

ACCOUNTING POLICY

With the exception of consolidation, the financial information of the parent entities of Elanor Retail Property Fund and ERPF I Group have been prepared on the same basis as the consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

18. Auditors' remuneration

OVERVIEW

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Consolidated Group 30 June 2020 $	Consolidated Group 30 June 2019 $	ERPF I Group 30 June 2020 $	ERPF I Group 30 June 2019 $
Deloitte Touche Tohmatsu Australia				
Audit and other assurance services				
Audit and review of financial statements	101,900	99,925	87,343	85,650
Other services				
Taxation services	20,488	25,200	17,561	21,600
Total auditor's remuneration	**122,388**	**125,125**	**104,904**	**107,250**

19. Subsequent events

Since the end of the period, the Directors are not aware of any matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in financial periods subsequent to the year ended 30 June 2020.

20. Accounting policies

OVERVIEW

This note provides an overview of the Fund's accounting policies that relate to the preparation of the financial report as a whole and do not relate to specific items. Accounting policies for specific items in the balance sheet or statement of comprehensive income have been included in the respective note.

(a) Interest Income

Interest income is recognised as it accrues using the effective interest rate method.

(b) Expenses

All expenses, including the responsible entity's fees and custodian fees, are recognised in profit or loss on an accruals basis.

(c) Income Taxation

Under current legislation, the Fund is not subject to income tax as security holders are presently entitled to the income of the Fund.

Directors' Declaration to Stapled Securityholders

In the opinion of the Directors of Elanor Funds Management Limited as responsible entity for Elanor Retail Property Fund I and Elanor Retail Property Fund II:

(a) the financial statements and notes set out on pages 23 to 58 are in accordance with the Corporations Act 2001 (Cth), including:

i. complying with Australian Accounting Standards, the *Corporations Regulations* 2001 and other mandatory professional reporting requirements; and

ii. giving a true and fair view of the Consolidated Group's and ERPF I Group's financial position as at 30 June 2020 and of their performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Consolidated Group and the ERPF I Group will be able to pay their debts as and when they become due and payable; and

(c) the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

(d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001* (Cth).

This declaration is made in accordance with a resolution of the Board of Directors in accordance with Section 295(5) of the *Corporations Act 2001* (Cth).

Glenn Willis
CEO and Managing Director

Sydney, 19 August 2020

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Stapled Securityholders of Elanor Retail Property Fund and the Securityholders of Elanor Retail Property Fund I Group

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of:

- The consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity Elanor Retail Property Fund, being the consolidated stapled entity ("Elanor Retail Property Fund") as set out on pages 23 to 59. The consolidated stapled entity comprises Elanor Retail Property Fund II ("ERPF II") and the entities it controlled at the year's end or from time to time during the year, including Elanor Retail Property Fund I ("ERPF I") and the entities it controlled at year's end or from time to time during the financial year end;

- The consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity ERPF I, being the consolidated entity ("ERPF I Group") as set out on pages 23 to 59. The consolidated entity comprises ERPF I and the entities it controlled at the year's end or from time to time during the year.

In our opinion, the accompanying financial report of Elanor Retail Property Fund and ERPF I Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Elanor Retail Property Fund and ERPF I Group's financial positions as at 30 June 2020 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of Elanor Retail Property Fund and ERPF I Group, in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elanor Funds Management Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Investment property valuation At 30 June 2020, Elanor Retail Property Fund recognised investment properties valued at $317.2 million as disclosed in Note 6. The fair value of investment property is calculated in accordance with the valuation policy set out in Note 6 which outline the two valuation methodologies used by Elanor Retail Property Fund. The Critical accounting judgements and key sources of estimation uncertainty Note and Note 6 disclose the significant judgements and estimates made by Elanor Retail Property Fund in estimating the fair values. These include the following assumptions: • forecast cash flows: including market rental income, market growth rates, rent relief provided and letting up assumptions. There is increase in judgement being applied as a result of the uncertainty of future rental income and leasing activity as a result of COVID-19; • capitalisation rates: since the start of COVID-19 there has been limited relevant transaction evidence; and • discount rates: are subjective due to the specific nature and characteristics of individual investment properties. In addition, Note 6 highlights the uncertainty created by COVID-19 and as a result the valuers have included a significant valuation uncertainty statement in their valuation reports as at 30 June 2020. This clause indicates that less certainty, and consequently a higher degree of caution should be attached to the valuations as a result of COVID-19. The sensitivity to changes associated with the greater levels of estimation uncertainty being applied in respect of these assumptions are disclosed in Note 6.	Our procedures included, but were not limited to: • Assessing management's process over property valuations and the oversight applied by the directors are consistent with relevant accounting standards and Elanor Retail Property Fund's valuation policy; • Performing an analytical review and risk assessment of the portfolio, analysing the key inputs and assumptions; • Benchmarking the capitalisation rates and discount rates with reference to external market trends and transactions and challenging those assumptions where appropriate; • Performing procedures over the specific assumptions and judgements made around the impact of COVID-19 on the valuation models including market rental income, market growth rates, rent relief provided and letting up assumptions; • Holding discussions with management and the external valuers to obtain an understanding of portfolio movements and their assessment of the impact of COVID-19 on the valuations, including the material uncertainty statement included in their reports; • Assessing the independence, competence and objectivity of the internal and external valuers; and • Testing on a sample basis of externally and internally valued properties, the following: ○ the integrity of the information in the valuation models by agreeing key inputs such as net operating income to underlying records and source evidence ○ the forecasts used in the valuation models with reference to current financial results such as revenues and expenses, capital expenditure

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	requirements, vacancy rates and lease renewals o the mathematical accuracy of the valuation models. We also assessed the appropriateness of the disclosures included in The Critical accounting judgements and key sources of estimation uncertainty Note and Note 6 to the financial statements.

Other Information

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report. The other information also includes the following information which will be included in the Annual Report (but does not include the financial report and our auditor's report thereon): the Message from the Chairman, Message from the CEO and other documents which are expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Message from the Chairman, Message from the CEO and other documents in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing Elanor Retail Property Fund and ERPF I Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the fund/s or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Elanor Retail Property Fund's and ERPF I Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Elanor Retail Property Fund's and ERPF I Group's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Elanor Retail Property Fund and ERPF I Group to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Elanor Retail Property Fund to express an opinion on the financial report. We are responsible for the direction, supervision and performance of Elanor Retail Property Fund's audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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D Nell
Partner
Chartered Accountants
Sydney, 19 August 2020

Corporate Governance

The Board of Directors of Elanor Funds Management Limited as responsible entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II (Fund) have approved the Fund's Corporate Governance Statement as at 30 June 2020. In accordance with ASX Listing Rule 4.10.3, the Fund's Corporate Governance Statement can be found on its website at: **www.elanorinvestors.com/ERF**

The Board of Directors is responsible for the overall corporate governance of the Fund, including establishing and monitoring key strategy and performance goals. The Board monitors the operational and financial position and performance of the Fund, and oversees its business strategy, including approving the Fund's strategic goals.

The Board seeks to ensure that the Fund is properly managed to protect and enhance securityholder interests, and that the Fund, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing the Fund, including Board and Committee Charters and various corporate governance policies designed to promote the responsible management and conduct of the Fund.

Securityholder Analysis

As at 19 August 2020

Stapled Securities

The units of the Trusts are combined and issued as stapled securities in the Fund. The Fund's securities are traded on the Australian Securities Exchange (ASX: ERF), having listed on 9 November 2016. The units of the Trusts cannot be traded separately and can only be traded as stapled securities. In accordance with the ASX's requirements for stapled securities, the ASX reserves the right (but without limiting its absolute discretion) to remove a Trust from the ASX Official List if any of the units cease to be stapled together or any equity securities issued by the Trusts which are not stapled to equivalent securities in the other entity.

Top 20 Securityholders

Number	Securityholder	No. of Securities	%
1	Elanor Investment Nominees Pty Limited <Elanor Investment A/C>	23,026,082	17.89
2	J P Morgan Nominees Australia Pty Limited	11,412,855	8.87
3	The Trust Company (Australia) Limited <A/C 4>	11,109,465	8.63
4	HSBC Custody Nominees (Australia) Limited	9,530,206	7.40
5	Kenxue Pty Ltd <Susan Investment A/C>	4,848,518	3.77
6	BNP Paribas Noms Pty Ltd <Drp>	4,633,341	3.60
7	HSBC Custody Nominees (Australia) Limited - A/C 2	3,677,179	2.86
8	Citicorp Nominees Pty Limited	3,235,958	2.51
9	Perpetual Corporate Trust Ltd <QCAXSIVECF A/C>	2,897,423	2.25
10	Armada Investments Pty Ltd	1,822,222	1.42
11	HSBC Custody Nominees (Australia) Limited-Gsi Eda	1,580,446	1.23
12	Kenxue Pty Ltd <Susan Investment A/C>	1,542,616	1.20
13	Sargon Ct Pty Ltd <Ect Cap Stbl Fnd>	1,485,473	1.15
14	Berg Family Foundation Pty Ltd <Berg Family Foundation A/C>	1,366,667	1.06
15	Pinwillow Pty Ltd <Arb Personal Super Fund A/C>	1,366,667	1.06
16	Kindol Pty Ltd <The Veale Superannuation A/C>	1,308,960	1.02
17	Colovine Pty Ltd	1,227,435	0.95
18	Yarramalong Management Services Pty Limited <Yarramalong Mge P/L S/F A/C>	940,119	0.73
19	Oksar Pty Ltd <Raskos A/C>	827,779	0.64
20	Basapa Pty Ltd <Kehoe Family A/C>	825,927	0.64
Total		88,665,338	68.88
Balance of Register		40,064,417	31.12
Grand Total		128,729,755	100.00

Securityholder Analysis
As at 19 August 2020

Range Report

Range	No. of Securities	%	No. of Holders	%
100,001 and over	113,869,020	88.46	125	17.41
10,001 to 100,000	13,988,944	10.87	379	52.79
5,001 to 10,000	644,436	0.50	79	11.00
1,001 to 5,000	207,461	0.16	71	9.89
1 to 1,000	19,894	0.02	64	8.91
Total	128,729,755	100.00	718	100.00

The total number of securityholders with an unmarketable parcel of securities was 45.

Substantial Securityholders

Securityholder	No. of Securities	%
Elanor Investment Nominees Pty Ltd ATF Elanor Investment Trust	23,026,082	17.89
Moelis Australia Asset Management Limited	20,395,087	15.84
Perpetual Limited	6,705,766	5.21
Kenxue Pty Ltd <Susan Investment Trust> Aloron Pty Ltd <The Campbell Super Fund>	6,524,812	5.07

Voting rights

On a poll, each security holder has, in relation to resolutions of the Trusts, one vote for each dollar value of their total units held in the Trust.

On-Market Buy-back

There is no current on-market buy-back program in place.

Corporate Directory

Elanor Investors Group (ASX Code: ERF)

Elanor Funds Management Limited (ACN 125 903 031) is the Responsible Entity of Elanor Retail Property Fund I (ARSN 615 054 129) (ERPF I) and Elanor Retail Property Fund II (ARSN 615 054 174) (ERPF II) each a Trust and together the Elanor Retail Property Fund

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Directors of the Responsible Entity

Paul Bedbrook (Chairman)
Glenn Willis (Managing Director and CEO)
Nigel Ampherlaw
Kin Song Lim
Anthony (Tony) Fehon

Company Secretary of the Responsible Entity

Symon Simmons

Security Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Custodian

The Trust Company (Australia) Limited
Level 18
123 Pitt Street
Sydney NSW 2000

Website

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