Elanor PROPERTY INCOME FUND

Annual Financial Report

For the year ended 30 June 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 consolidated financial report of Elanor Property Income Fund (EPIF, Group, Consolidated Group or Fund) and the consolidated financial report of the Elanor Property Income Fund I for the year ended 30 June 2023.

The annual 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 annual financial report of the EPIF I Group comprises Elanor Property Income Fund I and its controlled entities.

On the 4th of November 2022, Elanor Retail Property Fund (ERF) was delisted from the ASX and was renamed Elanor Property Income Fund (EPIF). Post de-listing, the Fund is an unlisted stapled group comprising two trusts which own real estate assets, listed property securities, liquid investments and cash for the benefit of Securityholders in proportion to their investment in the Fund. EPIF I (formerly 'Elanor Retail Property Fund I') and EPIF II (formerly 'Elanor Retail Property Fund II') were registered as managed investment schemes on 13 October 2016. This annual financial report has been prepared on a continuous basis as these legal Fund entities have not changed.

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 year and up to the date of this report:

- Paul Bedbrook (Chairman)
- Glenn Willis (Managing Director and Chief Executive Officer of Elanor Investors Group)
- Nigel Ampherlaw
- Anthony Fehon
- Su Kiat Lim
- Karyn Baylis
- Victor Rodriguez (appointed 7 July 2023)

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 in respect of the year ended 30 June 2023

The following table details the Consolidated Group's distributions that were declared and paid before the reporting date for the year ended 30 June 2023 or declared after the reporting date in respect of the year ended 30 June 2023:

Consolidated Group	Distribution Cents per stapled security	30 June 2023 $'000
Monthly distributions paid and payable	3.01	2,560
June distributions payable	0.40	340
Special Distribution	36.00	45,976
Total distributions paid or payable	**39.41**	**48,876**

4. Operating and financial review

OVERVIEW AND STRATEGY

The Elanor Property Income Fund is an open-ended fund with property investments held directly, and indirectly via ASX-listed and unlisted property funds.

The Fund's objective is to provide reliable monthly income and the potential for capital growth by investing in a diversified portfolio of quality properties in Australia and New Zealand. The Fund's strategies are to:

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

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

- A combined valuation of $110.2 million;
- Occupancy of 94.5%;
- 44% of its income from major retailers and 56% from specialty retailers; and
- 30% of revenue generated by supermarket tenants, 56% from specialty stores and 14% from discount department stores (DDS).

During the year from 1 July 2022 to 30 June 2023, the Fund executed the following key initiatives and achieved the following results:

- Statutory profit for the year ended 30 June 2023 was $4.7 million compared to $3.5 million in the prior year. The increase is primarily due to higher one-off transaction costs occurred in FY22 relating to the proposed privatisation and delisting of ERF.
- Funds from Operations (FFO) for the period of $5.9 million or 6.97 cents per stapled security;
- Monthly distributions of $2.9 million or 3.41 cents per security since delisting and inception of EPIF;
- On 6 October 2022, Tweed Mall was sold for $87.0 million with the net proceeds distributed to ERF Securityholders by way of a special distribution of $0.36 per security. The special distribution amounting to $45.98 million was paid on 24 October 2022.

4. Operating and financial review (continued)

INVESTMENT PORTFOLIO

The valuation of the Fund's portfolio of investment properties at 30 June 2023 was $110.2 million.

The $4.0 million in the residual investment portfolio valuation reflects capital expenditure of $3.3 million during the year and from tighter capitalisation rates adopted in the independent and internal valuations of the Fund's assets. The result reflects the strength of the Fund's tenancy profile and investor demand for comparable assets.

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

Property	Location	Type	Carrying Value 30 June 2023 $'m	Carrying Value 30 June 2022 $'m
Manning Mall	Taree, NSW	Sub-regional shopping centre	38.0	36.7
Gladstone Square	Gladstone, QLD	Neighbourhood shopping centre	31.0	30.5
Glenorchy Plaza	Glenorchy, TAS	Sub-regional shopping centre	21.4	19.8
Northway Plaza	Bundaberg, QLD	Neighbourhood shopping centre	19.8	19.2
Total Investment Properties			**110.2**	**106.2**
Tweed Mall	Tweed Heads, NSW	Sub-regional shopping centre	–	87.0
Total Investment Properties			**110.2**	**193.2**

FINANCIAL RESULTS

The Fund recorded a statutory profit after tax of $4.7 million for the year ended 30 June 2023 (30 June 2022: profit after tax of $3.5 million).

Funds from Operations (FFO) were $5.9 million or 5.91 cents per weighted average security. 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 30 June 2023 has Net Assets of $71.4 million, and cash on hand of $1.0 million. The Fund also has $2.4 million in undrawn debt facilities.

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

Key financial results	Consolidated Group 30 June 2023
Net statutory profit	4,709
Funds from Operations (FFO) ($'000)	5,938
FFO per stapled security (cents)	6.97
FFO per weighted average stapled security (cents)	5.91
Distributions paid and payable to securityholders ($'000)	48,876
Distributions (cents per stapled security)	39.41
Net tangible assets ($ per stapled security)	0.84
Gearing (%)	37.6%

4. Operating and financial review

FINANCIAL RESULTS (CONTINUED)

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

Funds from Operations (FFO)	Consolidated Group 30 June 2023 $'000
Statutory net profit	**4,709**
Adjustments for items included in statutory profit:	
Straight-lining of rental income[2]	(218)
Fair value adjustments on investment property	(785)
Net fair value movement on derivative financial instruments	65
Net fair value movement on financial assets at fair value through profit or loss	1,452
Net accounting gain on sale/ disposal on investment property	(1,787)
Amortisation expense[3]	687
Transaction cost[4]	1,180
Other	635
Funds from Operations (FFO)[1]	**5,938**

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.

4. Operating and financial review (continued)

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Elanor, as the Manager of a portfolio of properties across Australia, recognises the impact that climate change is having on the environment and the importance of its contribution to climate change mitigation initiatives.

As part of Elanor's commitment to sustainability and responsible business practices it continues to progress disclosure on monitoring, measuring and reporting of climate related risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and in anticipation of an Australian equivalent of the recently released International Sustainability Standards.

Set out below is an outline of the measures undertaken on climate change initiatives in line with the TCFD framework covering governance, strategy, risk management and targets and metrics.

Governance

The Board takes responsibility for overseeing the sustainability strategy and policies, which includes managing climate change risks. Our ESG Committee plays a pivotal role in assessing and overseeing the implementation of impactful ESG initiatives throughout the Group, with a particular focus on sustainability matters, including climate-related risks and opportunities.

Chaired by Elanor's CEO, the ESG Committee ensures the Fund identifies, assesses, and manages material risks, including those related to climate change and sustainability, following Elanor's Risk Management Framework.

Strategy

The Manager has identified short, medium and long-term goals against 5 key areas of focus in the environmental space, including energy and carbon management, ecological impacts, water management, waste impacts, climate change vulnerability. Currently, EPIF's portfolio-wide energy and water usage data capture, carbon emission measurement are our priorities of focus.

Risk management

To ensure that climate risks are managed in a coordinated manner, sustainability and climate related risks are integrated into Elanor's Risk Management Framework and Risk Appetite Statement along with broader ESG, business-related and marco-economic matters. The Elanor Board and ESG Committee are responsible for monitoring and managing climate-related risk.

This year, to ensure that we address climate-related issues more effectively, the Manager have integrated a climate change risk analysis process into our due diligence procedures for all new asset acquisitions. This process includes scenario analysis to identify and assess climate-related risks and opportunities.

In the coming year, the Manager will extend this analysis to cover Elanor's entire portfolio, evaluating climate-related risks and opportunities thoroughly from both a physical risk and transition risk perspective.

Metrics and targets

In the last year, the Manager has collected energy usage data and scope 1 and 2 carbon emissions for all EPIF assets for financial years 2022 and 2023. This data will help establish energy consumption and carbon emissions targets for the Fund's portfolio.

4. Operating and financial review (continued)

The Manager is evaluating the impact of its business operations on the environment and exploring ways to minimise its carbon footprint. These efforts include:

- Energy efficiency improvements across the portfolio
- On-site renewable energy generation
- Power purchase agreements for renewable energy

By adhering to the TCFD recommendations and enhancing EPIF's focus on climate-related risks and opportunities. The Manager aims to foster sustainable and responsible business practices that benefit both EPIF stakeholders and the environment.

Elanor Investors Group's ESG report, scheduled to be available later in 2023, will provide comprehensive details on energy and carbon management initiatives, achievements and future plans across its managed fund portfolio.

SUMMARY AND OUTLOOK

Following delisting of the Fund on 4 November 2022, the Fund became the Elanor Property Income Fund ("EPIF"), an open-ended, unlisted, multi sector reliable income real estate fund. The Fund's core strategy will remain 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.

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 economic conditions. Potential capital value movements are related to higher return hurdles for real estate investments as interest rates rise, driven by volatility and uncertainty in respect of short- and long-term interest rates.

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. While general market uncertainty may impact the availability of capital for acquisition opportunities, demand for quality assets is expected to remain positive.

These risks to the Fund are mitigated through the hedging of the interest rates (currently the Fund debt is 57% hedged) and active management of the Fund's portfolio. Regular and active 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 year is set out below:

	Consolidated Group 30 June 2023	Consolidated Group 30 June 2022	EPIF I 30 June 2023	ERPF I 30 June 2022
Stapled securities on issue at the beginning of the year	127,712,725	128,729,755	127,712,725	127,712,725
Stapled securities issued during the year	32,014	–	32,014	-
Stapled securities acquired through security buy-back scheme	(38,535,189)	–	(38,535,189)	-
Stapled securities redeemed during the year	(4,067,270)	–	(4,067,271)	-
Stapled securities on issue at the end of the year	**85,142,280**	**128,729,755**	**85,142,279**	**127,712,725**

6. Directors

Name	Particulars
Paul Bedbrook	Independent Non-Executive Chairman Paul was appointed as a Director of both Elanor Investors Limited and Elanor Funds Management Limited (also the Responsible Entity of EPIF) 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 was previously the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies, and was a non-executive director of Great Southern Bank. Paul is currently a non-executive director of the National Blood Authority. Former listed directorships in the last three years: Nil Interest in stapled securities: Nil 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: Nil Interest in stapled securities: 469,411 Qualifications: B.Bus (Econ & Fin)

6. Directors (continued)

Name	**Particulars**
Nigel Ampherlaw	Independent Non-Executive Director Nigel was appointed as a Director of both the Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of EPIF) 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 is the chairman and independent Non-Executive Director of Great Southern Bank. Former listed directorships in the last three years: Nil Interest in stapled securities: 109,630 Qualifications: B.Com, FCA, MAICD
Anthony (Tony) Fehon	Independent Non-Executive Director Tony was appointed as a Director of both the Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of EPIF) 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 a director of Elanor Hotel Accommodation Limited and Elanor Hotel Accommodation II Limited, enlighten Australia Pty Limited, BaaS Technology Limited, and numerous small companies. He was previously 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. Former listed directorships in the last three years: Nil Interest in stapled securities: 60,000 Qualifications: B. Com, FCA

6. Directors (continued)

Name	Particulars
Su Kiat Lim	Non-Executive Director Su Kiat was appointed as a Director of both Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of EPIF) in October 2021. Su Kiat is currently CEO of Firmus Capital Pte Ltd, a Singapore based private equity real estate investment management firm founded in 2017. Su Kiat has been in the property industry for over 20 years with extensive direct real investment experience, executing strategies across direct real estate portfolios in Asia Pacific including Australia. In 2011 Su Kiat co-founded Rockworth Capital Partners, with direct real estate AUM of circa $1bn by 2017. Prior to that, Su Kiat held key roles in investments management and investment origination at Frasers Commercial Trust and ALLCO REIT. Su Kiat started his career in real estate as a Consultant in Retail Economics at Urbis. Su Kiat is a non-executive Director of Aspen Group Holdings Ltd a diversified group listed on the SGX. Former listed directorships in the last three years: Nil Interest in stapled securities: Nil Qualifications: B.Bus, PhD (Econ)
Karyn Baylis	Independent Non-Executive Director Karyn was appointed a Director of both the Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of EPIF) in November 2021. Karyn has led a distinguished business career in Australia and internationally, having held a range of senior management and C-suite executive roles in multinational businesses including at Optus, Insurance Australia Group and Senior Vice President The Americas at Qantas Airways. In 2009 she was appointed CEO of Jawun and spent 12 years working with some of the leading indigenous reform voices in the country along with outstanding organisations. She retired from Jawun in January 2022. Karyn has received a number of awards, notably a Member in the General Division of the Order of Australia (AM) for significant service to the Indigenous community in the 2018 Queen's Birthday Honours and The Australian Financial Review and Westpac 100 Women of Influence Award in Diversity in 2015. Karyn is also a current member of Chief Executive Women (CEW) and Australian Institute of Company Directors (AICD). Previous Board positions include CARE Australia, Cure Cancer, Grocon Holdings Pty Ltd and NRMA Financial Management and Life Nominees. Former listed directorships in the last three years: Nil Interest in stapled securities: Nil

Victor Rodriguez (appointed on 7 July 2023)	Non-Executive Director Victor was appointed a Director of both Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of EPIF) on 7 July 2023. Victor is currently Chief Executive, Funds Management of Challenger Limited (ASX:CFG) (Challenger), having been appointed to that role in August 2022, following five years as Head of Fixed Income within the Challenger Investment Management business. Victor has over 30 years' investment management experience. Prior to joining Challenger, Victor was head of Asia Pacific Fixed Income at Aberdeen Asset Management based in Singapore between 2014 to 2017. There he led a team of more than 30 investment professionals across the region. He was also a Regional Director overseeing the wider Aberdeen business. Prior to relocating to Singapore, Victor led Aberdeen's Australian Fixed Income business. Victor also held various roles over 13 years at Credit Suisse Asset Management in Australia, including Deputy Head of Fixed Income for three years up to 2009. Former listed directorships in the last three years: None Interest in stapled securities: Nil

7. Directors' relevant interests

	Stapled securities at the date of this report
Paul Bedbrook	–
Glenn Willis	469,411
Nigel Ampherlaw	109,630
Anthony (Tony) Fehon	60,000
Su Kiat Lim	–
Karyn Baylis	–
Victor Rodriguez	–

Other than as disclosed in Note 15 of the financial statements, no contracts exist where a director is entitled to a benefit.

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

	Board (Responsible Entity)		Audit & Risk Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Paul Bedbrook	9	9	3	3
Glenn Willis	9	9	-	-
Nigel Ampherlaw	9	9	3	3
Anthony (Tony) Fehon	9	9	3	3
Su Kiat Lim	9	9	-	-
Karyn Baylis	9	9	-	-

10. Company Secretary

Symon Simmons held the position of Company Secretary of the Responsible Entity during the year. Symon is the Chief Financial Officer of the Group, and holds a Bachelor of Economics with majors in Economics and Accounting, and 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 Responsibility Entity (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred in their capacity as Directors and officers of the Company to the extent permitted by the *Corporations Act 2001*. 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 Company or of any related body corporate against a liability incurred in their capacity as an officer.

The Fund indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Fund of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

12. Environmental regulation

To the best of their knowledge and belief after making due enquiry, the Directors have determined that the Group 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

Other than the privatisation, 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*, is included on the page following the Directors' Report.

15. Non audit services

There were no non-audit services provided during the year (2022: nil).

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.

At the date of this report and to the best of the Directors' knowledge and belief, other than matters disclosed under Note 18. Events occurring after reporting date, 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

As at 30 June 2023, the Fund has a net current asset deficiency of $39.0 million and net assets of $71.4 million.

The net current asset deficiency is attributable to total debt facilities of $43.6 million maturing on 31 May 2024. Subsequent to balance date, the Fund has executed a credit approved term sheet for the extension of the debt facilities, with a maturity date of 31 August 2026.

Accordingly, as of the date of this report, the Directors believe the Fund will be able to continue to successfully meet its covenant obligations and to refinance its facilities to ensure the Fund's ability to realise its assets and discharge its liabilities in the ordinary course of business.

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

18. Events occurring after reporting date

Subsequent to balance date, the Fund has executed a credit approved term sheet for the extension of the debt facilities, with a maturity date of 31 August 2026.

The Directors of the Responsible Entity are not aware of any other matter 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.

19. Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2022/519*, 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 22 August 2023.

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.

Paul Bedbrook
Chairman

Glenn Willis
CEO and Managing Director

Sydney, 22 August 2023

Auditor's Independence Declaration

As lead auditor for the audit of Elanor Property Income Fund II and Elanor Property Income Fund I for the year ended 30 June 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 audit; and

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

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

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
22 August 2023

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ELANOR PROPERTY INCOME FUND

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Income					
Rental income	2	12,175	16,151	12,175	16,151
Outgoings reimbursements		1,060	2,080	1,060	2,080
Net fair value gain of investment properties	6	785	1,771	785	1,771
Net accounting gain on investment properties		1,787	–	1,787	–
Net fair value gain of derivatives		–	933	–	2
Provision for expected credit loss		–	–	220	–
Distribution income		259	–	259	–
Other income		156	365	–	365
Total income		**16,222**	**21,300**	**16,286**	**20,369**
Expenses					
Rates, taxes and other outgoings		4,657	6,111	4,652	6,111
Borrowing costs		1,653	948	3,516	6,237
Other expenses		1,329	3,284	1,217	1,381
Investment management fees	15	904	1,397	888	1,322
Net fair value loss of derivatives		65	–	–	–
Transaction and establishment costs		1,180	5,735	1,177	5,459
Provision for expected credit loss		273	297	–	109
Net fair value loss on financial assets at fair value through profit or loss		1,452	–	1,452	–
Total expenses		**11,513**	**17,772**	**12,902**	**20,619**
Net (loss) / profit for the period		**4,709**	**3,528**	**3,384**	**(250)**
Attributable to security holders of:					
- Elanor Property Income Fund II		1,325	3,778	–	–
- Elanor Property Income Fund I (Non-controlling interest)		3,384	(250)	3,384	(250)
Net profit / (loss) attributable to security holders for the period		**4,709**	**3,528**	**3,384**	**(250)**
Basic earnings / (loss) per stapled security (cents)	4	5.53	2.76	3.97	(0.20)
Diluted earnings / (loss) per stapled security (cents)	4	5.53	2.76	3.97	(0.20)

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 YEAR ENDED 30 JUNE 2023

	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I 30 June 2023 $'000	ERPF I 30 June 2022 $'000
Net profit / (loss) for the period	**4,709**	**3,528**	**3,384**	**(250)**
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss				
Profit on revaluation of cash flow hedge	–	120	–	–
Other comprehensive income for the period	**–**	**120**	**–**	**–**
Total comprehensive profit / (loss) for the period	**4,709**	**4,709**	**3,384**	**3,384**
Attributable to security holders of:				
- Elanor Property Income Fund II	1,325	3,778	–	–
- Elanor Property Income Fund I (Non-controlling interest)	3,384	(250)	3,384	(250)
Total comprehensive profit / (loss) for the period	**4,709**	**3,528**	**3,384**	**(250)**

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 30 JUNE 2023

	Note	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I 30 June 2023 $'000	ERPF I 30 June 2022 $'000
Current assets					
Cash and cash equivalents		958	5,396	815	2,878
Trade and other receivables	9	477	1,323	155	232
Prepayments		215	15	240	15
Other current assets		–	38	–	–
Derivative financial instruments	12	548	931	–	–
Distribution receivable		47	–	47	–
Assets classified as held for sale		–	90,536	–	90,536
Financial assets at fair value through profit or loss	7	4,451	–	4,451	–
Total current assets		**6,696**	**98,239**	**5,708**	**93,661**
Non-current assets					
Trade and other receivables	9	–	100	–	–
Investment property	6	110,200	106,200	110,200	106,200
Derivative financial instruments	12	186	–	–	–
Total non-current assets		**110,386**	**106,300**	**110,200**	**106,200**
Total assets		**117,082**	**204,539**	**115,908**	**199,861**
Current liabilities					
Trade and other payables	10	1,593	3,456	1,792	2,944
Rent received in advance		109	–	109	–
Distribution payable	3	340	4,694	–	–
Liabilities associated with asset classified as held for sale	8	–	3,244	–	3,244
Interest bearing liabilities	11	43,612	–	–	–
Non-Interest bearing cross staple loan	11	–	–	65,355	–
Total current liabilities		**45,654**	**11,394**	**67,256**	**6,188**
Non-current liabilities					
Interest bearing liabilities	11	–	41,689	–	–
Interest bearing cross staple loan	11	–	–	43,612	155,484
Total non-current liabilities		**–**	**41,689**	**43,612**	**155,484**
Total liabilities		**45,654**	**53,083**	**110,868**	**161,672**
Net assets		**71,429**	**151,456**	**5,040**	**38,189**
Equity					
Equity Holders of Parent Entity					
Contributed equity		88,572	89,691	32,890	65,581
Retained accumulated (losses) / profits		(22,183)	23,576	(27,850)	(27,392)
Parent entity interest		**66,389**	**113,267**	**5,040**	**38,189**
Equity Holders of Non-Controlling Interest					
Contributed equity		32,890	65,581	–	–
Retained accumulated (losses) / profits		(27,850)	(27,392)	–	–
Non-controlling interest		**5,040**	**38,189**	**–**	**–**
Total equity attributable to stapled security holders:					
- Elanor Property Income Fund II		66,389	113,267	–	–
- Elanor Property Income Fund I		5,040	38,189	5,040	38,189
Total equity attributable to stapled security holders		**71,429**	**151,456**	**5,040**	**38,189**

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 YEAR ENDED 30 JUNE 2023

	Note	Contributed equity $'000	Cash flow Hedge Reserve $'000	Security Based Payment Reserve $'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 2022		89,691	–	–	23,576	113,267	38,189	151,456
Net profit for the period		–	–	–	1,325	1,325	3,384	4,709
Total comprehensive income for the period		**–**	**–**	**–**	**1,325**	**1,325**	**3,384**	**4,709**
Transactions with securityholders in their capacity as securityholders:								
Security buy back		–	–	–	-	–	(30,443)	(30,443)
New shares		8	–	–	–	8	18	26
Equity transaction costs					–	–	(2,050)	(2,050)
Redemption and application		(1,127)	–	–	–	(1,127)	(2,266)	(3,393)
Distributions paid and payable	3	–	–	–	(1,417)	(1,417)	(1,483)	(2,900)
Special distribution		–	–	–	(45,666)	(45,666)	(310)	(45,976)
Total equity as at 30 June 2023		**88,572**	**–**	**–**	**(22,183)**	**66,389**	**5,040**	**71,429**

	Note	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 interest $'000	Total Equity $'000
Consolidated Group								
Balance as at 1 July 2021		89,691	(120)	–	24,491	114,062	42,286	156,348
Net profit for the period		–	–	–	3,778	3,778	(250)	3,528
Other comprehensive income / (expense) for the period		–	120	–	–	–	120	–
Total comprehensive income / (expense) for the period		**–**	**120**	–	**3,778**	**3,778**	**3,898**	**(250)**
Transactions with securityholders in their capacity as securityholders:								
Distributions paid and payable		–	–	–	(4,694)	(4,694)	(3,847)	(8,541)
Total equity as at 30 June 2022		**89,691**	**–**	**–**	**23,576**	**113,267**	**38,189**	**151,456**

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 YEAR ENDED 30 JUNE 2023

	Note	Contributed equity $'000	Cash flow Hedge Reserve $'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		–	–	3,384	3,384
Total comprehensive income for the period		**–**	**–**	**3,384**	**3,384**
Transactions with securityholders in their capacity as securityholders:					
Security buy-back		(30,443)	–	–	(30,443)
New shares		18	–	–	18
Redemption and application		(2,266)	–	–	(2,266)
Equity transaction costs		–	–	(2,049)	(2,049)
Distributions paid and payable	3	–	–	(1,483)	(1,483)
Special distribution		–	–	(310)	(310)
Total equity as at 30 June 2023		**32,890**	**–**	**(27,850)**	**5,040**

	Note	Contributed equity $'000	Cash flow Hedge Reserve $'000	Retained profits/ (accumulated losses) $'000	Total Equity $'000
Elanor Property Income Fund I					
Balance as at 1 July 2021		65,581	–	(23,295)	42,286
Net loss for the period		–	–	(250)	(250)
Total comprehensive expense for the period		**–**	**–**	**(250)**	**(250)**
Transactions with securityholders in their capacity as securityholders:					
Distributions paid and payable	3	–	–	(3,847)	(3,847)
Total equity as at 30 June 2022		**65,581**	**–**	**(27,392)**	**38,189**

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 YEAR ENDED 30 JUNE 2023

	Note	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Cash flows from operating activities					
Rental and other property income received		15,257	15,624	14,948	17,083
Finance costs paid		(1,576)	(977)	(3,925)	(6,230)
Payments to suppliers and the Responsible Entity		(10,093)	(8,744)	(8,829)	(7,623)
Net cash flows from operating activities	5(a)	**3,588**	**5,903**	**2,194**	**3,230**
Cash flows from investing activities					
Payments for additions to investment properties		(4,000)	(4,544)	(4,000)	(4,544)
Transfer to assets held for sale		–	(3,085)	–	(3,085)
Receipts from disposals of assets held for sale		87,000	37,507	87,000	28,000
Investment in financial assets		(7,819)	–	(7,819)	–
Net cash flows from investing activities		**75,181**	**29,878**	**75,181**	**20,488**
Cash flows from financing activities					
Proceeds from interest bearing liabilities	5(b)	1,912	–	–	–
Repayments of interest bearing liabilities and borrowing costs	5(b)	–	(25,000)	–	(5,000)
Distributions paid		(7,222)	(24,098)	(1,483)	(7,208)
Payment from interest bearing - cross staple loan	5(b)	–	–	(46,517)	(12,909)
Special distribution paid		(45,976)	–	(310)	–
Security buy-back		(30,443)	–	(30,443)	–
Redemption and application		(1,477)	–	(685)	–
Net cash flows from financing activities		**(83,207)**	**(49,098)**	**(79,438)**	**(25,117)**
Net decrease in cash and cash equivalents		(4,438)	(13,317)	(2,063)	(1,399)
Cash and cash equivalents at the beginning of the period		5,396	18,713	2,878	4,277
Cash at the end of the period		**958**	**5,396**	**815**	**2,878**

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

About this Report

As of 4 November 2022, Elanor Retail Property Fund (ERF) was delisted from the ASX and was renamed Elanor Property Income Fund (EPIF).

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.

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').

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

The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year, and the adoption of new and amended standards as set out below.

New accounting standards and interpretations

(a) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(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.

About this report (continued)

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 as at 30 June 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.

This consolidated financial report also includes a separate column representing the financial report of EPIF I, incorporating the assets and liabilities of EPIF I as at 30 June 2023.

For the purpose of preparing the financial statements, the Fund is a for-profit entity. The financial report is presented in Australian Dollars.

Going concern

As at 30 June 2023, the Fund has a net current asset deficiency of $39.0 million and net assets of $71.4 million.

The net current asset deficiency is attributable to total debt facilities of $43.6 million maturing on 31 May 2024. Subsequent to balance date, the Fund has executed a credit approved term sheet for the extension of the debt facilities, with a maturity date of 31 August 2026.

Accordingly, as of the date of this report, the Directors believe the Fund will be able to continue to successfully meet its covenant obligations and to refinance its facilities to ensure the Fund's ability to realise its assets and discharge its liabilities in the ordinary course of business.

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties, investment properties within the equity accounted investments, derivative financial instruments, and other financial assets or liabilities which are stated at their fair value.

Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2022/519*, amounts in the financial statements have been rounded to the nearest thousand dollars, 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.

In preparing the consolidated financial statements for the year ended 30 June 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.

The changing market conditions (high inflation pressure and the cash rate increases by the Reserve Bank of Australia) result in a higher than usual degree of uncertainty associated with the preparation of the financial statements.

About this report (continued)

Enhanced disclosures have been incorporated throughout the consolidated financial statements to enable users to understand the basis for the estimates and judgments utilised. The estimates or assumptions which are material to the financial statements are discussed in the following notes:

- Investment Properties - assumptions underlying fair value - Note 6
- Derivative financial instruments - assumptions underlying fair value – Note 12

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 operates in one business segment, being the investment directly and indirectly in real estate assets in Australia and New Zealand.

The table below provides a reconciliation from statutory net profit to Funds from Operations for the Consolidated Group.

Funds from Operations (FFO)	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000
Statutory net profit	**4,709**	**3,528**
Adjustments for items included in statutory profit:		
Straight-lining of rental income[2]	(218)	(134)
Fair value adjustments on investment property	(785)	(1,771)
Net fair value movement on derivative financial instruments	65	(933)
Net fair value movement on financial assets at fair value through profit or loss	1,452	-
Net account gain on sale/ disposal on investment property	(1,787)	-
Amortisation expense[3]	687	847
Transaction cost[4]	1,180	5,735
Other	635	1,684
Funds from Operations (FFO)[1]	**5,938**	**8,956**

[1] Funds from Operations (FFO) has been determined in accordance with the Property Council Guidelines and adjusted for amortisation of borrowing cost and contribution from manager 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 and contribution from manager, gains/losses on sale of investment properties, straight-line rental adjustments, non-FFO tax expenses/benefits and other unrealised one-off items. This includes the group's proportional ownership of 19 Harris Street's FFO, which is held as an equity accounted investment.

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

[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.

[4] Transaction costs primarily relate to acquisition, underwriting and professional fees relating to the privatisation of ERF.

2. Revenue

OVERVIEW

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

	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Tweed Mall	1,792	6,553	1,792	6,553
Manning Mall	4,005	3,375	4,005	3,375
Gladstone Square	2,597	2,439	2,597	2,439
Glenorchy Plaza	2,087	1,904	2,087	1,904
Northway Plaza	1,694	1,536	1,694	1,536
Moranbah Fair	-	344	-	344
Total revenue from operating activities	**12,175**	**16,151**	**12,175**	**16,151**

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.

Rental abatements

Where a rental abatement is granted retrospectively on uncollected past due rent, the abatement is expensed as an impairment of trade receivables. Where an agreement on past due receivables has not been reached by 30 June 2023, an estimate of the expected abatement on the outstanding balance is made and incorporated into the expected credit loss calculation.

Rental abatements or other lease modification accompanied by extensions of lease terms or other changes in lease scope, are accounted for as a lease modification. The abated portion will be capitalised as a lease incentive and amortised on a straight-line basis over the remaining life of the lease.

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 noncancellable 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.

3. Distributions

OVERVIEW

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

Distributions during the year

Consolidated Group

The following distributions were declared by the Consolidated Group during the year or post balance date:

Consolidated Group	Distribution FY23 stapled security	Distribution FY22 stapled security	Total amount FY23 $'000	Total amount FY22 $'000
Interim distribution (declared before year end)	-	3.01	-	3,847
Special distribution (declared before year end)	36.00	-	45,976	-
Final distribution (declared after year end)	-	3.65	-	4,694
Monthly distributions paid and payable	3.41	-	2,900	-
Total	**39.41**	**6.66**	**48,876**	**8,541**

EPIF I Group

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

	Distribution FY23 stapled security	Distribution FY22 stapled security	Total amount FY23 $'000	Total amount FY22 $'000
Interim distribution (declared before year end)		3.01		3,847
Monthly distributions paid and payable	1.74	-	1,483.00	–
Special distribution (declared before year end)	36.00	-	310.00	–
Total distribution relating to the year ended 30 June 2023	**37.74**	**3.01**	**1,793.00**	**3,847**

ACCOUNTING POLICY

Distributions are recognised as a liability when declared or at the record date (if earlier). Distributions paid and payable are recognised as distributions within equity. Distributions paid are included in cash flows from financing activities in the consolidated statement of cash flows.

4. Earnings per stapled security

OVERVIEW

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

Diluted earnings per stapled security is calculated as profit or loss attributable to securityholders adjusted for any profit or loss recognised in the year 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 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
The earnings / (losses) per stapled security measures shown below is based upon the profit / (loss) attributable to securityholders:				
Basic earnings per stapled security (cents)	5.53	2.76	3.97	(0.20)
Diluted earnings per stapled security (cents)	5.53	2.76	3.97	(0.20)
Profit/ (Loss) attributable to securityholders used in calculating basic and diluted earnings per stapled security ($'000)	4,709	3,528	3,384	(250)
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	100,431,823	127,712,725	100,431,823	127,712,725
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security	100,431,823	127,712,725	100,431,823	127,712,725

5. Cash flow information

OVERVIEW

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

(a) Reconciliation of profit after income tax to net cash flows from operating activities

	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Profit / (Loss) for the period	**4,709**	**3,528**	**3,384**	**(250)**
Amortisation	687	847	687	847
Other non cash items	(126)	456	(9)	489
Straight-lining of rental income and rental guarantee	(218)	(134)	(218)	(134)
Fair value adjustment on revaluation of investment property	(1,787)	(1,771)	(1,787)	(1,771)
Fair value adjustment on revaluation of derivative	65	(933)	–	(2)
Fair value adjustment on financial assets at fair value through profit or loss	1,452	–	1,452	–
Net cash provided by operating activities before changes in working capital	**4,782**	**1,994**	**3,509**	**(821)**
Movement in working capital:				
Decrease in trade and other receivables	884	247	77	16
Decrease (Increase) in prepayments	(200)	369	(226)	365
Decrease/ (Increase) in other current assets	(78)	1,165	(78)	974
Increase (Decrease) in trade and other payables	(1,909)	2,692	(1,197)	3,259
Increase (Decrease) in amounts received in advance	109	(563)	109	(563)
Net cash from operating activities	**3,588**	**5,903**	**2,194**	**3,230**

5. Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

Consolidated Group

	30 June 2022 $'000	*Cash flows* Debt drawdowns/ (paydowns) $'000	*Non-cash items* Amortisation of borrowing costs $'000	30 June 2023 $'000
Interest bearing loans	41,689	1,912	11	43,612
Total liabilities from financing activities	**41,689**	**1,912**	**11**	**43,612**

	30 June 2021 $'000	*Cash flows* Debt drawdowns/ (paydowns) $'000	*Non-cash items* Amortisation of borrowing costs $'000	30 June 2022 $'000
Interest bearing loans	66,669	(25,000)	20	41,689
Total liabilities from financing activities	**66,669**	**(25,000)**	**20**	**41,689**

EPIF I

	30 June 2022 $'000	*Cash flows* Debt drawdowns/ (paydowns) $'000	*Non-cash items* Accumulated interest $'000	30 June 2023 $'000
Interest bearing loans	155,484	(46,517)	–	108,967
Total liabilities from financing activities	**155,484**	**(46,517)**	**–**	**108,967**

	30 June 2021 $'000	*Cash flows* Debt drawdowns/ (paydowns) $'000	*Non-cash items* Accumulated interest $'000	30 June 2022 $'000
Interest bearing loans	4,997	(5,000)	3	–
Cross-staple loan / (receivable)	168,393	(12,909)	–	155,484
Total liabilities from financing activities	**173,390**	**(17,909)**	**3**	**155,484**

ACCOUNTING POLICY

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash balances and bank overdrafts.

Operating Assets and Liabilities

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

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 comprised of four retail shopping centres in Australia. A mix of independent and internal valuations were performed as at 30 June 2023.

(a) Carrying values of investment properties

Property	Valuation	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I 30 June 2023 $'000	ERPF I 30 June 2022 $'000
Manning Mall	Independent	38,000	36,700	38,000	36,700
Gladstone Square	Internal	31,000	30,500	31,000	30,500
Glenorchy Plaza	Internal	21,400	19,800	21,400	19,800
Northway Plaza	Internal	19,800	19,200	19,800	19,200
Total		**110,200**	**106,200**	**110,200**	**106,200**

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

(b) Movement in investment properties

	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Opening Balance	106,200	187,000	106,200	187,000
Capital expenditure	3,363	5,132	3,363	5,132
Straightlining of rental income	236	134	236	134
Amortisation	(384)	(837)	(384)	(837)
Net fair value adjustments	785	1,771	785	1,771
Reclassification to Assets transfer held for sale	–	(87,000)	–	(87,000)
Total investment properties	**110,200**	**106,200**	**110,200**	**106,200**

Highest and best use

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

6. Investment properties (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 FY23	Range FY22	Weighted average FY23	Weighted average FY22
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]	7.25% - 7.50%	7.25% - 7.5%	7.29%	7.30%
	Adopted terminal yield[2]	7.25% - 7.5%	7.25% - 7.5%	7.30%	7.30%
	Net property income (per sqm)[3]	$174 - $313	$174 - $305	$245	$234
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]	7.00% - 7.25%	7.00% - 7.25%	7.14%	7.05%

[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.

[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.

[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.

[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.

ACCOUNTING POLICY

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 asset. 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.

6. Investment properties (continued)

Valuation process

In reaching estimates of fair value, management judgment needs to be exercised. 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. 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. Both valuations are considered to determine the final 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.

Valuation technique

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 the 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 based on market evidence.

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

6. Investment properties (continued)

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
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 improve net property income resulting in higher cash flow forecasts. The increased forecasted cash flow increases the fair value of the property.

	Fair value measurement sensitivity			
	Increase by 0.25% $'000	Decrease by 0.25% $'000	Increase by 0.25% %	Decrease by 0.25% %
Discount rate (%)	(930)	1,019	(0.85)	0.93
Terminal yield (%)	(2,123)	2,257	(1.91)	2.03
Capitalisation rate (%)	(3,546)	3,806	(3.27)	3.51

7. 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 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Investments in ECF	1,688	–	1,688	–
Investment in Harris Street Fund	2,763	–	2,763	–
Total financial assets at fair value through profit or loss	**4,451**	**–**	**4,451**	**–**

ACCOUNTING POLICY

Initial measurement

At initial recognition, the Fund measure a financial asset at its fair value including transaction costs.

Classification

The Fund classifies its financial assets in the following measurement categories:

- Those to be measured at fair value through profit or loss (either through other comprehensive income or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

7. Financial assets at fair value through profit or loss (continued)

The fair value of the investment in ECF is classified as level 1 fair value in the fair value hierarchy as the fair value is determined by reference to published quotations in an active market. The fair value of the investment in Harris Street is classified as level 3 fair value in the fair value hierarchy due to the inclusion of unobservable market data as the fair value is determined on the Fund's reported net asset value.

8. Assets and disposal group held for sale

OVERVIEW

On 24 June 2022, the Board of the Responsible Entity announced the intention to provide ERF securityholders with a liquidity event through the privatisation and delisting of ERF. This proposal includes the sale of Tweed Mall through a syndication into a new unlisted single asset fund, the Tweed Mall Fund, to be managed by Elanor Investors Group. The Tweed Mall transaction includes the disposal of the Tweed Mall unit trust including the investment property and the working capital, assets and liabilities. As such, the Tweed Mall assets and liabilities were classified as a disposal group held for sale as at 30 June 2022. No gain or loss was recognised as result of this classification change.

Assets and disposal groups held for sale	30 June 2023 $'000	30 June 2022 $'000
Cash and cash equivalents	–	3,085
Investment properties	–	87,000
Other current assets	–	451
Total assets classified as held for sale	**–**	**90,536**
Payables	–	3,244
Total liabilities associated with assets classified as held for sale	**–**	**3,244**

ACCOUNTING POLICY

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell at the time of the reclassification. The fair value of the investment property was determined using the fair value measurement techniques as set out in note 6 and categorised as level 3 in the fair value hierarchy.

9. Trade and other receivables

OVERVIEW

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

	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Current				
Trade receivables	395	246	38	218
Other receivables	82	1,077	117	14
Total current	**477**	**1,323**	**155**	**232**
Non-current				
Other receivables	–	100	–	–
Total non-current	**–**	**100**	**–**	**–**
Total trade and other receivables	**477**	**1,423**	**155**	**232**

9. Trade and other receivables (continued)

Other current and non-current receivables relate mainly to the expected retention amount from sale of Auburn Central Property of which $9.6 million has been recovered by the end of the current financial year.

ACCOUNTING POLICY

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade and other receivables are initially recognised at the amount of consideration that is unconditional, unless they contain a significant financing component, when they are recognised at fair value. The Fund holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method, less loss allowance.

10. Trade and other payables

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 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Trade creditors	295	527	354	561
Accrued expenses	1,197	2,875	678	2,323
GST payable	55	54	57	60
Intercompany creditors	–	–	658	–
Total payables	**1,547**	**3,456**	**1,747**	**2,944**

ACCOUNTING POLICY

Trade and other 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. Trade and other payables are recognised at amortised cost and normal commercial terms and conditions apply to payables.

Finance and Capital Structure

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

11. Interest bearing liabilities

OVERVIEW

The Fund has access to a total of $48.3 million of debt facilities. The total drawn amount at 30 June 2023 is $43.6 million. The weighted average cost of debt is 4.5% p.a., and the weighted average debt facility maturity at year-end is 0.87 years. At 30 June 2023, the interest rate risk of drawn facilities is hedged to 57%. The fair value of the debt facilities is $43.9 million.

	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Bank loan - term debt	43,612	–	–	–
Cross-staple loan (non-interest portion)	–	–	65,355	–
Total current interest-bearing liabilities	**43,612**	**–**	**65,355**	**–**
Non-current				
Bank loan - term debt	–	41,699	–	–
Bank loan - borrowing costs less amortisation	–	(10)	–	–
Cross-staple loan	–	–	–	155,484
Total non-current interest-bearing liabilities	**–**	**41,689**	**–**	**155,484**
Cross-staple loan (interest portion)	–	–	43,612	–
Total interest-bearing liabilities	**43,612**	**41,689**	**108,967**	**155,484**

During the year, the Fund has complied with all debt covenant as required by its loan agreement.

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 where the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

12. 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 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	ERPF I Group 30 June 2022 $'000
Current assets				
Interest rate swaps	548	931	–	–
Non-current assets				
Interest rate swaps	186	–	–	–
Current liabilities				
Interest rate swaps	–	–	–	–
Non-current liabilities				
Interest rate swaps	–	–	–	–
Total derivative financial instruments	**734**	**931**	**–**	**–**

(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 interest rate swap hedges interest rate risk on the Fund's debt facilities.

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.

(b) Hedging

Instruments used by the Group

Interest rate swaps are currently in place to hedge 57% (2022: 100%) of the variable loan principal outstanding. The fixed interest rates of the swap is 2.5% (2022: 0.41%), which is below the 90-day bank bill rate, which was at the end of the reporting period 3.73% (2022: 1.03%).

The swaps contracts require settlement of net interest receivable or payable every 90 days. The settlements dates coincide with the dates on which interest is payable on the underlying debt.

As result any fair value movement of the interest rate swaps are recognised in the profit and loss.

12. Derivative financial instruments (continued)

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.

13. Contributed equity

OVERVIEW

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

(a) Parent entity

	No. of securities 30 June 2023	No. of securities 30 June 2022
Opening balance	127,712,725	127,712,725
New shares	32,014	-
Security buy back	(38,535,189)	-
Redemption and application Q3 2023	(4,067,271)	-
Total contributed equity	**85,142,279**	**127,712,725**

(b) EPIF I Group

	No. of securities 30 June 2023	No. of securities 30 June 2022
Opening balance	127,712,725	127,712,725
New shares	32,014	-
Security buy back	(38,535,189)	-
Redemption and application Q3 2023	(4,067,271)	-
Total contributed equity	**85,142,279**	**127,712,725**

[1] During the year, Tweed Mall was sold for $87.0 million with the net proceeds distributed to EPIF securityholders by way of a special distribution of $0.36 per security. The special distribution amounting to $45.9 million was paid on 24 October 2022.

14. Financial Risk Management

OVERVIEW

The Fund's principal financial instruments comprise cash, trade and other 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.

14. 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:

14. Financial Risk Management (continued)

(b) Interest rate risk (continued)

Consolidated Group 30 June 2023	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	958	–	–	958
Derivative financial instruments	548	186	–	734
Total assets	**1,506**	**186**	**–**	**1,692**
Weighted average interest rate				**1.23%**
Liabilities				
Interest bearing loans	44,489	–	–	44,489
Total liabilities	**44,489**	**–**	**–**	**44,489**
Weighted average interest rate				**4.50%**

Consolidated Group 30 June 2022	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	5,396	–	–	5,396
Derivative financial instruments	–	931	–	931
Total assets	**5,396**	**931**	**–**	**6,327**
Weighted average interest rate				**0.62%**
Liabilities				
Interest bearing loans	755	42,356	–	43,111
Total liabilities	**755**	**42,356**	**–**	**43,111**
Weighted average interest rate				**2.43%**

14. Financial Risk Management (continued)

(b) Interest rate risk (continued)

EPIF I 30 June 2023	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	815	–	–	815
Total assets	**815**	**–**	**–**	**815**
Liabilities				
Interest bearing cross-staple loan	1,912	7,650	50,819	60,381
Total liabilities	**67,267**	**-**	**50,819**	**125,736**
Weighted average interest rate				**4.50%**

EPIF I 30 June 2022	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	2,878	–	–	2,878
Total assets	**2,878**	**–**	**–**	**2,878**
Liabilities				
Interest bearing cross-staple loan	5,955	175,519	–	181,474
Total liabilities	**5,955**	**175,519**	**–**	**181,474**
Weighted average interest rate				**3.83%**

14. Financial Risk Management (continued)

(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 Group 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	**Amount**	**Profit/ (loss)**	**Equity**	**Profit/ (loss)**	**Equity**
30 June 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	958	10	-	(10)	-
Derivative financial instruments	734	250	-	(250)	-
Interest bearing loans	43,612	(306)	-	306	-
Total increase / (decrease)		**(46)**	**–**	**46**	**–**

		Increase by 1%		Decrease by 1%	
Consolidated Group	**Amount**	**Profit/ (loss)**	**Equity**	**Profit/ (loss)**	**Equity**
30 June 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	5,396	54	-	(54)	-
Derivative financial instruments	931	417	-	(417)	-
Interest bearing loans	41,689	(417)	-	417	-
Total increase / (decrease)		**54**	**–**	**(54)**	**–**

Of the $43.6 million floating interest-bearing loan, 57% of this amount was hedged using interest rate swap agreements. These agreements are in place to swap the floating interest rate payable to a fixed rate to minimise the interest rate risk.

		Increase by 1%		Decrease by 1%	
EPIF I	**Amount**	**Profit/ (loss)**	**Equity**	**Profit/ (loss)**	**Equity**
30 June 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	815	8	-	(8)	-
Interest bearing cross-staple loan	43,612	(306)	-	306	-
Total increase / (decrease)		**(298)**	**–**	**298**	**–**

		Increase by 1%		Decrease by 1%	
EPIF I	**Amount**	**Profit/ (loss)**	**Equity**	**Profit/ (loss)**	**Equity**
30 June 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	2,878	29	-	(29)	-
Interest bearing loans	155,484	(1,734)	-	1,734	-
Total increase / (decrease)		**(1,705)**	**–**	**1,705**	**–**

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

14. Financial Risk Management (continued)

(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.

The group applied the AASB9 *Financial Instruments* simplified approach using the provision matrix for measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance. The ECL calculation is based on assumptions about risk of default and expected loss rates. The group has considered the following in assessing the expected credit loss: ageing of the debtor's balances, tenant payment history assessment of the tenant's financial position, existing market conditions and forward-looking estimates.

At balance date, the Fund has recognised a provision for expected credit losses of $1.1 million. 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 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I 30 June 2023 $'000	ERPF I 30 June 2022 $'000
Cash and cash equivalents	958	5,396	815	2,878
Trade and other receivables	477	1,423	155	232
Total	**1,435**	**6,819**	**970**	**3,110**

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 Note 17.

14. Financial Risk Management (continued)

(d) Credit risk (continued)

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.

Impairment losses

The ageing profile of the trade and other receivables balance as at 30 June 2023 is as follows:

	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I 30 June 2023 $'000	ERPF I 30 June 2022 $'000
Current	155	89	155	89
Past due 31-61 days	8	117	8	117
Past due 61+ days	497	851	30	294
Total	**660**	**1,057**	**193**	**500**
Current	884	1,077	5	14
Non-current	–	100	–	–
Total aged Trade and other receivables	**1,544**	**2,234**	**198**	**514**
Provision for expected credit losses	(1,067)	(811)	(43)	(282)
Net trade and other receivables	**477**	**1,423**	**155**	**232**

(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 securityholders and to maintain an optimal capital structure. The capital structure of the Fund consists of equity as listed in Note 13.

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

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

14. Financial Risk Management (continued)

(f) Liquidity risk (continued)

Consolidated Group 30 June 2023	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
Derivatives	(548)	(186)	–	–	–	(734)
Non derivative financial liabilities						
Payables	1,593	–	–	–	–	1,593
Distribution payable	340	–	–	–	–	340
Interest bearing loans	43,612	–	–	–	–	43,612
Total	**44,997**	**(186)**	**–**	**–**	**–**	**44,811**

Consolidated Group 30 June 2022	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
Derivatives	(931)	–	–	–	–	(931)
Non derivative financial liabilities						
Payables	3,456	–	–	–	–	3,456
Distribution payable	4,694	–	–	–	–	4,693
Interest bearing loans	–	41,689		–	–	41,689
Total	**7,219**	**41,689**	**–**	**–**	**–**	**48,907**

EPIF I 30 June 2023	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
Non derivative financial liabilities						
Payables	1,792	–	–	–	–	1,792
Non-Interest bearing cross-staple loan	65,355	–	–	43,612	–	108,967
Total	**67,147**	**–**	**–**	**43,612**	**–**	**110,759**

ERPF I 30 June 2022	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
Non derivative financial liabilities						
Payables	2,944	–	–	–	–	2,944
Interest bearing loans	–	–	155,484	–	–	155,484
Total	**2,944**	**–**	**155,484**	**–**	**–**	**158,428**

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 year, remuneration of auditors and changes in accounting policies and disclosures.

15. 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
- Anthony Fehon
- Su Kiat Lim
- Karyn Baylis

15. 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

During the year, 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.

Fees paid to Elanor Investors Group and its controlled entities:	Consolidated Group 30 June 2023 $	Consolidated Group 30 June 2022 $	EPIF I 30 June 2023 $	ERPF I 30 June 2022 $
Investment Management fees	904	1,397	888	1,322
Syndication fee	279	1,836	279	1,836
Underwriting fee	971	1,727	971	1,727
Transaction cost	300		300	
Total investment management fees	2,454	4,960	2,438	4,886
Other	706	583	706	526
Total	**3,160**	**5,543**	**3,144**	**5,411**

Outstanding balances arising from Fees paid to Elanor Investors Group and its controlled entities:				
Accounts payable	–	–	–	–

15. 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:

	30 June 2023 No. of fully paid units
Investment held by Elanor Investment Trust	18,918,877
Investment held by Directors and Other Management Personnel	734,916
Total	**19,653,794**

	30 June 2022 No. of fully paid units
Investment held by Elanor Investment Trust	23,026,082
Investment held by Directors and Other Management Personnel	797,391
Total	**23,823,473**

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 non-interest-bearing loan with ERF II. As at 30 June 2023, the outstanding loan balance payable to EPIF II was $109 million ($155.5 million as at 30 June 2022).

Investments in related parties

During the year, the Fund acquired 1,928,628 units in the Elanor Commercial Property Fund (ASX: ECF) on market. As ECF is managed by the same fund manager as EPIF, Elanor Asset Services Pty Limited, it is considered to be a related party.

On 16 December 2022, EPIF acquired 5,714,286 units in the unlisted Harris Street Fund from Elanor Investors Group on an arms-length basis. As EPIF is managed by Elanor Asset Services Pty Limited (a wholly owned subsidiary of the Elanor Investors Group), this is a related party transaction. As part of the transaction, EPIF also entered into a put option agreement with the Elanor Investors Group with regards to its holding in the Harris Street Fund, such that EPIF has the option to put the Harris Street Fund units back to Elanor Investors Group with a 30 days' notice based on the market value of the Harris Street units at the time the put option will be exercised. On 1 May 2023, EPIF executed the put option and put back 1,915,796 units to Elanor Investors Group. As at 30 June 2023, EPIF has 3,798,490 units in the unlisted Harris Street Fund.

Refer to note 7 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 30 June 2023 $	Consolidated Group 30 June 2022 $	EPIF I 30 June 2023 $	ERPF I 30 June 2022 $
Investment income earned from ECF	136	–	136	–
Investment income earned from Harris Street Fund	123	–	123	–
Total	**259**	**–**	**259**	**–**

16. Non-cancellable operating lease receivables

OVERVIEW

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

	Consolidated Group 30 June 2023 $'000	Consolidated Group 30 June 2022 $'000	EPIF I Group 30 June 2023 $'000	EPIF I Group 30 June 2022 $'000
Within 1 year	8,657	11,217	8,657	11,217
Between 1 and 2 years	6,758	9,373	6,758	9,373
Between 2 and 3 years	4,646	7,435	4,646	7,435
Between 3 and 4 years	3,377	5,144	3,377	5,144
Between 4 and 5 years	2,400	4,613	2,400	4,613
Later than 5 years	9,554	17,071	9,554	17,071
Total	**35,392**	**54,853**	**35,392**	**54,853**

17. 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 2023 (30 June 2022: nil).

(b) Commitments

The Fund had $0.3 million of capital commitments (30 June 2022: nil) in respect of capital expenditures contracted as of 30 June 2023.

18. Parent entity

OVERVIEW

The financial information below on Elanor Property Income Fund's parent entity, EPIF II, as a stand-alone entity has been provided in accordance with the requirements of the *Corporations Act 2001*.

(a) Summarised financial information

Financial Position	EPIF II 30 June 2023 $'000	ERPF II 30 June 2022 $'000
Current assets	66,131	159,126
Non - current assets	43,883	-
Total Assets	**110,014**	**159,126**
Current liabilities	-	5,097
Non - current liabilities	43,602	40,760
Total Liabilities	**43,602**	**45,856**
Contributed equity	89,982	91,101
Reserves	(1,412)	(1,411)
Retained profits / (accumulated losses)	(22,158)	23,579
Total Equity	**66,412**	**113,270**
Financial performance		
Profit / (loss) for the period	1,325	3,778
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**1,325**	**3,778**

(b) Commitments

EPIF II had no commitments as at 30 June 2023 (2022: none) in relation to capital expenditure contracted for but not recognised as liabilities.

(c) Guarantees provided

EPIF II had no outstanding guarantees as at 30 June 2023 (2022: none).

(d) Contingent liabilities

EPIF II had no contingent liabilities as at 30 June 2023 (2022: none).

ACCOUNTING POLICY

With the exception of consolidation, the financial information of the parent entities of Elanor Property Income Fund has been prepared on the same basis as the consolidated financial statements.

19. Auditor's remuneration

OVERVIEW

PricewaterhouseCoopers are the independent auditors of the Fund and have provided audit and other assurance related services as well as other non-assurance related services to the Group and the Trust during the year.

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

	Consolidated Group 30 June 2023 $	Consolidated Group 30 June 2022 $
Audit services		
Audit and review of financial reports	150,000	165,000
Total services provided by PwC	**150,000**	**165,000**

20. Subsequent events

Subsequent to balance date, the Fund has executed a credit approved term sheet for the extension of the debt facilities, with a maturity date of 31 August 2026.

Other, than the events disclosed above, the Directors of Responsible Entity are not aware of any other matter since the end of the year 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.

21. 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 securityholders are presently entitled to the income of the Fund.

ELANOR PROPERTY INCOME FUND

DIRECTORS' DECLARATION TO STAPLED SECURITYHOLDERS

In accordance with a resolution of the Directors of Elanor Funds Management Limited, the Trustee 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 15 to 53 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 30 June 2023 and of its performance, for the year ended 30 June 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; and

c) the financial statements also 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 Boards of Directors in accordance with Section 295(5) of the *Corporations Act 2001* (Cth).

Glenn Willis
CEO and Managing Director

Sydney
22 August 2023

Independent auditor's report

To the stapled securityholders of Elanor Property Income Fund

Our opinion

In our opinion:

The accompanying financial reports of Elanor Property Income Fund and its controlled entities (the Group) and Elanor Property Income Fund I and its controlled entities (EPIF I Group) are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's and EPIF I Group's financial position as at 30 June 2023 and of their financial performance for the year then ended

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

What we have audited

The Group and EPIF I Group financial reports comprise:

- the consolidated statements of financial position as at 30 June 2023
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of profit or loss for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration to stapled securityholders.

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

Independence

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 our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of Elanor Funds Management Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial reports and our auditor's report thereon.

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

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports 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.

Responsibilities of the directors of the Responsible Entity for the financial reports

The directors of the Responsible Entity are responsible for the preparation of the financial reports that give 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 financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors of the Responsible Entity are responsible for assessing the ability of the Consolidated Group and EPIF I Group 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 of the Responsible Entity either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are 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 the financial reports.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
22 August 2023