

Appendix 4D

Half year report for the period ended 31 December 2018

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 2018
Previous corresponding period	Six month period ended 31 December 2017

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 2018.

Results for announcement to the market

Financial Performance

A \$'000

Revenue from ordinary activities	Down 23.5% to	16,077
Profit/(loss) from ordinary activities attributable to security holders	Down 84.3% to	1,965
Net profit/(loss) for the period attributable to security holders	Down 84.3% to	1,965
Core Earnings ¹	Down 9.6% to	6,307

Distribution

Current Period	Amount per unit	Tax Deferred
Interim Distribution ²	4.65 cents	72%
Previous Corresponding Period:		
Interim Distribution	5.15 cents	36%

Record date for determining entitlement to the Interim Distribution	31 December 2018
Date the Interim Distribution is payable:	1 March 2019
The components of the Interim Distribution comprise:	Trust Distribution: 4.65 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 2018.

Net Tangible Assets

Current Period	Current Period
Net tangible asset backing per security	\$1.46

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

None.

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 2018.

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 2018

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 2018 (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 non-discretionary neighbourhood and sub-regional shopping centres.

3. Distributions

Distributions relating to the half year ended 31 December 2018 comprise:

Distributions	Half Year Ended 31 December 2018
Interim Distribution	
Amount payable (cents per stapled security)	4.65
Payment Date	1 March 2019

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

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

INVESTMENT PORTFOLIO

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

Property	Location	Type	Carrying Value
			\$'m
Auburn Central	Auburn, NSW	Sub-regional shopping centre	86.0
Tweed Mall	Tweed Heads, NSW	Sub-regional shopping centre	96.2
Manning Mall	Taree, NSW	Sub-regional shopping centre	38.0
Gladstone Square	Gladstone, QLD	Neighbourhood shopping centre	31.2
Moranbah Fair	Moranbah, QLD	Neighbourhood shopping centre	25.7
Glenorchy Plaza	Glenorchy, TAS	Neighbourhood shopping centre	19.8
Northway Plaza	Bundaberg, QLD	Neighbourhood shopping centre	16.1
Total investment portfolio			313.0

ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT

4. Operating and financial review (continued)

FINANCIAL RESULTS

The Group recorded a statutory profit of \$1.97 million for the half year ended 31 December 2018.

Core Earnings for the half year were \$6.31 million or 4.90 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 ERPF I Group's results for the half year to 31 December 2018 is set out below:

	Consolidated Group	ERPF I Group
	31 December	31 December
	2018	2018
Key financial results		
Net profit / (loss) (\$'000)	1,965	(3,934)
Core Earnings (\$'000)	6,307	3,468
Distributions payable to security holders (\$'000)	5,992	3,294
Core Earnings per stapled security (cents)	4.90	2.69
Core Earnings per weighted average stapled security (cents)	4.90	2.69
Distributions (cents per stapled security)	4.65	2.56
Net tangible assets (\$ per stapled security)	1.46	0.57
Gearing (net debt / total assets less cash) (%)	38.02%	34.51%

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

	Consolidated Group	ERPF I Group
	31 December	31 December
	2018	2018
	\$'000	\$'000
Statutory net profit / (loss)	1,965	(3,934)
Adjustments for items included in statutory profit / (loss):		
Fair value adjustments on investment property	3,950	7,081
Straight lining of rental income ²	(372)	(195)
Amortisation expense ³	764	516
Core Earnings¹	6,307	3,468

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).

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

ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT

4. Operating and financial review (continued)

SUMMARY AND OUTLOOK

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 retail properties.

During the half year ended 31 December 2018, the Fund had undertaken the following activities:

- The landlord works relating to the introduction of Aldi to Tweed Mall began during the period and is on track to be completed by 30 June 2019. Aldi is expected to move into the centre in August 2019. The net operating income of Tweed Mall has been impacted by tenant vacancies during capital works for the Aldi tenancy. The impact of this downtime is approximately \$0.3 million. The introduction of Aldi to Tweed Mall has resulted in a significant increase in speciality leasing inquiries from potential tenants.
- The Fund has acquired a vacant site adjacent to the Auburn Central shopping centre for \$2.5 million. This is a strategic initiative to significantly improve access to the secondary loading at the centre in preparation for the repositioning of the DDS space. This acquisition was completed on 21 January 2019.
- A renewal for a 5-year lease term was signed with Target at Manning Mall in November 2018, providing security over future cash flows at the centre.
- The Fund refinanced debt facilities of \$43.8 million for a new 5-year term, extending the weighted average debt maturity to 3.3 years, with the weighted average cost of debt maintained at 4.0% per annum. No debt is due to expire in the next 12 months.
- Independent valuations were obtained for four properties in the Fund's portfolio as at 31 December 2018.
- In December 2018, the Fund completed the disposal of the last non-core podium strata lot at Auburn Central.

The Fund is committed to growing the value of its investment portfolio and continues to evaluate further high investment quality shopping centre acquisition opportunities. Asset recycling opportunities in the investment portfolio are currently being considered.

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, movement in property valuations and possible weather related events. These risks are mitigated through actively managing the investment portfolio, continuing to focus on broadening the Fund's tenant mix, insurance arrangements and active management of the Fund's capital structure.

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

5. Value of assets

	Consolidated Group 31 December 2018 \$'000	ERPF I Group 31 December 2018 \$'000
Value of total assets	323,496	236,347
Value of net assets	188,020	73,494

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.

ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT

7. Events occurring after reporting date

Subsequent to year end, a distribution of 4.65 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.

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.



Paul Bedbrook
Chairman



Glenn Willis
CEO and Managing Director

Sydney, 15 February 2019

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 2019

Dear Directors,

**Auditor's Independence Declaration to
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 2018, 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 2018

		Consolidated Group 31 December 2018 \$'000	Consolidated Group 31 December 2017 \$'000	ERPF I Group 31 December 2018 \$'000	ERPF I Group 31 December 2017 \$'000
	Note				
Income					
Rental income	2	16,051	14,868	11,716	10,318
Interest income		26	23	22	15
Fair value increment on investment properties		–	6,125	–	–
Total income		16,077	21,016	11,738	10,333
Expenses					
Rates, taxes and other outgoings		4,769	4,152	3,467	2,838
Borrowing costs		3,034	2,578	3,416	2,726
Investment management fees	7	1,638	964	1,189	647
Other expenses		721	787	519	446
Transaction costs		–	–	–	1,861
Fair value decrement on investment properties		3,950	–	7,081	–
Total expenses		14,112	8,481	15,672	8,518
Net profit / (loss) for the period		1,965	12,535	(3,934)	1,815
Attributable to security holders of:					
- Elanor Retail Property Fund II		5,899	10,720	–	–
- Elanor Retail Property Fund I (Non-controlling interest)		(3,934)	1,815	(3,934)	1,815
Net profit / (loss) for the period		1,965	12,535	(3,934)	1,815
Basic earnings per stapled security (cents)		1.53	9.74	(3.06)	1.41
Diluted earnings per stapled security (cents)		1.53	9.74	(3.06)	1.41

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 2018

	Consolidated Group 31 December 2018 \$'000	Consolidated Group 31 December 2017 \$'000	ERPF I Group 31 December 2018 \$'000	ERPF I Group 31 December 2017 \$'000
Net profit / (loss) for the period	1,965	12,535	(3,934)	1,815
Other comprehensive income				
<i>Items that may be reclassified to profit and loss</i>				
Gain / (loss) on revaluation of cash flow hedge	(469)	158	(481)	180
Other comprehensive income / (loss) for the period	(469)	158	(481)	180
Total comprehensive income / (loss) for the period	1,496	12,693	(4,415)	1,995
Attributable to security holders of:				
- Elanor Retail Property Fund II	5,911	10,698	–	–
- Elanor Retail Property Fund I (Non-controlling interest)	(4,415)	1,995	(4,415)	1,995
Total comprehensive income / (loss) for the period	1,496	12,693	(4,415)	1,995

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 2018

		Consolidated Group 31 December 2018 \$'000	Consolidated Group 30 June 2018 \$'000	ERPF I Group 31 December 2018 \$'000	ERPF I Group 30 June 2018 \$'000
	Note				
Current assets					
Cash and cash equivalents		8,853	6,965	8,043	6,766
Receivables		1,014	716	808	695
Other current assets		57	55	–	–
Prepayments		553	525	514	370
Derivative financial instruments		28	99	–	17
Total current assets		10,505	8,360	9,365	7,848
Non-current assets					
Investment properties	4	312,982	317,729	226,982	230,077
Derivative financial instruments		9	104	–	43
Total non-current assets		312,991	317,833	226,982	230,120
Total assets		323,496	326,193	236,347	237,968
Current liabilities					
Interest bearing liabilities	5	–	53,316	–	53,316
Payables		5,267	3,028	4,180	2,472
Rent received in advance		794	533	532	384
Derivative financial instruments		428	236	428	236
Total current liabilities		6,489	57,113	5,140	56,408
Non-current liabilities					
Interest bearing liabilities	5	128,467	75,632	86,821	34,006
Interest bearing cross-staple loan		–	–	70,371	69,208
Derivative financial instruments		520	293	521	293
Total non-current liabilities		128,987	75,925	157,713	103,507
Total liabilities		135,476	133,038	162,853	159,915
Net assets		188,020	193,155	73,494	78,053
Equity					
<i>Equity Holders of Parent Entity</i>					
Contributed equity		90,421	90,421	66,116	66,116
Reserves		(249)	(268)	(926)	(451)
Retained profits / (accumulated losses)		24,354	24,949	8,304	12,388
Parent entity interest		114,526	115,102	73,494	78,053
<i>Equity Holders of Non-Controlling Interest</i>					
Contributed equity		66,116	66,116	–	–
Reserves		(926)	(451)	–	–
Retained profits / (accumulated losses)		8,304	12,388	–	–
Non-controlling interest		73,494	78,053	–	–
Total equity attributable to stapled security holders:					
- Elanor Retail Property Fund II		114,526	115,102	–	–
- Elanor Retail Property Fund I		73,494	78,053	73,494	78,053
Total equity		188,020	193,155	73,494	78,053

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 2018

	Contributed Equity	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained Profits/ (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 2018	90,421	(293)	25	24,949	115,102	78,053	193,155
Profit / (loss) for the period	–	–	–	5,899	5,899	(3,934)	1,965
Other comprehensive income / (expense) for the period	–	12	–	–	12	(481)	(469)
Total comprehensive income / (expense) for the period	–	12	–	5,899	5,911	(4,415)	1,496
Transactions with owners in their capacity as owners:							
Security-based payments	–	–	7	–	7	6	13
Distributions paid	–	–	–	(6,494)	(6,494)	(150)	(6,644)
Total equity at 31 December 2018	90,421	(281)	32	24,354	114,526	73,494	188,020
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

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 2018

	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 2018	66,116	(470)	19	12,388	78,053
Profit / (loss) for the period	–	–	–	(3,934)	(3,934)
Other comprehensive income / (expense) for the period	–	(481)	–	–	(481)
Total comprehensive income / (expense) for the period	–	(481)	–	(3,934)	(4,415)
Transactions with owners in their capacity as owners:					
Security-based payments	–	–	6	–	6
Distributions paid	–	–	–	(150)	(150)
Total equity at 31 December 2018	66,116	(951)	25	8,304	73,494
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

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 2018

		Consolidated Group 31 December 2018 \$'000	Consolidated Group 31 December 2017 \$'000	ERPF I Group 31 December 2018 \$'000	ERPF I Group 31 December 2017 \$'000
	Note				
Cash flows from operating activities					
Rental and other property income received		16,603	15,471	12,088	10,271
Payments to suppliers and the Responsible Entity		(6,218)	(7,185)	(4,749)	(5,187)
Interest received		25	24	22	15
Finance costs paid		(2,841)	(2,203)	(1,973)	(2,487)
Net cash flows from operating activities		7,569	6,107	5,388	2,612
Cash flows from investing activities					
Payments for additions to investment properties		(3,436)	(34,330)	(3,234)	(32,010)
Receipts from disposals of investment properties		5,126	9,647	–	–
Net cash flows from investing activities		1,690	(24,683)	(3,234)	(32,010)
Cash flows from financing activities					
Net proceeds from interest bearing liabilities		(727)	33,888	(727)	41,671
Distributions paid		(6,644)	(6,438)	(150)	(3,498)
Net cash flows from financing activities		(7,371)	27,450	(877)	38,173
Net increase in cash and cash equivalents		1,888	8,874	1,277	8,775
Cash and cash equivalents at the beginning of the period		6,965	4,448	6,766	2,808
Cash at the end of the period		8,853	13,322	8,043	11,583

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 2018

About this Report

Elanor Retail Property Fund (the Fund, Group or Consolidated Group) is a 'stapled' entity comprising of Elanor Retail Property Fund I (ERPF I) and its controlled entities, and Elanor Retail Property Fund II (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 2018 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 2018 and any public announcements made by the Fund during the half year ended 31 December 2018 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 except the adoption of AASB 15 *Revenue from Contracts with Customers* which became mandatory this financial period. The adoption of AASB 15 did not result in a change in the revenue recognised in the prior period. Management has also assessed the impact of the adoption of AASB 16 *Leases* (mandatory for the financial year ending 30 June 2020). Given that the Fund is not a party to any significant lease agreements as lessee, and on the basis that this remains the same, the new standard is not expected to have a material impact on the recognition, measurement and disclosure of lease-related revenues, assets or liabilities. The fund will adopt AASB 16 in the financial year beginning 1 July 2019.

Basis of consolidation

The consolidated financial report of the Fund incorporates the assets and liabilities of ERPF II (the Parent) and all of its subsidiaries, including ERPF I and its subsidiaries as at 31 December 2018. 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 2018.

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

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018

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 2018 \$'000	Consolidated Group 31 December 2017 \$'000	ERPF I Group 31 December 2018 \$'000	ERPF I Group 31 December 2017 \$'000
Tweed Mall	4,653	5,069	4,653	5,069
Auburn Central	4,335	4,551	–	–
Manning Mall	2,069	2,139	2,069	2,139
Gladstone Square	1,573	1,382	1,573	1,382
Moranbah Fair	1,627	–	1,627	–
Glenorchy Plaza	979	953	979	954
Northway Plaza	815	774	815	774
Total revenue from operating activities	16,051	14,868	11,716	10,318

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 2018:

	Distribution cents per stapled security	Total amount \$'000
Distribution for the period ended 31 December 2018 ¹	4.65	5,992
Total	4.65	5,992

⁽¹⁾ The distribution of 4.65 cents per stapled security for the half-year ended 31 December 2018 was not declared prior to 31 December 2018. The distribution was declared on 15 February 2019. 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 2018

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 2018 ¹	2.56	3,294
Total	2.56	3,294

⁽¹⁾ The distribution of 2.56 cents per unit for the half-year ended 31 December 2018 was not declared prior to 31 December 2018. The distribution was declared on 15 February 2019. 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 2018

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 7 retail shopping centres in Australia.

(a) Carrying values of investment properties

			Consolidated Group 31 December 2018 \$'000	Consolidated Group 30 June 2018 \$'000	ERPF I Group 31 December 2018 \$'000	ERPF I Group 30 June 2018 \$'000
	Valuation	Date				
Tweed Mall	Internal	Dec-18	96,200	93,500	96,200	93,500
Auburn Central	Internal	Dec-18	86,000	82,192	—	—
Auburn Central Podium ¹	Not Applicable	Dec-18	—	5,460	—	—
Manning Mall	Independent	Dec-18	38,000	43,420	38,000	43,420
Gladstone Square	Independent	Dec-18	31,202	31,769	31,202	31,769
Moranbah Fair	Independent	Dec-18	25,700	25,035	25,700	25,035
Glenorchy Plaza	Internal	Dec-18	19,780	19,760	19,780	19,760
Northway Plaza	Independent	Dec-18	16,100	16,593	16,100	16,593
Total investment properties			312,982	317,729	226,982	230,077

Note 1: The Auburn Central podium asset comprised 19 podium strata lots at acquisition. The Fund commenced disposal of these non-core strata lots in August 2017. As at 31 December 2018, all strata lots have been sold.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 \$138.4 million debt facility. The drawn amount at 31 December 2018 is \$128.8 million. During the period, ERPF I restructured its debt facility such that no debt is due to expire in the next 12 months and with a weighted average debt facility maturity of 3.3 years. At 31 December 2018, the interest rate risk of drawn facilities is hedged to 84.2%.

	Consolidated Group 31 December 2018 \$'000	Consolidated Group 30 June 2018 \$'000	ERPF I Group 31 December 2018 \$'000	ERPF I Group 30 June 2018 \$'000
Current				
Bank loan - term debt	—	53,630	—	53,630
Borrowing costs less amortisation	—	(314)	—	(314)
Total current interest bearing liabilities	—	53,316	—	53,316
Non-current				
Bank loan - term debt	128,771	75,850	87,071	34,150
Borrowing costs less amortisation	(304)	(218)	(250)	(144)
Total non-current interest bearing liabilities	128,467	75,632	86,821	34,006
Cross-staple loan	—	—	70,371	69,208
Total interest bearing liabilities	128,467	128,948	157,192	156,530

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018 \$'000	Consolidated Group 30 June 2018 \$'000	ERPF I Group 31 December 2018 \$'000	ERPF I Group 30 June 2018 \$'000
Net tangible assets are calculated as follows:				
Total assets	323,496	326,193	236,347	237,968
Less: total liabilities	(135,476)	(133,038)	(162,853)	(159,915)
Net tangible assets	188,020	193,155	73,494	78,053
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 (\$)	1.46	1.50	0.57	0.61

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 2018

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

	Consolidated Group 31 December 2018	ERPF I Group 31 December 2018
	\$'000	\$'000
Fees paid to Elanor Investors Group and its controlled entities:		
Management fees	1,062	769
Accrued performance fee	576	420
Total investment management fees	1,638	1,189
Other	198	165
Total	1,836	1,354

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 2018
Investments held by Elanor Investment Trust	23,026,082
Investments held by Directors and other Management Personnel	1,641,095
Total	24,667,177

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 2018, the outstanding loan balance payable to ERPF II was \$70.4 million.

Sale of Auburn Central podium lot

On 21 December 2018, the Fund sold the last podium lot asset at Auburn Central to the Auburn Office Syndicate, a fund managed by Elanor Funds Management Limited, at fair value, for \$4.65 million.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018: nil).

(b) Commitments

The Fund, including ERPF I Group, has capital commitments of \$1.9 million (30 June 2018: nil) in respect of capital expenditures contracted for the works at Tweed Mall in relation to the Aldi tenancy at the date of the statement of financial position.

9. Subsequent events

Subsequent to year end, a distribution of 4.65 cents per stapled security has been declared by the Board of Directors.

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 2018.

10. Accounting estimates and judgements

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

In preparing the consolidated financial statements for the half year ended 31 December 2018, 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 is consistent with those disclosed in the financial report of the previous financial year.

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 ERPF I Group's financial position as at 31 December 2018 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 ERPF I Group will be able to pay their debts as and when they become due and payable.

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



Glenn Willis
CEO and Managing Director

Sydney, 15 February 2019

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 2018, 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 2018, 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 2018 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 2018 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 2019