Interim Financial Report

For the half year ended
31 December 2023

Elanor Property Income Fund

Comprising the stapling of units in Elanor Property Income Fund I (ARSN 615 291 220) and units in Elanor Property Income Fund II (ARSN 615 291 284)

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ELANOR PROPERTY INCOME FUND

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ELANOR PROPERTY INCOME FUND

DIRECTORS' REPORT

The Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as Responsible Entity of the Elanor Property Income Fund I (EPIF I) and Elanor Property Income Fund II (EPIF II), present their report together with the interim financial report of Elanor Property Income Fund (EPIF, Group, Consolidated Group or Fund) and the interim financial report of the Elanor Property Income Fund I for the half year ended 31 December 2023 (period).

The interim financial report of the Consolidated Group comprises EPIF II (formerly Elanor Retail Property Fund II) and its controlled entities, including EPIF I (formerly Elanor Retail Property Fund I) and its controlled entities. The interim financial report of the EPIF I Group comprises Elanor Property Income 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.

Elanor Asset Services Pty Limited (ABN 83 614 679 622), a wholly owned subsidiary of Elanor Investors Group, is the Manager of the Fund, providing services in accordance with the Investment Management Agreement. The Trust Company (Australia) Limited is the Custodian of the Fund, pursuant to the Custody Deed.

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:

- Ian Mackie (Appointed as Chair from 1 January 2024, appointed as Director on 25 August 2023)
- Paul Bedbrook (Resigned as Chair and Director on 31 December 2023)
- Glenn Willis (Managing Director and Chief Executive Officer of Elanor Investors Group)
- Nigel Ampherlaw
- Su Kiat Lim
- Anthony Fehon
- Karyn Baylis
- Victor Rodriguez (appointed on 7 July 2023)
- Kathy Ostin (appointed on 1 January 2024)

2. Principal activities

The principal activities of the Fund are the investment in a range of properties, providing diversification by property, sector, geographic location and tenancy mix.

3. Distributions

Distributions relating to the half year ended 31 December 2023 comprise:

Consolidated Group	Distribution Cents per stapled security	31 December 2023 $'000	Distribution Cents per stapled security	31 December 2022 $'000
Monthly distributions paid and payable	2.33	1,883	0.81	723
Special Distribution (declared before year end)	-	-	36.00	45,977
Total distributions paid or payable	**2.33**	**1,883**	**36.81**	**46,700**

4. Operating and financial review

OVERVIEW AND STRATEGY

The Elanor Property Income Fund is an open-ended real estate 'income' fund, with a strategic objective of investing in a diversified portfolio of quality properties in Australia and New Zealand to provide reliable monthly income and the potential for capital growth. To achieve its key objective, the Fund:

- Invests across a range of properties, providing diversification by property, sector, geographic location and tenancy mix;
- Invests in real estate assets, both directly and indirectly through listed and unlisted property funds;
- Invests in liquid investments and cash; and
- Targets stabilised real estate assets that are competitively located and generate predictable, recurring cashflows.

The Responsible Entity is currently undertaking a strategic review of the Fund to consider if the Fund's strategic objectives can be achieved within the foreseeable future, given the prevailing market conditions.

The Fund's portfolio at balance date comprises direct investments in four non-discretionary focused shopping centres with:

- A combined valuation of $106.8 million;
- Occupancy of 94.4%;
- 45% of its income from major retailers and 55% from specialty retailers; and
- 31% of revenue generated by supermarket tenants, 55% from specialty stores and 14% from discount department stores (DDS).

During the period from 1 July 2023 to 31 December 2023, the following results and initiatives were achieved:

- Statutory loss for the year ended 31 December 2023 was $2.7 million ($4.5 million profit in the prior period);
- Funds from Operations (FFO) for the period of $2.1 million or 2.54 cents per stapled security;
- Distribution for the half year ended 31 December 2023 of $1.8 million or 2.33 cents per security; and
- Extended the maturity of $50 million of the Fund's debt by 2.3 years to 31 August 2026, bringing the weighted average debt maturity to 2.7 years.

4. Operating and financial review (continued)

INVESTMENT PORTFOLIO

The valuation of the Fund's portfolio of investment properties at 31 December 2023 was $106.8 million.

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

Property	Location	Type	Carrying Value 31 December 2023 $'m	Carrying Value 30 June 2023 $'m
Manning Mall	Taree, NSW	Sub-regional shopping centre	38.0	38.0
Gladstone Square	Gladstone, QLD	Neighbourhood shopping centre	29.0	31.0
Glenorchy Plaza	Glenorchy, TAS	Neighbourhood shopping centre	20.6	21.4
Northway Plaza	Bundaberg, QLD	Neighbourhood shopping centre	19.2	19.8
Total Investment Properties			**106.8**	**110.2**

FINANCIAL RESULTS

The Fund recorded a statutory loss after tax of $2.7 million for the half year ended 31 December 2023 (31 December 2022: profit after tax of $4.5 million).

Funds from Operations (FFO) was $2.1 million or 2.54 cents per security, down $1.4 million on the prior comparative period largely due to the sale of Tweed Mall on 24 October 2022, which attributed $1.3 million to 31 December 2022 FFO. On a like for like basis, FFO is down on the prior period by $0.1 million. FFO is the Directors' measure of the periodic amount available for distributions and has been determined in accordance with the definition outlined in the Property Council of Australia's white paper "Voluntary best practice guidelines for disclosing FFO and AFFO" and adjusted for amortisation amounts.

The Fund's balance sheet at 31 December 2023 has net assets of $63.4 million, and cash on hand of $1.45 million. The Fund also has $5.7 million in undrawn debt facilities.

A summary of the Fund's results for the period is set out below:

Key financial results	Consolidated Group 31 December 2023	Consolidated Group 31 December 2022
Net statutory (loss)/profit	(2,689)	4,521
Funds from Operations (FFO) ($'000)	2,051	3,474
FFO per stapled security (cents)	2.54	3.90
Distributions paid and payable to securityholders ($'000)	1,883	723
Distributions (cents per stapled security)	2.33	0.81
Special Distribution (cents per stapled security)	–	36.00
Net tangible assets ($ per stapled security)	0.78	0.86
Gearing (net debt/total assets less cash) (%)	39.12%	33.50%

4. Operating and financial review

FINANCIAL RESULTS (CONTINUED)

The table below provides a reconciliation from statutory net (loss) /profit to Funds from Operations:

Funds from Operations (FFO)	Consolidated Group 31 December 2023 $'000	Consolidated Group 31 December 2022 $'000
Statutory net (loss)/profit	**(2,689)**	**4,521**
Adjustments for items included in statutory profit:		
Straight-lining of rental income[2]	(72)	(354)
Fair value adjustments on investment property	4,026	(535)
Net fair value movement on derivative financial instruments	301	88
Net fair value movement on financial assets at fair value through profit or loss	207	128
Net accounting gain on sale/ disposal on investment property	–	(1,787)
Amortisation expense[3]	278	351
Transaction costs[4]	–	1,089
Other	–	(27)
Funds from Operations (FFO)[1]	**2,051**	**3,474**

Note 1: Funds from Operations (FFO) has been determined in accordance with the Property Council Guidelines and adjusted for amortisation of borrowing cost and manager contribution which is excluded from FFO and represents the Directors' view of underlying earnings from ongoing operating activities, being statutory profit / (loss) (under IFRS), adjusted for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gains/losses on sale of investment properties, straight-line rental adjustments, non-FFO tax expenses/benefits and other unrealised one-off items.

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.

Note 4: Transaction costs primarily relate to acquisition, underwriting and professional fees relating to the privatisation of the Group.

SUMMARY AND OUTLOOK

The Fund's core strategy is focused on actively managing and growing earnings from its investment portfolio, realising value-add opportunities across the portfolio, and acquiring additional high investment quality real estate properties.

On 29 January 2024 the Responsible Entity communicated to Fund investors that as a result of the prevailing market conditions and the volume of redemption requests received from investors, that a strategic review of the Fund is in progress, to consider if the Fund will be able to achieve its investment objectives within the foreseeable future. The strategic review will consider a range of options to maximise value for Fund investors. These options may include consideration of an orderly winding up of the Fund incorporating the realisation of the Fund's assets and returning of capital to investors as the assets are realised. The Responsible Entity has suspended the Fund's redemption facility and distribution reinvestment plan and will not accept applications for new units in the Fund until further notice, pending the outcome of the strategic review.

The risks to the Fund in the coming period primarily comprise earnings variability and potential capital value impacts due to the prevailing interest rate environment and broader economic conditions.

4. Operating and financial review (continued)

Further, risks may also relate to renewal of leases upon expiry, increased operating expenses, a softening of rental growth, an increase in required incentives or longer letting up periods and possible weather-related events.

These risks to the Fund are mitigated through the hedging of the interest rates (currently the Fund's debt is 56% hedged) and active management of the Fund's portfolio. Regular engagement with tenants across the portfolio and ongoing assessments of tenant rental risks are key contributors to the strong performance of the Fund. Further risk mitigants include the broadening of the Fund's tenant mix, and actively managing the Fund's cash position and capital structure.

5. Interests in the Group

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

	Consolidated Group 31 December 2023	Consolidated Group 30 June 2023
Stapled securities on issue at the beginning of the period	85,142,280	127,712,725
Stapled securities issued during the period	79,069	32,014
Stapled securities acquired through security buy-back scheme	-	(38,535,189)
Stapled securities redeemed during the period	(4,328,951)	(4,067,270)
Stapled securities on issue at the end of the period	**80,892,398**	**85,142,280**

6. Auditor's independence declaration

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

7. Events occurring after reporting date

On 29 January 2024 the Responsible Entity communicated to Fund investors that as a result of the prevailing market conditions and the volume of redemption requests received from investors, that a strategic review of the Fund is in progress, to consider if the Fund will be able to achieve its investment objectives within the foreseeable future. The strategic review will consider a range of options to maximise value for Fund investors. These options may include consideration of an orderly winding up of the Fund incorporating the realisation of the Fund's assets and returning of capital to investors as the assets are realised. The commencement of the strategic review did not impact the Fund's financial position at balance date. The Responsible Entity has suspended the Fund's redemption facility and distribution reinvestment plan and will not accept applications for new units in the Fund until further notice, pending the outcome of the strategic review.

Other than the event disclosed above, the Directors of the Responsible Entity are not aware of any other matters since the end of the period that has or may significantly affect the operations of the Fund, the result of those operations, or the state of the Fund's affairs in future financial periods that are not otherwise referred to in this Directors' Report.

8. Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, 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. The Financial Statements were authorised for issue by the Directors on 21 February 2024.

Signed in accordance with a resolution of the Directors pursuant to section 298(2) of the *Corporations Act 2001 (Cth)*. The Directors have the power to amend and re-issue the Financial Statements.

Ian Mackie	Glenn Willis
Chair	CEO and Managing Director

Sydney, 21 February 2024

Auditor's Independence Declaration

As lead auditor for the review of Elanor Property Income Fund II and Elanor Property Fund I for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Elanor Property Income Fund II and the entities it controlled during the period.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
21 February 2024

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ELANOR PROPERTY INCOME FUND

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	Consolidated Group 31 December 2023 $'000	Consolidated Group 31 December 2022 $'000	EPIF I Group 31 December 2023 $'000	EPIF I Group 31 December 2022 $'000
Income					
Rental income	2	5,144	7,271	5,144	7,271
Outgoings reimbursements		483	713	483	713
Net fair value gain of investment properties		–	535	–	535
Net accounting gain on investment properties		–	1,787	–	1,787
Distribution income		88	120	88	120
Other income		17	185	17	17
Total income		**5,732**	**10,611**	**5,732**	**10,443**
Expenses					
Rates, taxes and other outgoings		1,892	2,673	1,892	2,668
Borrowing costs		1,087	677	1,087	2,358
Other expenses		522	771	460	679
Investment management fees		367	541	367	529
Net fair value loss of investment properties	4	4,026	–	4,026	–
Net fair value loss of derivatives		301	88	–	–
Transaction and establishment costs		–	1,089	–	1,086
Provision for expected credit loss		19	123	19	29
Net fair value loss on financial assets at fair value through profit or loss		207	128	207	128
Total expenses		**8,421**	**6,090**	**8,058**	**7,477**
Net (loss) / profit for the period		**(2,689)**	**4,521**	**(2,326)**	**2,966**
Attributable to security holders of:					
- Elanor Property Income Fund II		(363)	1,555	–	–
- Elanor Property Income Fund I (Non-controlling interest)		(2,326)	2,966	(2,326)	2,966
Net (loss) / profit attributable to security holders for the period		**(2,689)**	**4,521**	**(2,326)**	**2,966**
Basic (loss)/ earnings per stapled security (cents)		(3.32)	5.07	(2.88)	3.33
Diluted (loss) / earnings per stapled security (cents)		(3.32)	3.91	(2.88)	2.57

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

ELANOR PROPERTY INCOME FUND

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Consolidated Group 31 December 2023 $'000	Consolidated Group 31 December 2022 $'000	EPIF I 31 December 2023 $'000	EPIF I 31 December 2022 $'000
Net (loss) / profit for the period	**(2,689)**	**4,521**	**(2,326)**	**2,966**
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss	–	–	–	–
Total comprehensive (loss) / profit for the period	**(2,689)**	**4,521**	**(2,326)**	**2,966**
Attributable to security holders of:				
- Elanor Property Income Fund II	(363)	1,555	–	–
- Elanor Property Income Fund I (Non-controlling interest)	(2,326)	2,966	(2,326)	2,966
Total comprehensive (loss) / profit for the period	**(2,689)**	**4,521**	**(2,326)**	**2,966**

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

ELANOR PROPERTY INCOME FUND

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	Consolidated Group 31 December 2023 $'000	Consolidated Group 30 June 2023 $'000	EPIF I 31 December 2023 $'000	EPIF I 30 June 2023 $'000
Current assets					
Cash and cash equivalents		1,451	958	1,377	815
Trade and other receivables		908	477	608	155
Prepayments		252	215	279	240
Derivative financial instruments		433	548	–	–
Distribution receivable		33	47	33	47
Financial assets at fair value through profit or loss	5	1,188	4,451	1,188	4,451
Total current assets		**4,265**	**6,696**	**3,485**	**5,708**
Non-current assets					
Investment property	4	106,800	110,200	106,800	110,200
Derivative financial instruments		–	186	–	–
Total non-current assets		**106,800**	**110,386**	**106,800**	**110,200**
Total assets		**111,065**	**117,082**	**110,285**	**115,908**
Current liabilities					
Trade and other payables		2,880	1,593	2,723	1,792
Rent received in advance		152	109	152	109
Distribution payable	3	310	340	310	–
Interest bearing liabilities		–	43,612	–	–
Non-Interest bearing cross staple loan		–	–	64,673	65,355
Total current liabilities		**3,342**	**45,654**	**67,858**	**67,256**
Non-current liabilities					
Interest bearing liabilities	6	44,329	–	–	–
Interest bearing cross staple loan		–	–	44,329	43,612
Total non-current liabilities		**44,329**	**–**	**44,329**	**43,612**
Total liabilities		**47,671**	**45,654**	**112,187**	**110,868**
Net assets		**63,394**	**71,429**	**(1,902)**	**5,040**
Equity					
Equity Holders of Parent Entity					
Contributed equity		87,814	88,572	30,185	32,890
Retained accumulated (losses)		(22,518)	(22,183)	(32,087)	(27,850)
Parent entity interest		**65,296**	**66,389**	**(1,902)**	**5,040**
Equity Holders of Non-Controlling Interest					
Contributed equity		30,185	32,890	–	–
Retained accumulated (losses)		(32,087)	(27,850)	–	–
Non-controlling interest		**(1,902)**	**5,040**	**–**	**–**
Total equity attributable to stapled security holders:					
- Elanor Property Income Fund II		65,296	66,389	–	–
- Elanor Property Income Fund I		(1,902)	5,040	(1,902)	5,040
Total equity attributable to stapled security holders		**63,394**	**71,429**	**(1,902)**	**5,040**

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

ELANOR PROPERTY INCOME FUND

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	Contributed equity $'000	Retained profits/ (accumulated losses) $'000	EPIF II Group Total Equity $'000	Non-controlling interest $'000	Total Equity $'000
Consolidated Group						
Balance as at 1 July 2023		88,572	(22,183)	66,389	5,040	71,429
Opening retained earning adjustment			28	28	(28)	–
Net loss for the period		–	(363)	(363)	(2,326)	(2,689)
Total comprehensive loss for the period		**–**	**(335)**	**(335)**	**(2,354)**	**(2,689)**
Transactions with securityholders in their capacity as securityholders:						
New shares issued		–	–	–	68	68
Equity transaction costs			–	–	(10)	(10)
Redemption and application		(758)	–	(758)	(2,763)	(3,521)
Distributions paid and payable	3	–	–	–	(1,883)	(1,883)
Total equity as at 31 December 2023		**87,814**	**(22,518)**	**65,296**	**(1,902)**	**63,394**

	Note	Contributed equity $'000	Retained profits/ (accumulated losses) $'000	Parent Entity Total Equity $'000	Non-controlling interest $'000	Total Equity $'000
Consolidated Group						
Balance as at 1 July 2022		89,691	23,576	113,267	38,189	151,456
Net profit for the period		–	1,555	1,555	2,966	4,521
Total comprehensive income / (expense) for the period		**–**	**1,555**	**1,555**	**2,966**	**4,521**
Transactions with securityholders in their capacity as securityholders:						
Security-based payments		–	–	–	(30,443)	(30,443)
Equity transaction costs		–	3	3	(1,954)	(1,951)
Distributions paid and payable	3	–	–	–	(723)	(723)
Special distribution	3	–	(45,666)	(45,666)	(310)	(45,976)
Total equity as at 31 December 2022		**89,691**	**(20,532)**	**69,159**	**7,725**	**76,884**

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

ELANOR PROPERTY INCOME FUND

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	Contributed equity $'000	Retained profits/ (accumulated losses) $'000	Total Equity $'000
Elanor Property Income Fund I				
Balance as at 1 July 2023		32,890	(27,850)	5,040
Opening retained earnings adjustment		–	(28)	(28)
Net loss for the period		–	(2,326)	(2,326)
Total comprehensive loss for the period		**–**	**(2,354)**	**(2,354)**
Transactions with securityholders in their capacity as securityholders:				
New shares issued		68	–	68
Redemption and application		(2,763)	–	(2,763)
Equity transaction costs		(10)	–	(10)
Distributions paid and payable	3	–	(1,883)	(1,883)
Total equity as at 31 December 2023		**30,185**	**(32,087)**	**(1,902)**

	Note	Contributed equity $'000	Retained profits/ (accumulated losses) $'000	Total Equity $'000
Elanor Property Income Fund I				
Balance as at 1 July 2022		65,581	(27,392)	38,189
Net profit for the period		–	2,966	2,966
Total comprehensive expense for the period		**–**	**2,966**	**2,966**
Transactions with securityholders in their capacity as securityholders:				
Security buy-back		(30,443)	–	(30,443)
Equity transaction costs			(1,954)	(1,954)
Distributions paid and payable	3	–	(723)	(723)
Special distribution	3	–	(310)	(310)
Total equity as at 31 December 2022		**35,138**	**(27,413)**	**7,725**

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

ELANOR PROPERTY INCOME FUND

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Consolidated Group 31 December 2023 $'000	Consolidated Group 31 December 2022 $'000	EPIF I Group 31 December 2023 $'000	EPIF I Group 31 December 2022 $'000
Cash flows from operating activities				
Rental and other property income received	5,460	10,728	5,453	10,667
Finance costs paid	(1,062)	(805)	(1,214)	(586)
Payments to suppliers and the Responsible Entity	(1,609)	(11,506)	(1,731)	(10,295)
Net cash flows from operating activities	**2,789**	**(1,583)**	**2,508**	**(214)**
Cash flows from investing activities				
Receipts from disposals of financial assets	293	–	293	–
Payments for additions to investment properties	(830)	(1,263)	(830)	(1,263)
Receipts from disposals of assets held for sale	–	88,894	–	88,011
Investment in financial assets	–	(7,819)	–	(1,819)
Net cash flows from investing activities	**(537)**	**79,812**	**(537)**	**84,929**
Cash flows from financing activities				
Proceeds from interest bearing liabilities [1]	717	–	–	–
Distributions paid	(1,870)	(5,005)	(1,537)	(343)
Distributions received	102	–	79	–
Payment from interest bearing - cross staple loan	–	–	–	(54,605)
Special distribution paid	–	(45,977)	–	(310)
Security buy-back	–	(30,443)	–	(30,443)
Redemption and application	(708)	–	50	–
Net cash flows from financing activities	**(1,759)**	**(81,425)**	**(1,408)**	**(85,701)**
Net increase / (decrease) in cash and cash equivalents	493	(3,196)	562	(986)
Cash and cash equivalents at the beginning of the period	958	5,396	815	2,878
Cash at the end of the period	**1,451**	**2,200**	**1,377**	**1,892**

(1) In July 23 EPIF sold its investment in Harris St worth of $2.7m to ENN to fund redemptions. These transactions were settled net and has no impact on cash flows of the fund.

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

About this Report

Elanor Property Income Fund (the Fund, Group or Consolidated Group) is a 'stapled' entity comprising of Elanor Property Income Fund I (formerly 'Elanor Retail Property Fund I') ('EPIF I') and its controlled entities, and Elanor Property Income Fund II (formerly Elanor Retail Property Fund II) ('EPIF II'). The units in EPIF I are stapled to units in EPIF II. The stapled securities cannot be traded or dealt with separately. EPIF I and EPIF II were registered as managed investment schemes on 13 October 2016.

For the purposes of the consolidated financial report, EPIF II has been deemed the parent entity of EPIF I in the stapled structure. The financial report of the Fund comprises the consolidated financial report of EPIF II and its controlled entities, including EPIF I and its controlled entities (EPIF 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 EPIF I Group.

The interim financial report is a general purpose report prepared in accordance with the *Corporations Act 2001*, the Fund's Constitutions and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Fund during the half year ended 31 December 2023 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial report.

Comparative figures have been restated where appropriate to ensure consistency of presentation throughout the financial report.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, and the adoption of new and amended standards as set out below.

New accounting standards and interpretations

(a) New and amended accounting standards and interpretations commencing 1 July 2023

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 that are applicable to the Fund.

(b) New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 and have not been adopted early in preparing these financial statements. None of these are expected to have a material effect on the financial statements to the Fund.

Basis of Consolidation

The consolidated financial report of the Fund incorporates the assets and liabilities of EPIF II (the Parent) and all of its subsidiaries, including EPIF I and its subsidiaries as at 31 December 2023. EPIF II is the parent entity in relation to the stapling. The results and equity of EPIF I (which is not directly owned by EPIF II) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of EPIF I are disclosed as a non-controlling interest, the stapled securityholders of EPIF I are the same as the stapled securityholders of EPIF II.

For the purpose of preparing the financial statements, the Fund is a for-profit entity. The financial report is presented in Australian Dollars. Comparative figures have been restated where appropriate to ensure consistency of presentation throughout the financial report.

About this report (continued)

Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

Critical accounting estimates and judgements

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.

In preparing the consolidated financial statements for the year ended 31 December 2023, 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.

Changing market conditions (high inflation pressure and expected further cash rate increases by the Reserve Bank of Australia) can result in continued elevated levels of uncertainty in the preparation of the financial statements. Where changing market conditions have heightened uncertainty in applying these accounting estimates and critical judgements for the period ended 31 December 2023, enhanced disclosures have been incorporated throughout the consolidated financial statements to enable users to understand the basis for the estimates and judgements utilised. The estimates or assumptions which are material to the financial statements are discussed in Note 4 – Investment Properties - assumptions underlying fair value.

About this report (continued)

The notes to the consolidated Financial Statements have been organised into the following sections:

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 properties in Australia.

2. Revenue

OVERVIEW

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

	Consolidated Group 31 December 2023 $'000	Consolidated Group 31 December 2022 $'000	EPIF I Group 31 December 2023 $'000	EPIF I Group 31 December 2022 $'000
Tweed Mall [1]	–	1,793	–	1,793
Manning Mall	2,012	2,017	2,012	2,017
Gladstone Square	1,293	1,294	1,293	1,294
Glenorchy Plaza	982	1,087	982	1,087
Northway Plaza	857	1,080	857	1,080
Total revenue from operating activities	**5,144**	**7,271**	**5,144**	**7,271**

(1) The rental income for Tweed Mall for the six months ended 31 December 2022 represents income up to 30 September 2022, when the sale of the asset was settled.

3. Distributions

OVERVIEW

In accordance with the Fund's Constitutions, the Fund determines distributions based on a number of factors, including forecast earnings and expected economic conditions.

The following distributions were declared and paid by the Consolidated Group during the period or post balance date:

Consolidated Group	Distribution 31 December 2023 cents per stapled security	Distribution 31 December 2022 cents per stapled security	Total amount 31 December 2023 $'000	Total amount 31 December 2022 $'000
Special distribution (declared before year end)	-	36.00	-	45,977
Monthly distributions paid and payable [1]	2.33	0.81	1,883	723
Total	**2.33**	**36.81**	**1,883**	**46,700**

(1) As EPIF distributes on a monthly basis, this represents the monthly distributions paid and payable for the 6-month period from 1 July 2023 to 31 December 2023.

EPIF I Group

The following distributions were declared and paid by the EPIF 1 during the period or post balance date:

	Distribution 31 December 2023 cents per stapled security	Distribution 31 December 2022 cents per stapled security	Total amount 31 December 2023 $'000	Total amount 31 December 2022 $'000
Special distribution (declared before year end)	-	0.24	–	310
Monthly distributions paid and payable [1]	2.33	0.81	1,883	723
Total	**2.33**	**1.05**	**1,883**	**1,033**

(1) As EPIF distributes on a monthly basis, this represents the monthly distributions paid and payable for the 6-month period from 1 July 2023 to 31 December 2023.

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.

4. 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 comprised 4 retail properties in Australia. A range of independent and internal valuations were performed for all properties as at 31 December 2023.

The property valuations were completed using detailed forecasts prepared by the Fund's asset management teams.

Refer to the 30 June 2023 Annual Financial Report for detailed accounting policies and the valuation techniques applied.

(a) Carrying values of investment properties

Property	Valuation	Consolidated Group 31 December 2023 $'000	Consolidated Group 30 June 2023 $'000	EPIF I 31 December 2023 $'000	EPIF I 30 June 2023 $'000
Manning Mall	Internal	38,000	38,000	38,000	38,000
Gladstone Square [1]	Independent	29,000	31,000	29,000	31,000
Glenorchy Plaza	Independent	20,600	21,400	20,600	21,400
Northway Plaza [1]	Independent	19,200	19,800	19,200	19,800
Total		**106,800**	**110,200**	**106,800**	**110,200**

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

(b) Movement in investment properties

	Consolidated Group 31 December 2023 $'000	Consolidated Group 30 June 2023 $'000	EPIF I Group 31 December 2023 $'000	EPIF I Group 30 June 2023 $'000
Opening Balance	110,200	106,200	110,200	106,200
Capital expenditure	830	3,363	830	3,363
Straight-lining of rental income	72	236	72	236
Amortisation	(276)	(384)	(276)	(384)
Net fair value adjustments	(4,026)	785	(4,026)	785
Total investment properties	**106,800**	**110,200**	**106,800**	**110,200**

4. Investment properties (continued)

(c) Fair value measurement

Highest and best use

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

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. 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.

Refer to the 30 June 2023 Annual Financial Report for detailed explanations of the significant unobservable inputs.

Valuation Techniques	Significant unobservable inputs	Range 31 December 2023	Range 30 June 2023	Weighted average 31 December 2023	Weighted average 30 June 2023
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	7.50% - 7.75%	7.25% - 7.50%	7.61%	7.29%
	Adopted terminal yield	7.50% - 7.75%	7.25% - 7.50%	7.55%	7.30%
	Net property income (per sqm)	$185 - $333	$174 - $313	$249	$245
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	7.25% - 7.50%	7.00% - 7.25%	7.30%	7.14%

The following sensitivity analysis has been prepared to illustrate the exposure of the fair value of the investment property balance at 31 December 2023 to changes in the key drivers most impacted by the current market uncertainty. Significant unobservable assumptions such as discount and capitalisation rates, and terminal yields may be impacted by market movement after 31 December 2023. While it is unlikely that the significant assumptions would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual assumption has on fair value.

Sensitivity Analysis

The key unobservable inputs to measure the fair value of investment properties are disclosed below.

	Fair value measurement sensitivity			
	Increase by 0.25% $'000	Decrease by 0.25% $'000	Increase by 0.25% %	Decrease by 0.25% %
Discount rate (%)	(1,879)	1,752	(1.78)	1.66
Terminal yield (%)	(1,958)	2,093	(1.85)	1.98
Capitalisation rate (%)	(3,706)	3,989	(3.49)	3.76

5. Financial assets at fair value through profit or loss

OVERVIEW

The Fund classifies the following financial assets at fair value through profit or loss (FVPL) for equity investments that are held for trading.

Financial assets measured at FVPL include the following:

	Consolidated Group 31 December 2023 $'000	Consolidated Group 30 June 2023 $'000	EPIF I Group 31 December 2023 $'000	EPIF I Group 30 June 2023 $'000
Investments in ECF	1,188	1,688	1,188	1,688
Investment in Harris Street Fund	–	2,763	–	2,763
Total financial assets at fair value through profit or loss	**1,188**	**4,451**	**1,188**	**4,451**

During the period, the Fund sold 365,799 units in the Elanor Commercial Property Fund (ASX: ECF) on market for total consideration of $292,639.

During the period, the Fund sold 3,798,490 units in the unlisted Harris Street Fund to Elanor Investors Group for total consideration of $2,745,075.

Finance Structure

This section provides further information on the Fund's debt structure.

6. Interest bearing liabilities

OVERVIEW

The Fund has access to a total of $50 million of debt facilities. The total drawn amount at 31 December 2023 was $44.3 million, with a weighted average debt facility maturity of 2.67 years and a weighted average interest rate of 5.82% p.a. at 31 December 2023. The interest rate risk of drawn facilities is hedged to 56%.

In December 2023, the Fund refinanced all existing debt facilities, extending the maturity date from 13 May 2024 to 31 August 2026.

The cross-staple loan (interest bearing) has a back-to-back arrangement to mirror the external hedged debt facilities of EPIF II.

	Consolidated Group 31 December 2023 $'000	Consolidated Group 30 June 2023 $'000	EPIF I Group 31 December 2023 $'000	EPIF I Group 30 June 2023 $'000
Bank loan - term debt	–	43,612	–	–
Cross-staple loan (non-interest portion)	–	–	64,673	65,355
Total current interest-bearing liabilities	**–**	**43,612**	**64,673**	**65,355**
Non-current				
Bank loan - term debt	44,329	–	–	–
Total non-current interest-bearing liabilities	**44,329**	**–**	**–**	**–**
Cross-staple loan (interest portion)	–	–	44,329	43,612
Total interest-bearing liabilities	**44,329**	**43,612**	**109,002**	**108,967**

Other Items

This section provides information that is not directly related to the specific line items in the financial statements, including information about contingent liabilities and events after the end of the reporting period.

7. 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 period.

(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:

- Ian Mackie (Appointed as Chair from 1 January 2024, appointed as Director from 25 August 2023)
- Paul Bedbrook (Resigned as Chair and Director on 31 December 2023)
- Glenn Willis (Managing Director and Chief Executive Officer of Elanor Investors Group)
- Nigel Ampherlaw
- Su Kiat Lim
- Anthony Fehon
- Karyn Baylis
- Victor Rodriguez (appointed on 7 July 2023)

7. Related parties (continued)

Key Management Personnel

In addition to the Directors, the following persons were Key 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.

Fees to the Responsible Entity or its related parties

Fees paid to Elanor Investors Group and its controlled entities:	**Consolidated Group 31 December 2023 $'000**	**Consolidated Group 31 December 2022 $'000**	**EPIF I 31 December 2023 $'000**	**EPIF I 31 December 2022 $'000**
Investment Management fees	367	541	367	529
Cost recoveries	322	–	285	–
Syndication fee	–	279	–	279
Underwriting fee	–	971	–	971
Other	31	629	31	629
Total	**720**	**2,420**	**683**	**2,408**
Outstanding balances arising from Fees paid to Elanor Investors Group and its controlled entities:				
Accounts payable	855	13	779	–
Total	**855**	**13**	**779**	**–**

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 and cost recoveries.

7. Related parties (continued)

Related party holdings

Directors and other Key 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 Directors and other Key Management Personnel are as follows:

	31 December 2023 No. of fully paid units	31 December 2022 No. of fully paid units
Investment held by Elanor Investment Trust	19,058,730	22,026,082
Investment held by Directors and Other Management Personnel	1,484,981	756,568
Total	**20,543,711**	**22,782,650**

Cross-Staple Loan

On 1 July 2022, as part of the internal funding structure on listing of the Fund, ERF I (EPIF I at the reporting date) entered into a 10-year loan with ERF II, which included an interest and non-interest bearing portion. As at 31 December 2023, the outstanding loan balance payable to EPIF II was $109.0 million ($109.0 million as at 30 June 2023), of which $64.0 million has been classified as current, representing the non-interesting bearing portion held at call. EPIF I has provided a letter of support to EPIF II as of 31 December 2023 that the current portion of the loan will not be recalled within the next 13 months. Refer note 6 for split between interest bearing and non-interest bearing portion.

Disposal of investments in related parties

During the period, the Fund disposed 365,799 units in the Elanor Commercial Property Fund (ASX: ECF) on market for total consideration of $292,639. As ECF is managed by the same fund manager as EPIF, Elanor Asset Services Pty Limited, it is considered to be a related party.

During the period, the Fund sold 3,798,490 units in the unlisted Harris Street Fund to Elanor Investors Group for total consideration of $2,745,075.

Refer to note 5 Financial assets for a summary of the investments held at fair value through Profit and loss.

During the period the Fund earned the following investment income from these related party investments:

	Consolidated Group 31 December 2023 $'000	Consolidated Group 31 December 2022 $'000	EPIF I 31 December 2023 $'000	EPIF I 31 December 2022 $'000
Investment income earned from ECF	65	45	65	45
Investment income earned from Harris Street Fund	23	75	23	75
Total	**88**	**120**	**88**	**120**

8. 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 31 December 2023 (30 June 2023: nil).

(b) Commitments

The Fund had $nil capital commitments (30 June 2023: $0.3 million) in respect of capital expenditures contracted as of 31 December 2023.

9. Subsequent events

On 29 January 2024 the Responsible Entity communicated to Fund investors that as a result of the prevailing market conditions and the volume of redemption requests received from investors, that a strategic review of the Fund is in progress, to consider if the Fund will be able to achieve its investment objectives within the foreseeable future. The strategic review will consider a range of options to maximise value for Fund investors. These options may include consideration of an orderly winding up of the Fund incorporating the realisation of the Fund’s assets and returning of capital to investors as the assets are realised. The commencement of the strategic review did not impact the Fund’s financial position at balance date. The Responsible Entity has suspended the Fund’s redemption facility and distribution reinvestment plan and will not accept applications for new units in the Fund until further notice, pending the outcome of the strategic review.

Other than the event disclosed above, the Directors of the Responsible Entity are not aware of any other matters since the end of the period that has or may significantly affect the operations of the Fund, the result of those operations, or the state of the Fund's affairs in future financial periods that are not otherwise referred to in this Directors' Report.

ELANOR PROPERTY INCOME FUND

DIRECTORS' DECLARATION TO STAPLED SECURITYHOLDERS

In accordance with a resolution of the Directors of Elanor Funds Management Limited, the Responsible Entity for Elanor Property Income Fund I and Elanor Property Income Fund II, we declare that in the opinion of the Directors:

a) the financial statements and notes set out on pages 8 to 26 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 EPIF I Group's financial position as at 31 December 2023 and of its performance, for the half year ended 31 December 2023; and

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

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

Glenn Willis
CEO and Managing Director

Sydney
21 February 2024

Independent auditor's review report to the stapled security holders of Elanor Property Income Fund

Report on the interim financial reports

Conclusion

We have reviewed the interim financial reports of:

- Elanor Property Income Fund, comprising the stapling of units in Elanor Property Income Fund I and units in Elanor Property Income Fund II and the entities they controlled during the period (together the Group),
- Elanor Property Income Fund I and the entities it controlled during the period (EPIF I Group).

The interim financial reports for the Group and EPIF I Group comprise the consolidated statements of financial position as at 31 December 2023, the consolidated statements of comprehensive income, consolidated statements of profit or loss, consolidated statements of changes in equity and consolidated statements of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial reports of the Group and EPIF I Group do not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's and EPIF I Group's financial position as at 31 December 2023 and of their performance for the half-year ended on that date

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group and EPIF 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the interim financial reports

The directors of Elanor Funds Management Limited, the Responsible Entity of Elanor Property Income Fund I and Elanor Property Income Fund II are responsible for the preparation of the interim 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 of the Responsible Entity determines is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial reports

Our responsibility is to express a conclusion on the interim financial reports based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's and EPIF 1 Group financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

CJ Cummins
Partner

Sydney
21 February 2024