

Appendix 4D

Half year report for the period ended 31 December 2017

Name of entity	Elanor Retail Property Fund (ERF), a stapled entity comprising Elanor Funds Management Limited as Responsible Entity of Elanor Retail Property Fund I (ERPF I), and Elanor Funds Management Limited as Responsible Entity of Elanor Retail Property Fund II (ERPF II).
ARSN	Elanor Retail Property Fund I 615 291 220
ARSN	Elanor Retail Property Fund II 615 291 284
ABN	Elanor Funds Management Limited 39 125 903 031
Reporting period	Six month period ended 31 December 2017
Previous corresponding period	Six month period ended 31 December 2016

This Half Year Report is given to the ASX in accordance with Listing Rule 4.2A. The Report should be read in conjunction with the attached Interim Financial Report for the half year ended 31 December 2017.

Results for announcement to the market

Financial Performance

A \$'000

Revenue from ordinary activities	Up 215.7% to	21,016
Profit/(loss) from ordinary activities attributable to security holders	Up \$23.1m to	12,535
Net profit/(loss) for the period attributable to security holders	Up \$23.1m to	12,535
Core Earnings ¹	Up \$5.1m to	6,980

Distribution

Current Period	Amount per unit	Tax Deferred
Interim Distribution ²	5.15 cents	36%
Previous Corresponding Period:		
Interim Distribution	1.40 cents	100%

Record date for determining entitlement to the Interim Distribution	29 December 2017
Date the Interim Distribution is payable:	2 March 2018
The components of the Interim Distribution comprise:	Trust Distribution: 5.15 cents

Further information on tax components of the distribution will be provided to security holders with their half yearly distribution statement for the period ending 31 December 2017.

Net Tangible Assets

Current Period	Current Period
Net tangible asset backing per security	\$1.47

Notes:

- Core Earnings represents the Directors view of underlying earnings from ongoing operating activities for the period, being net profit/(loss) after tax, adjusting for one-off realised items (being formation or other transaction costs that occur infrequently or are outside the course of ongoing business activities), non-cash items (being fair value movements, lease straight-lining and amortisation), determined in accordance with ASIC RG230.
- The Interim Distribution is based on a payout ratio of 95% of Core Earnings.

Control Gained over Entities during the Period

Name of entity (or group of entities) over which control was gained:	<ul style="list-style-type: none"> • Gladstone Square Property Trust • Moranbah Fair Property Trust
Date control was gained	<ul style="list-style-type: none"> • Gladstone Square Property Trust – 31 July 2017 • Moranbah Fair Property Trust – 8 September 2017

Control Lost over Entities during the Period.

None.

Details of any associates and Joint Venture entities required to be disclosed:

None.

Accounting standards used by foreign entities

International Financial Reporting Standards.

Audit

The accounts have been subject to a review, with an unqualified conclusion. Refer attached Interim Financial Report.

Distribution Reinvestment Plan (DRP)

There is no DRP in operation for the interim distribution for the half year ended 31 December 2017.

For all other information required by Appendix 4D, please refer to the following documents:

- Directors' Report
- Interim Financial Report



Interim Financial Report

For the half year ended
31 December 2017

Elanor Retail Property Fund

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

Level 38, 259 George Street,
Sydney NSW 2000
GPO Box 1511,
Sydney NSW 2001
elanorinvestors.com/ERF

ELANOR RETAIL PROPERTY FUND

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ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT

Directors' Report

The Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II, present their interim report together with the consolidated interim financial report of Elanor Retail Property Fund (Group, Consolidated Group or Fund) and the consolidated interim financial report of the Elanor Retail Property Fund I (ERPF I Group) for the half year ended 31 December 2017 (period).

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

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

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

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

1. Directors

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

- Paul Bedbrook (Chair)
- Glenn Willis (Managing Director and Chief Executive Officer)
- Nigel Ampherlaw
- William (Bill) Moss AO

2. Principal activities

The principal activities of the Fund are the investment in Australian retail properties, with the focus predominantly on quality, high yielding neighbourhood and sub-regional shopping centres.

3. Distributions

Distributions relating to the half year ended 31 December 2017 comprise:

Distributions	Half Year Ended 31 December 2017
Interim Distribution	
Amount payable (cents per stapled security)	5.15
Payment Date	2 March 2018

A provision for the Interim Distribution has not been recognised in the financial statements for the period as the distribution had not been declared at the reporting date.

ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT

4. Operating and financial review

OVERVIEW AND STRATEGY

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

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

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

INVESTMENT PORTFOLIO

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

Property	Location	Type	Carrying Value \$'m
Auburn Central Shopping Centre	Auburn, NSW	Sub-regional shopping centre	82.0
Auburn Central Podium ¹	Auburn, NSW	Sub-regional shopping centre	12.4
Tweed Mall	Tweed Heads, NSW	Sub-regional shopping centre	87.0
Manning Mall	Taree, NSW	Sub-regional shopping centre	43.4
Gladstone Square	Gladstone, QLD	Sub-regional shopping centre	31.6
Glenorchy Plaza	Glenorchy, TAS	Sub-regional shopping centre	19.8
Northway Plaza	Bundaberg, QLD	Neighbourhood shopping centre	16.5
Total investment portfolio			292.7

Note 1: The Auburn Central podium asset comprises 19 podium strata lots. The Group commenced disposal of these non-core strata lots in August 2017. As at 31 December 2017, 10 strata lots have been sold for total net proceeds of \$9.2 million.

On 19 January 2018, the Group completed the acquisition of the Moranbah Fair Shopping Centre at a purchase price of \$25.0 million. As a result, the Group's investment portfolio increased to \$317.7 million.

Moranbah Fair is located within the regional township of Moranbah, Queensland, anchored by a strong performing 3,921 square metre Coles supermarket leased to 2028 with further renewal options.

The acquisition of Moranbah Fair has improved the Group's geographic diversification, Portfolio weighted average lease expiry and occupancy.

The acquisition of Moranbah Fair is consistent with the Group's strategy of achieving accretive growth through the acquisition of high investment quality neighbourhood and sub-regional shopping centres with a significant component of non-discretionary retailers.

ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT

4. Operating and financial review (continued)

FINANCIAL RESULTS

The Group recorded a statutory profit of \$12.5 million for the half year ended 31 December 2017.

Core Earnings for the half year were \$7.0 million or 5.42 cents per stapled security. Core Earnings is considered more relevant than statutory profit as it represents an estimate of the underlying recurring cash earnings of the Fund, and has been determined in accordance with ASIC Regulatory Guide 230.

A summary of the Group and ERPFI Group's results for the half year to 31 December 2017 is set out below:

	Consolidated ERPFI Group	
	31 December 2017	31 December 2017
Key financial results		
Net profit / (loss) (\$'000)	12,535	1,815
Core Earnings (\$'000)	6,980	3,981
Distributions payable to security holders (\$'000)	6,631	3,782
Core Earnings per stapled security (cents)	5.42	3.09
Core Earnings per weighted average stapled security (cents)	5.42	3.09
Distributions (cents per stapled security)	5.15	2.94
Net tangible assets (\$ per stapled security)	1.47	0.57
Gearing (net debt / total assets less cash) (%)	34.76%	31.84%

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

	Consolidated Group ERPFI Group	
	31 December 2017	31 December 2017
	\$'000	\$'000
Statutory net profit / (loss)	12,535	1,815
Adjustments for items included in statutory profit / (loss):		
Fair value adjustments on investment property	(6,125)	1,861
Straight lining of rental income	(101)	(71)
Amortisation expense	671	376
Core Earnings¹	6,980	3,981

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

ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT

4. Operating and financial review (continued)

SUMMARY AND OUTLOOK

The Fund's core strategy will remain focussed on actively managing and growing earnings from its investment portfolio, and acquiring additional high investment quality retail properties.

Risks to the Fund in the coming year primarily comprise potential earnings variability associated with general economic and market conditions, including retailer demand, domestic retail spending, the availability of capital for acquisition opportunities, any movement in property valuations and possible weather related events. The Fund manages these risks through its active asset management approach across its investment portfolio, continuing to focus on broadening the Fund's tenant mix, insurance arrangements and the active management of the Fund's capital structure.

During the current financial year, the Fund anticipates completing the disposal of non-core podium strata lots at Auburn Central, with the process having commenced in August 2017. As at 31 December 2017, 10 strata lots have been sold for total net proceeds of \$9.2 million. The Fund expects to sell the remaining strata lots prior to 31 March 2018. The proceeds will be applied to reduce the Moranbah Fair acquisition debt facility that was established in January 2018 as part of the funding of the acquisition of Moranbah Fair, thereby reducing the gearing of the Fund.

The Fund is committed to growing its investment portfolio through continued review of further high investment quality shopping centre acquisition opportunities.

The Fund is strongly positioned to enhance value for security holders. The active asset management of the existing portfolio is generating improved operational performance and returns and increased capital value from implementation of strategic initiatives.

5. Value of assets

	Consolidated ERPF I Group	
	31 December 2017	31 December 2017
	\$'000	\$'000
Value of total assets	308,740	210,994
Value of net assets	189,240	73,698

6. Auditor's independence declaration

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

7. Events occurring after reporting date

The acquisition of Moranbah Fair Shopping Centre completed on 19 January 2018, for a purchase price of \$25.0 million.

Subsequent to year end, a distribution of 5.15 cents per stapled security has been declared by the Board of Directors.

Other than the above, 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 Group, the result of those operations, or the state of the Group's affairs in future financial periods that are not otherwise referred to in this Directors' Report.

8. Rounding of amounts to the nearest thousand dollars

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, amounts in the financial statements have been rounded to the nearest thousand dollar, unless otherwise indicated.

ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT

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

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to be 'P. Bedbrook', with a long horizontal stroke extending to the right.

Paul Bedbrook
Chairman

A handwritten signature in blue ink, appearing to be 'G. Willis', with a stylized, cursive script.

Glenn Willis
CEO and Managing Director

Sydney, 15 February 2018

The Directors
Elanor Funds Management Limited
(as responsible entity for Elanor Retail Property
Fund I and Elanor Retail Property Fund II)
Level 38, 259 George Street
Sydney NSW 2000

15 February 2018

Dear Directors,

Elanor Retail Property Fund I and Elanor Retail Property Fund II

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

As lead audit partner for the review of the half year financial statements of Elanor Retail Property Fund I and Elanor Retail Property Fund II for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



AG Collinson
Partner
Chartered Accountants

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		Consolidated Group 31 December 2017 \$'000	Consolidated Group 31 December 2016 \$'000	ERPF I Group 31 December 2017 \$'000	ERPF I Group 31 December 2016 \$'000
	Note				
Income					
Rental income	2	14,868	6,649	10,318	4,744
Interest income		23	8	15	2
Net gain on change in fair value of investment properties		6,125	–	–	–
Total income		21,016	6,657	10,333	4,746
Expenses					
Rates, taxes and other outgoings		4,152	1,903	2,838	1,278
Borrowing costs		2,578	1,191	2,726	1,132
Investment management fees	8	964	2,812	647	374
Other expenses		787	208	446	216
Net fair value decrement and transaction costs		–	11,155	1,861	8,987
Total expenses		8,481	17,269	8,518	11,987
Net profit / (loss) for the period		12,535	(10,612)	1,815	(7,241)
Attributable to security holders of:					
- Elanor Retail Property Fund II		10,720	(2,968)	–	–
- Elanor Retail Property Fund I (Non-controlling interest)		1,815	(7,644)	1,815	(7,241)
Net profit / (loss) for the period		12,535	(10,612)	1,815	(7,241)
Basic earnings per stapled security (cents)		9.74	(17.60)	1.41	(13.49)
Diluted earnings per stapled security (cents)		9.74	(17.60)	1.41	(13.49)

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

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 31 December 2016 \$'000	ERPF I Group 31 December 2017 \$'000	ERPF I Group 31 December 2016 \$'000
Net profit / (loss) for the period	12,535	(10,612)	1,815	(7,241)
Other comprehensive income				
<i>Items that may be reclassified to profit and loss</i>				
Gain / (loss) on revaluation of cash flow hedge	158	1,197	180	799
Other comprehensive income / (loss) for the period	158	1,197	180	799
Total comprehensive income / (loss) for the period	12,693	(9,415)	1,995	(6,442)
Attributable to security holders of:				
- Elanor Retail Property Fund II	10,698	(2,570)	—	—
- Elanor Retail Property Fund I (Non-controlling interest)	1,995	(6,845)	1,995	(6,442)
Total comprehensive income / (loss) for the period	12,693	(9,415)	1,995	(6,442)

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

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000	ERPF I Group 31 December 2017 \$'000	ERPF I Group 30 June 2017 \$'000
	Note				
Current assets					
Cash and cash equivalents		13,322	4,448	11,583	2,808
Receivables		797	659	612	308
Other current assets		1,307	1,805	–	1,748
Prepayments		421	243	389	36
Total current assets		15,847	7,155	12,584	4,900
Non-current assets					
Investment properties	4	292,715	260,750	198,305	165,750
Derivative financial instruments		178	–	105	–
Total non-current assets		292,893	260,750	198,410	165,750
Total assets		308,740	267,905	210,994	170,650
Current liabilities					
Interest bearing liabilities	5	41,063	–	41,063	–
Payables		2,518	2,445	1,983	2,027
Rent received in advance		479	385	308	257
Derivative financial instruments		500	245	564	459
Total current liabilities		44,560	3,075	43,918	2,743
Non-current liabilities					
Interest bearing liabilities	5	74,940	81,740	34,006	40,825
Interest bearing cross-staple loan		–	–	59,372	51,706
Derivative financial instruments		–	235	–	181
Total non-current liabilities		74,940	81,975	93,378	92,712
Total liabilities		119,500	85,050	137,296	95,455
Net assets		189,240	182,855	73,698	75,195
Equity					
<i>Equity Holders of Parent Entity</i>					
Contributed equity		90,421	90,421	66,116	66,116
Reserves		(397)	(499)	(446)	(632)
Retained profits / (accumulated losses)		25,518	17,738	8,028	9,711
Parent entity interest		115,542	107,660	73,698	75,195
<i>Equity Holders of Non-Controlling Interest</i>					
Contributed equity		66,116	66,116	–	–
Reserves		(446)	(735)	–	–
Retained profits / (accumulated losses)		8,028	9,814	–	–
Non-controlling interest		73,698	75,195	–	–
Total equity attributable to stapled security holders:					
- Elanor Retail Property Fund II		115,542	107,660	–	–
- Elanor Retail Property Fund I		73,698	75,195	73,698	75,195
Total equity		189,240	182,855	73,698	75,195

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

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Contributed Equity	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained Profits/ Payment (Accumulated Losses)	Parent Entity Total Equity	Non- Controlling Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated Group							
Total equity at 1 July 2017	90,421	(509)	10	17,738	107,660	75,195	182,855
Profit / (loss) for the period	–	–	–	10,720	10,720	1,815	12,535
Other comprehensive income / (expense) for the period	–	(22)	–	–	(22)	180	158
Total comprehensive income / (expense) for the period	–	(22)	–	10,720	10,698	1,995	12,693
Transactions with owners in their capacity as owners:							
Security-based payments	–	–	7	–	7	6	13
Reversal of cash flow hedge reserve to income statement	–	117	–	–	117	–	117
Distributions paid	–	–	–	(2,940)	(2,940)	(3,498)	(6,438)
Total equity at 31 December 2017	90,421	(414)	17	25,518	115,542	73,698	189,240
Consolidated Group							
Total equity at 1 July 2016	32,818	(818)	–	11,713	43,714	–	43,714
Profit / (loss) for the period	–	–	–	(2,968)	(2,968)	(7,644)	(10,612)
Other comprehensive income / (expense) for the period	–	501	–	–	501	696	1,197
Total comprehensive income / (expense) for the period	–	160	–	(2,968)	(2,467)	(6,948)	(9,415)
Transactions with owners in their capacity as owners:							
Acquisition from business combination	–	–	–	–	–	25,998	25,998
Redemptions	(3,738)	–	–	–	(3,738)	–	(3,738)
Contributions of equity, net of issue costs	61,340	–	–	–	61,340	45,859	107,199
Security-based payments	–	–	2	–	2	2	4
Reversal of cash flow hedge reserve to income statement	–	31	–	–	31	–	31
Distributions paid	–	–	–	(958)	(958)	–	(958)
Total equity at 31 December 2016	90,421	(286)	2	7,787	97,924	64,911	162,835

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

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Contributed Equity	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained Profits/ (Accumulated Losses)	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
ERPF I Group					
Total equity at 1 July 2017	66,116	(640)	8	9,711	75,195
Profit / (loss) for the period	–	–	–	1,815	1,815
Other comprehensive income / (expense) for the period	–	180	–	–	180
Total comprehensive income / (expense) for the period	–	180	–	1,815	1,995
Transactions with owners in their capacity as owners:					
Security-based payments	–	–	6	–	6
Distributions paid	–	–	–	(3,498)	(3,498)
Total equity at 31 December 2017	66,116	(460)	14	8,028	73,698
ERPF I Group					
Total equity at 1 July 2016	22,000	(1,152)	–	7,169	28,017
Profit / (loss) for the period	–	–	–	(7,241)	(7,241)
Other comprehensive income / (expense) for the period	–	799	–	–	799
Total comprehensive income / (expense) for the period	–	799	–	(7,241)	(6,442)
Transactions with owners in their capacity as owners:					
Redemptions	(1,713)	–	–	–	(1,713)
Contributions of equity, net of issue costs	45,859	–	–	–	45,859
Security-based payments	–	–	2	–	2
Distributions paid	–	–	–	(812)	(812)
Total equity at 31 December 2016	66,146	(353)	2	(884)	64,911

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

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 31 December 2016 \$'000	ERPF I Group 31 December 2017 \$'000	ERPF I Group 31 December 2016 \$'000
Cash flows from operating activities				
Rental and other property income received	15,471	6,451	10,271	4,789
Payments to suppliers and the Responsible Entity	(7,185)	(4,086)	(5,187)	(1,070)
Interest received	24	8	15	2
Finance costs paid	(2,203)	(1,073)	(2,487)	(1,064)
Net cash flows from operating activities	6,107	1,300	2,612	2,657
Cash flows from investing activities				
Payments for additions to investment properties	(34,330)	(105,117)	(32,010)	(102,410)
Receipts from disposals of investment properties	9,647	–	–	–
Net cash flows from investing activities	(24,683)	(105,117)	(32,010)	(102,410)
Cash flows from financing activities				
Net proceeds from interest bearing liabilities	33,888	6,471	41,671	59,124
Net proceeds from equity raising	–	107,199	–	45,859
Redemptions paid	–	(5,450)	–	(1,713)
Distributions paid	(6,438)	(1,769)	(3,498)	(811)
Net cash flows from financing activities	27,450	106,451	38,173	102,459
Net increase in cash and cash equivalents	8,874	2,635	8,775	2,706
Cash and cash equivalents at the beginning of the period	4,448	774	2,808	520
Cash at the end of the period	13,322	3,409	11,583	3,226

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

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

About this Report

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

For the purposes of the consolidated financial report, ERPF II has been deemed the parent entity of ERPF I in the stapled structure. The financial report of the Fund comprises the consolidated financial report of Elanor Retail Property Fund II and its controlled entities, including Elanor Retail Property Fund I and its controlled entities (ERPF I Group). As permitted by Class Order 05/642 issued by the Australian Securities and Investments Commission (ASIC), this report is a combined report that presents the consolidated financial statements and accompanying notes of both the Fund and ERPF I Group.

These general purpose financial statements for the half year ended 31 December 2017 have been prepared in accordance with the Funds' Constitutions, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Fund during the half year ended 31 December 2017 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year.

Basis of consolidation

The consolidated financial report of the Fund incorporates the assets and liabilities of ERPF II (the Parent) and all of its subsidiaries, including ERPF I and its subsidiaries as at 31 December 2017. ERPF II is the parent entity in relation to the stapling. The results and equity of ERPF I (which is not directly owned by ERPF II) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of ERPF I are disclosed as a non-controlling interest, the stapled security holders of ERPF I are the same as the stapled security holders of ERPF II.

This consolidated financial report also includes a separate column representing the financial report of ERPF I, incorporating the assets and liabilities of ERPF I and all of its subsidiaries, as at 31 December 2017.

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 31 December 2017, the Group is in a net current liability position of \$28.7 million (ERPF I: \$31.3 million), due to the maturity of a component of ERPF I's debt facility of \$41.5 million in December 2018. The Group has \$292.9 million (ERPF I: \$198.4 million) of non-current assets and a net asset position of \$189.2 million (ERPF I: \$73.7 million) at balance date. Management are confident that the refinancing of this debt facility will be completed prior to its maturity, and that the Group will be able to pay its liabilities in the next 12 months as and when they fall due.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

The notes to the consolidated financial statements have been organised into the following four sections:

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ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Results

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

1. Segment information

OVERVIEW

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

2. Revenue

OVERVIEW

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

(a) Rental income

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 31 December 2016 \$'000	ERPF I Group 31 December 2017 \$'000	ERPF I Group 31 December 2016 \$'000
Auburn Central	4,551	4,122	—	—
Tweed Heads	5,069	1,412	5,069	1,412
Manning Mall	2,139	624	2,139	2,136
Gladstone Plaza	1,382	—	1,382	—
Glenorchy Plaza	953	286	954	991
Northway Plaza	774	205	774	205
Total revenue from operating activities	14,868	6,649	10,318	4,744

3. Distributions

OVERVIEW

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

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

(a) Distributions during the half year

Consolidated Group

The following distributions were declared by the Consolidated Group in respect of the half-year ended 31 December 2017:

	Distribution cents per stapled security	Total amount \$'000
Distribution for the period ended 31 December 2017 ⁽¹⁾	5.15	6,631
Total	5.15	6,631

⁽¹⁾ The distribution of 5.15 cents per stapled security for the half-year ended 31 December 2017 was not declared prior to 31 December 2017. The distribution was declared on 15 February 2018. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

3. Distributions (continued)

ERPF I Group

The following distributions were declared by the ERPF I Group either during the half year or post balance date:

	Distribution cents per unit	Total amount \$'000
Distribution for the period ended 31 December 2017 ¹	2.94	3,782
Total	2.94	3,782

⁽¹⁾ The distribution of 2.94 cents per unit for the half-year ended 31 December 2017 was not declared prior to 31 December 2017. The distribution was declared on 15 February 2018. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Operating Assets

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

4. Investment properties

OVERVIEW

Investment properties are held solely for the purpose of earning rental income and / or for capital appreciation. At balance date, the Fund's investment property portfolio comprises 6 retail shopping centres in Australia.

(a) Carrying values of investment properties

			Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000	ERPFI Group 31 December 2017 \$'000	ERPFI Group 30 June 2017 \$'000
	Valuation	Date				
Auburn Central Shopping Centre	Independent	Dec-17	82,000	74,000	–	–
Auburn Central Podium ¹	Internal	Dec-17	12,410	21,000	–	–
Tweed Mall	Internal	Dec-17	87,023	86,500	87,023	86,500
Manning Mall	Internal	Dec-17	43,408	43,000	43,408	43,000
Gladstone Square	Internal	Dec-17	31,590	–	31,590	–
Glenorchy Plaza	Internal	Dec-17	19,756	19,750	19,756	19,750
Northway Plaza	Internal	Dec-17	16,528	16,500	16,528	16,500
Total investment properties			292,715	260,750	198,305	165,750

Note 1: The Auburn Central podium asset comprises 19 podium strata lots. The Fund commenced disposal of these non-core strata lots in August 2017. As at 31 December 2017, 10 strata lots have been sold for total net proceeds of \$9.2 million.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Finance Structure

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

5. Interest bearing liabilities

OVERVIEW

The Fund has access to a combined \$124.2 million debt facility. The drawn amount at 31 December 2017 is \$116.7 million, of which the ERPFI Group's drawn amount of \$41.5 million will mature on 22 December 2018, and the balance will mature on 12 May 2020 (\$41.1 million) and 1 August 2022 (\$34.1 million). At 31 December 2017, the interest rate risk of drawn facilities is hedged to 93.4%.

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000	ERPFI Group 31 December 2017 \$'000	ERPFI Group 30 June 2017 \$'000
Current				
Bank loan - term debt	41,525	—	41,525	—
Borrowing costs less amortisation	(462)	—	(462)	—
Total current interest bearing liabilities	41,063	—	41,063	—
Non-current				
Bank loan - term debt	75,172	82,547	34,150	41,525
Borrowing costs less amortisation	(232)	(807)	(144)	(700)
Total non-current interest bearing liabilities	74,940	81,740	34,006	40,825
Cross-staple loan	—	—	59,372	51,706
Total interest bearing liabilities	116,003	81,740	134,441	92,531

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Other Items

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

6. Net tangible assets

OVERVIEW

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

	Consolidated Group 31 December 2017 \$'000	Consolidated Group 30 June 2017 \$'000	ERPF I Group 31 December 2017 \$'000	ERPF I Group 30 June 2017 \$'000
Net tangible assets are calculated as follows:				
Total assets	308,740	267,905	210,994	170,650
Less: total liabilities	(119,500)	(85,050)	(137,296)	(95,455)
Net tangible assets	189,240	182,855	73,698	75,195
Total number of stapled securities on issue	128,729,755	128,729,755	128,729,755	128,729,755
Net tangible asset backing per stapled security / unit (\$)	1.47	1.42	0.57	0.58

7. Related parties

OVERVIEW

Related parties are persons or entities that are related to the Fund as defined by AASB 124 Related Party Disclosures. This note provides information about transactions with related parties during the half 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
William (Bill) Moss AO

Other Management Personnel

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

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

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

7. Related parties (continued)

Remuneration of Management Personnel

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

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

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

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

Related party disclosure

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

	Consolidated Group 31 December 2017 \$'000	ERPF I Group 31 December 2017 \$'000
Fees paid to Elanor Investors Group and its controlled entities:		
Investment management fees	964	647
Other fees	442	327
Total	1,406	974

Related party holdings

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

	Stapled Securities 31 December 2017
Investments held by Elanor Investment Trust	22,849,532
Investments held by Directors and other Management Personnel	1,508,270
Total	24,357,802

Cross-Staple Loan

On 9 November 2016, as part of the internal funding structure on listing of the Fund, ERPF I entered into a 10 year interest-bearing loan with ERPF II at arm's length commercial terms. As at 31 December 2017, the outstanding loan balance payable to ERPF II was \$59.4 million.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

8. Unrecognised items

OVERVIEW

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

(a) Contingent liabilities

The Directors are not aware of any material contingent liabilities of the Fund (30 June 2017: nil).

(b) Commitments

The Fund has no capital commitments (30 June 2017: nil) in respect of capital expenditures contracted for at the date of the statement of financial position. The ERPF I Group has no capital commitments (30 June 2017: nil) in respect of capital expenditures contracted for at the date of the statement of financial position.

9. Subsequent events

Subsequent to year end, a distribution of 5.15 cents per stapled security has been declared by the Board of Directors.

As noted previously, on 19 January 2018, the Group completed the acquisition of the Moranbah Fair Shopping Centre at a purchase price of \$25.0 million.

Other than the above, since the end of the period, the Directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in financial periods subsequent to the half year ended 31 December 2017.

ELANOR RETAIL PROPERTY FUND

DIRECTORS' DECLARATION TO STAPLED SECURITY HOLDERS

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

- (a) the financial statements and notes set out on pages 9 to 23 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 ERPFI Group's financial position as at 31 December 2017 and of their performance, for the financial half year ended on that date; and
- (b) there are reasonable grounds to believe that the Consolidated Group and the ERPFI Group will be able to pay their debts as and when they become due and payable.

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



Glenn Willis
CEO and Managing Director

Sydney, 15 February 2018

Independent Auditor's Review Report to the Stapled Security Holders of Elanor Retail Property Fund and the Unitholders of Elanor Retail Property Fund I Group

We have reviewed the accompanying half-year financial report of:

- The consolidated balance sheet as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Elanor Retail Property Fund, being the consolidated stapled entity ("Elanor Retail Property Fund") as set out on pages 9 to 24. The consolidated stapled entity, as disclosed in Note 1 to the financial report, comprises Elanor Retail Property Fund II ("ERPF II") and the entities it controlled at the half-year's end or from time to time during the half-year, including Elanor Retail Property Fund I ("ERPF I") and the entities it controlled at the half-year's end or from time to time during the half-year; and
- The consolidated balance sheet as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity ERPF I, being the consolidated entity ("ERPF I Group") as set out on pages 9 to 24. The consolidated entity comprises ERPF I and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Elanor Funds Management Limited, as responsible entity of ERPF I and ERPF II, are responsible for the preparation of the half-year 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 determine is necessary to enable the preparation of the half-year financial reports that give a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entities' financial positions as at 31 December 2017 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ERPF I and ERPF II, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elanor Funds Management Limited, as responsible entity of ERPF I and ERPF II, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elanor Retail Property Fund and ERPF I Group are not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Elanor Retail Property Fund and ERPF I Group's financial positions as at 31 December 2017 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



AG Collinson
Partner
Chartered Accountants
Sydney, 15 February 2018