Annual Financial Report

For the year ended
30 June 2019

Elanor Commercial Property Fund

Comprising the stapling of units in Elanor Commercial Property Fund (ABN 87 535 962 576) and Elanor Commercial Property Fund II (ABN 93 867 646 398)

Level 38, 259 George Street,
Sydney NSW 2000
GPO Box 1511,
Sydney NSW 2001
elanorinvestors.com/investors/managed-fund/elanor-commercial-property-fund

ELANOR COMMERCIAL PROPERTY FUND

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Directors' Report

The Directors of Elanor Funds Management Limited (Trustee or Manager), as trustee of the Elanor Commercial Property Fund, present their report with the consolidated financial report of Elanor Commercial Property Fund (Group, Consolidated Group or Fund) for the year ended 30 June 2019.

The financial report of the Consolidated Group comprises Elanor Commercial Property Fund (ECPF) and its controlled entities, including Elanor Commercial Property Fund II (ECPF II).

The trustee 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.

The units of ECPF and the units of ECPF II are combined and issued as stapled securities in the Group. The units of each trust cannot be traded separately and can only be traded as stapled securities. Although there is no ownership interest between ECPF and ECPF II, ECPF 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 Trustee 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 (resigned 17 September 2019)
- Lim Kin Song (appointed 30 May 2019)
- Anthony Fehon (appointed 20 August 2019)

2. Principal activities

The principal activities of the Fund are the investment in Australian commercial properties, with the focus on quality, stabilised metropolitan and prime regional commercial properties.

3. Distributions

Distributions relating to the year ended 30 June 2019 comprise:

Consolidated Group:

	Payment Date	30 June 2019 $
Distributions paid - September 2018 quarter	21 November 2018	1,555,774
Distributions paid - December 2018 quarter	22 February 2019	1,982,877
Distributions paid - March 2019 quarter	17 May 2019	2,344,959
Distributions payable - June 2019 quarter	23 August 2019	2,421,764
Total distributions paid or payable		**8,305,374**

4. Operating and financial review

OVERVIEW AND STRATEGY

The Fund is an externally managed real estate investment fund investing in Australian commercial property, focusing on high investment quality commercial properties.

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:

- Provides investors with access to high investment quality office assets;
- Invest in commercial properties to enhance diversification, the risk-adjusted returns and improve the portfolio quality of the Fund;
- Implement leasing and other asset management initiatives to grow the income and value of the commercial properties;
- Implement development and repositioning strategies in the Portfolio; and
- Optimise the capital structure of the Fund based on a conservative approach to gearing.

During the year ended 30 June 2019, the Fund has undertaken the following activities:

- On 14 August 2018, the Fund acquired an interest of 51.5% in the WorkZone West Syndicate which acquired the WorkZone West commercial property, located at 202 Pier Street Perth, WA for $125.25 million. WorkZone West is a high quality, modern office building with 15,602sqm of net lettable area, completed in 2013. The property benefits from having large floor plates (2,443sqm) and substantial amenity including end of trip facilities, quality ground floor food and beverage offerings and parking for 139 cars.
- On 19 December 2018, the units of two existing funds were stapled, being ECPF and ECPF II (formerly Limestone Street Centre Syndicate). This transaction represented a business combination under the accounting standards with ECPF deemed parent and acquirer of ECPF II.
- The Fund refinanced debt facilities of $65.2 million for a new 4-year term, extending the weighted average debt maturity to 2.8 years, with the weighted average cost of debt now 3.92% per annum. The Fund is currently negotiating with its bank in respect of a renewal of the $27.8 million facility, due to expire in December 2019.

INVESTMENT PORTFOLIO

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

Property	Location	Type	Consolidated Group 30 June 2019 $'000
Mount Gravatt	Mount Gravatt, QLD	Commercial property	30,953
Cannon Hill	Cannon Hill, QLD	Commercial property	22,695
Campus DXC	Felixstow, SA	Commercial property	36,407
Limestone (ECPF II)	Ipswich, QLD	Commercial property	36,496
WorkZone West	Perth, WA	Commercial property	132,400
Total Investment properties held at fair value			**258,951**

4. Operating and financial review (continued)

FINANCIAL RESULTS

The Fund recorded a statutory profit of $14.0 million for the year ended 30 June 2019.

A summary of the Fund's results for the year to 30 June 2019 is set out below:

Key financial results	Consolidated Group 2019
Net profit ($'000)	13,994
Distributions payable to security holders ($'000)	3,249
Distributions (cents per stapled security)	0.11
Net tangible assets ($ per stapled security)	1.49
Gearing (net debt / total assets less cash) (%)	39.71%

5. Company Secretary

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

6. Environmental regulation

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

7. Significant changes in state of affairs

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

8. Auditor's independence declaration

A copy of the auditor's independence declaration, is included on the page following the Directors' Report.

9. Likely developments and expected results of operations

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

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

10. Events occurring after reporting date

The Board approved the appointment of Mr Anthony Fehon as a director of the Trustee, with an effective date of 20 August 2019. The Board accepted the resignation of Mr William (Bill) Moss AO as a director of the Trustee, with an effective date of 17 September 2019.

Subsequent to year end, the Board has commenced a review of the opportunity to undertake an Initial Public Offering ("IPO") and potential ASX listing of the securities of the Fund.

Other than the above, 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 year ended 30 June 2019.

11. 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 Trustee.

Signed in accordance with a resolution of the Directors of the Trustee, dated 25 September 2019.

Glenn Willis
CEO and Managing Director

Sydney
25 September 2019

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Directors
Elanor Funds Management Limited
as Trustee of the Elanor Commercial Property Fund
Level 38, 259 George Street
Sydney NSW 2000

25 September 2019

Dear Directors

Auditor's Independence Declaration to
Elanor Commercial Property Fund

I am pleased to provide the following declaration of independence to the directors of Elanor Funds Management Limited as Trustee of the Elanor Commercial Property Fund.

As lead audit partner for the audit of the consolidated financial statements of Elanor Commercial Property Fund for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements in relation to the audit; and

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

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

AG Collinson
Partner
Chartered Accountants

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Income			
Rental income	2	22,161	4,596
Other income		903	501
Outgoings reimbursements		3,107	377
Interest income		17	114
Net fair value increment of investment properties		298	2,405
Total income		**26,486**	**7,993**
Expenses			
Rates, taxes and other outgoings		4,752	1,269
Borrowing costs		4,993	1,243
Administration and general costs		369	180
Professional fees		54	33
Management fees		2,309	571
Amortisation		15	-
Total expenses		**12,492**	**3,296**
Net profit for the period		**13,994**	**4,697**
Attributable to security holders of:			
- Elanor Commercial Property Fund		9,680	4,697
- Non-Controlling Interest (ECPF II)		1,425	-
Net profit attributable to ECPF unit holders		**11,105**	**4,697**
Attributable to security holders of:			
- External Non-controlling interest (WorkZone West Syndicate)		2,889	-
Net profit for the period		**13,994**	**4,697**
Basic earnings per stapled security (cents)	4	0.13	0.10
Diluted earnings per stapled securty (cents)	4	0.13	0.10

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

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Net profit for the period	**13,994**	**4,697**
Other comprehensive income		
Items that may be reclassified to profit and loss		
(Loss) on revaluation of cash flow hedge	(3,309)	-
Other comprehensive (loss) for the period	(3,309)	-
Total comprehensive income / (loss) for the period	**10,685**	**4,697**
Attributable to unit holders of:		
- Elanor Commercial Property Fund	7,943	4,697
- Non-Controlling Interest (ECPF II)	1,250	-
Total comprehensive income for the period attributable to ECPF unit holders	**9,193**	**4,697**
Attributable to unit holders of:		
- External Non-controlling interest (WorkZone West Syndicate)	1,492	-
Total comprehensive income for the period	**10,685**	**4,697**

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

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		4,693	806
Restricted cash		1,077	1,497
Receivables	10	453	314
Prepayments		261	59
Total current assets		**6,484**	**2,676**
Non-current assets			
Investment property	6	258,951	86,133
Restricted cash		1,060	1,907
Total non-current assets		**260,011**	**88,040**
Total assets		**266,495**	**90,716**
Liabilities			
Current liabilities			
Interest bearing liabilities	7	25,360	-
Payables	12	2,292	845
Advance deposits		635	340
Distribution payable		3,249	647
Derivatives	8	1,374	-
Total current liabilities		**32,910**	**1,832**
Non-current liabilities			
Interest bearing liabilities	7	103,951	44,449
Derivatives	8	1,936	-
Total non-current liabilities		**105,887**	**44,449**
Total liabilities		**138,797**	**46,281**
Net assets		**127,698**	**44,435**

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

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Equity			
Equity Holders of Parent Entity			
Contributed equity	9	87,490	46,627
Reserves		(1,736)	-
Retained profits / (accumulated losses)		156	(2,192)
Parent entity interest		**85,910**	**44,435**
Equity Holders of Non-Controlling Interest			
Contributed equity		9,186	-
Reserves		(175)	-
Retained profits		1,425	-
Non-controlling interest		**10,436**	**-**
Equity Holders of Non-Controlling Interest - External			
Contributed equity		29,861	-
Reserves		(1,398)	-
Retained profits		2,889	-
Non-controlling interest - External		**31,352**	**-**
Total equity attributable to stapled unit holders:			
- Parent Entity		85,910	44,435
- Non-Controlling Interest (ECPF II)		10,436	-
Total equity attributable to stapled security holders:		**96,346**	**44,435**
Total equity attributable to stapled security holders:			
- External Non-controlling interest (WorkZone West Syndicate)		31,352	-
Total equity		**127,698**	**44,435**

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

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

Attributable to the unitholders	Note	Contributed Equity $'000	Cash Flow Hedge Reserves $'000	Accumulated profit/ (losses) $'000	Parent Entity Total Equity $'000	Non-Controlling Interests $'000	Total ECPF Equity $'000	External Non-Controlling Interests $'000	Total Equity $'000
Balance as at 30 June 2018		**46,627**	**-**	**(2,192)**	**44,435**	**-**	**44,435**	**-**	**44,435**
Net profit for the period		-	-	9,680	9,680	1,425	11,105	2,889	13,994
Other comprehensive income for the period		-	(1,736)	-	(1,736)	(175)	(1,911)	(1,398)	(3,309)
Total comprehensive income for the period		**-**	**(1,736)**	**9,680**	**7,944**	**1,250**	**9,194**	**1,491**	**10,685**
Transactions with unitholders in their capacity as unitholders:									
Contributions of equity, net of issue costs	9	40,863	-	-	40,863	9,657	50,520	32,670	83,190
Distributions paid or payable	3	-	-	(7,332)	(7,332)	(973)	(8,305)	(2,809)	(11,114)
Acquisition from business combination		-	-	-	-	502	502	-	502
Total equity as at 30 June 2019		**87,490**	**(1,736)**	**156**	**85,910**	**10,436**	**96,346**	**31,352**	**127,698**
Balance as at 30 June 2017		**29,279**	**-**	**(3,861)**	**25,418**	-	**25,418**	-	**25,418**
Net profit for the period		-	-	4,697	4,697	-	4,697	-	4,697
Other comprehensive income for the period		-	-	**-**	0	-	-	-	0
Total comprehensive income for the period		**-**	**-**	**4,697**	**4,697**	**-**	**4,697**	**-**	**4,697**
Transactions with unitholders in their capacity as unitholders:									
Contributions of equity, net of issue costs	9	17,348	-	-	17,348	-	17,348	-	17,348
Distributions paid or payable	3	-	-	(3,028)	(3,028)	-	(3,028)	-	(3,028)
Total equity as at 30 June 2018		**46,627**	**-**	**(2,192)**	**44,435**	**-**	**44,435**	**-**	**44,435**

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

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Cash flows from operating activities			
Rental and other property income received		27,040	7,128
Interest income received		17	114
Finance costs paid		(4,800)	(1,142)
Payments to suppliers		(8,697)	(2,541)
Net cash flows from in operating activities	5	**13,560**	**3,559**
Cash flows from investing activities			
Payments for additions to investment properties		(161,835)	(36,909)
Payments for transaction costs		(8,722)	(1,501)
Cash acquired on business combination		482	-
Net cash flows used in investing activities		**(170,074)**	**(38,410)**
Cash flows from financing activities			
Net proceeds from interest bearing liabilities		84,702	19,537
Net proceeds from equity raising		82,940	17,348
Distributions paid		(8,508)	(3,072)
Net cash flows from financing activities		**159,134**	**33,813**
Net increase in cash and cash equivalents		2,620	(1,038)
Cash and cash equivalents at the beginning of the period		4,210	5,248
for the financial year ended 30 June 2019		**6,830**	**4,210**

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

Notes to the Consolidated Financial Statements

About this Report

Elanor Commercial Property Fund (the Fund, Group or Consolidated Group) is a 'stapled' entity comprising of Elanor Commercial Property Fund (ECPF) and its controlled entities, and Elanor Commercial Property Fund II (ECPF II). The units in ECPF are stapled to units in ECPF II. The stapled securities cannot be traded or dealt with separately.

For the purposes of the consolidated financial report, ECPF has been deemed the parent entity of ECPF II in the stapled structure. The Directors applied judgement in the determination of the parent entity of the Fund and considered various factors including asset size and capital structure. The financial report of the Fund comprises the consolidated financial report of Elanor Commercial Property Fund I and its controlled entities, including Elanor Commercial Property Fund II (ECPF II). 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 ECPF II.

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

Basis of consolidation

The consolidated financial report of the Fund incorporates the assets and liabilities of ECPF (the Parent) and all of its subsidiaries, including ECPF II as at 30 June 2019. ECPF is the parent entity in relation to the stapling. The portion of results and equity of WorkZone West Equity Syndicate not directly owned by ECPF, has been treated and disclosed as a non-controlling interest.

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

Going Concern

As at 30 June 2019, the Group is in a net current liability position of $26.3 million, due to maturity of ECPF’s debt facility of $25.43m in December 2019. The Group has $266.5 million of total assets and a net asset position of $127.9 million at balance date.

The Fund is currently negotiating with its bank in respect of a renewal of the $25.4m debt facility, due to expire in December 2019. The Fund is in compliance with all bank covenants as at 30 June 2019.

Given the conservative gearing level below 48% of asset value and strong cash flow for servicing of financing facilities, Management are confident that the Group will be able to pay its liabilities in the next 12 months as and when they fall due.

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

Results

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

1. Segment information

OVERVIEW

The Fund only operates in one business segment, being the investment in commercial properties in Australia.

2. Revenue

OVERVIEW

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

(a) Rental income

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Mt Gravatt	3,135	2,536
Cannon Hill	2,148	1,666
Campus DXC	3,153	394
Workzone West	11,893	-
Limestone (ECPF II)	1,831	-
Total revenue from operating activities	**22,161**	**4,596**

ACCOUNTING POLICY

Revenue recognition

In accordance with the new accounting standard AASB 15 Revenue from Contracts with Customers, revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it can be readily measured and when it transfers control over a product or services for each of the Fund's activities as described below.

Rental income

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

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

Lease incentives

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

3. Distributions

OVERVIEW

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

The following distributions were declared by the Consolidated Group in respect of the year ended 30 June 2019:

	Note	30 June 2019 $	30 June 2019 $/security
Distributions paid - September 2018 quarter	(i)	1,555,774	0.0332
Distributions paid - December 2018 quarter	(ii)	1,982,877	0.0243
Distributions paid - March 2019 quarter	(iii)	2,344,959	0.0239
Distributions payable - June 2019 quarter	(iv)	2,421,764	0.0247
Total distributions paid or payable		**8,305,374**	**0.1061**

(i) The distribution for the September 2018 quarter was paid on 21/11/2018.
(ii) The distribution for the December 2018 quarter was paid on 22/02/2019.
(iii) The distribution for the March 2019 quarter was paid on 17/05/2019.
(iv) The distribution for the June 2019 quarter was paid on 23/08/2019

ACCOUNTING POLICY

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

4. Earnings / (losses) per stapled security

OVERVIEW

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

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

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

Consolidated Group

	Consolidated Group 30 June 2019	Consolidated Group 30 June 2018
Basic earnings per stapled security ($'s)	0.13	0.10
Diluted earnings per stapled security ($'s)	0.13	0.10
Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security ($'000)	11,105	4,697
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	85,919,863	46,922,305
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security	85,919,863	46,922,305

4. Earnings / (losses) per stapled security (continued)

Parent Entity

	Parent Entity 30 June 2019	Parent Entity 30 June 2018
Basic earnings per stapled security ($'s)	0.13	0.10
Diluted earnings per stapled security ($'s)	0.13	0.10
Profit / (loss) attributable to security holders used in calculating basic and diluted earnings per stapled security ($'000)	9,680	4,697
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	85,919,863	46,922,305
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security	85,919,863	46,922,305

5. Cash flow information

OVERVIEW

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

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

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Profit for the period	13,994	4,697
Rental income straight-lining	(1,746)	787
Net fair value increment and transaction costs	(298)	(2,405)
Amortisation of borrowing costs		
Amortisation	208	101
	12,158	**3,180**
Movement in working capital		
Increase in trade and other receivables	(139)	(120)
Increase in prepayments	(202)	(45)
Increase/(decrease) in trade and other payables	1,447	204
Increase/(decrease) in rent received in advance	295	340
	1,401	**379**
Net cash generated by/(used in) operating activities	**13,560**	**3,559**

(b) Reconciliation of liabilities arising from financing activities

	30 June 2018 $'000	Cash flows Debt drawdowns/ (paydowns) net of borowing costs $'000	Non-cash items Amortisation of borrowing costs $'000	30 June 2019 $'000
Interest bearing loans	44,449	84,965	(103)	129,311
Total liabilities from financing activities	**44,449**	**84,965**	**(103)**	**129,311**

Operating Assets

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

6. Investment properties

OVERVIEW

Investment properties are held solely for the purpose of earning rental income and / or for capital appreciation. At balance date, the Fund's investment property portfolio comprises 5 commercial properties in Australia.

(a) Carrying values of investment properties

	Valuation	Date	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Mount Gravatt	External	Jun 19	30,953	30,813
Cannon Hill	External	Jun 19	22,695	19,319
Campus DXC	Internal	Jun 19	36,407	36,001
Limestone (ECPF II)	External	Jun 19	36,496	-
WorkZone West	External	Jun 19	132,400	-
Total Investment properties held at fair value			**258,951**	**86,133**

(b) Movement in investment properties

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Balance at the beginning of the period	86,133	46,104
Investment properties on acquisition[1]	160,533	35,000
Transaction costs on acquisition[1]	8,720	1,501
Movement in lease incentives	1,046	1,503
Impact of discounting of lease incentive liabilities	27	(65)
Capital expenditure	448	472
Impact of straight-lining of rental income	1,746	(787)
Net fair value increment of investment properties	298	2,405
Total Investment properties	**258,951**	**86,133**

Note 1: The sum of these amounts represent the net acquisition cost of investment properties during the period

(c) Fair value measurement

Highest and best use

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

Fair value hierarchy and valuation techniques

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

6. Investment properties (continued)

(c) Fair value measurement (continued)

Valuation Techniques	Significant unobservable inputs	Range	Relationship with fair value
Discounted cash flows – involves the projection of a series of inflows and outflows to which a market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property.	Adopted discount Rate[1]	7.25% - 7.75%	The higher/lower the rate, the lower/higher the fair value.
	Adopted terminal yield[2]	7.00% - 8.00%	The higher/lower the rate, the lower/higher the fair value.
Capitalisation method – involves determining the net market income of the investment property. This net market income is then capitalised at the adopted capitalisation rate to derive a core value.	Adopted capitalisation rate[3]	6.75% - 7.75%	The higher/lower the rate, the lower/higher the fair value.

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

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

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

ACCOUNTING POLICY

Recognition and measurement

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year in which the property is derecognised.

Valuation process

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

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

6. Investment properties (continued)

(c) Fair value measurement (continued)

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

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

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

Finance and Capital Structure

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

7. Interest bearing liabilities

OVERVIEW

The Fund has access to a total of $133.0 million of debt facilities. The total drawn amount at 30 June 2019 is $129.6 million. During the period, the Fund financed debt facilities of $65.2 million for a new 4-year term. The weighted average debt facility maturity at year end is 2.8 years. At 30 June 2019, the interest rate risk of drawn facilities is hedged to 98%.

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Current - secured		
Bank loan - term debt	25,430	-
Borrowing costs less amortisation	(70)	-
Total non-current interest bearing liabilities	**25,360**	-
Non-current - secured		
Bank loan - term debt	104,215	44,680
Borrowing costs less amortisation	(264)	(231)
Total non-current interest bearing liabilities	**103,951**	**44,449**
Total interest bearing liabilities	**129,311**	**44,449**

The Fund has the following facilities available

		30 June 2019		
Facility	**Expiry**	**Drawn $'000**	**Facility $'000**	**Undrawn $'000**
ING debt facility	01-Dec-19	25,430	27,580	2,150
ING debt facility	10-May-21	19,250	19,250	-
Bankwest debt facility	17-Dec-20	19,800	21,000	1,200
NAB debt facility	01-Aug-22	65,165	65,165	-
		129,645	**132,995**	**3,350**

ACCOUNTING POLICY

Interest bearing liabilities are recognised initially at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing. Subsequent to initial recognition, interest bearing liabilities are recognised at amortised cost using the effective interest method. Under the effective interest method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the consolidated statement of profit or loss over the expected life of the borrowings.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financial facilities which expire after one year are classified as non-current.

8. Derivative financial instruments

OVERVIEW

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

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Current assets		
Interest rate swaps	-	-
Non-current assets		
Interest rate swaps	-	-
Current liabilities		
Interest rate swaps	1,374	-
Non-current liabilities		
Interest rate swaps	1,936	-
Total derivative financial instruments	**3,310**	**-**

(a) Valuation

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves (level 2).

All of the resulting fair value estimates are included in Level 2. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

ACCOUNTING POLICY

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

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

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

Cash flow hedges

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

9. Contributed equity

OVERVIEW

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

	30 June 2019 No. of units '000	30 June 2019 $'000	30 June 2018 No. of units '000	30 June 2018 $'000
Opening balance	46,627	46,627	29,575	29,279
New units issued - ECPF	51,307	42,088	17,347	17,523
Equity raising costs	-	(1,225)	-	(175)
Total contributed equity	**97,934**	**87,490**	**46,922**	**46,627**

10. Financial risk management

OVERVIEW

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

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

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

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

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

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

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

(a) Market risk

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

10. Financial risk management (continued)

(b) Interest rate risk

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

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

Consolidated Group 30 June 2019	Floating interest rate $'000	Fixed interest Maturity < 1 yr $'000	Fixed interest Maturity 1 - 5 yrs $'000	Fixed interest Maturity > 5 yrs $'000	Total $'000
Assets					
Cash and cash equivalents	4,693	-	-	-	4,693
Total assets	**4,693**	**-**	**-**	**-**	**4,693**
Weighted average interest rate					**0.36%**
Liabilities					
Interest bearing loans	2,668	31,177	108,331	-	142,176
Derivative financial instruments	-	1,374	1,936	-	3,310
Total liabilities	**2,668**	**32,551**	**110,267**	**-**	**145,486**
Weighted average interest rate					**3.92%**

Consolidated Group 30 June 2018	Floating interest rate $'000	Fixed interest Maturity < 1 yr $'000	Fixed interest Maturity 1 - 5 yrs $'000	Fixed interest Maturity > 5 yrs $'000	Total $'000
Assets					
Cash and cash equivalents	806	-	-	-	806
Derivative financial instruments	-	-	-	-	-
Total assets	**806**	**-**	**-**	**-**	**806**
Weighted average interest rate					**14.14%**
Liabilities					
Interest bearing loans	376	1,816	46,251	-	48,442
Derivative financial instruments	-	-	-	-	-
Total liabilities	**376**	**1,816**	**46,251**	**-**	**48,442**
Weighted average interest rate					**4.11%**

(c) Credit risk

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

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

10. Financial risk management (continued)

(c) Credit risk (continued)

Exposure to credit risk

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

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Cash and other cash equivalents	4,693	806
Trade and other receivables	453	314
Total	**5,146**	**1,120**

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

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

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

Impairment losses

The ageing profile of the trade and other receivables balance as at 30 June 2019 is as follows:

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Current	388	289
Past due 31-60 days	64	7
Past due 61+ days	-	17
Total	**453**	**313**

(d) Capital risk management

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

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

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

Other Items

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

11. Business combinations

On 19 December 2018, the Fund was formed with the stapling of the units of two existing funds, ECPF and ECPF II (formerly Limestone Street Centre Syndicate). This transaction represented a business combination by contract alone under the accounting standards with ECPF deemed parent and acquirer of ECPF II (i.e. no cash consideration paid). No goodwill or gain on bargain purchase was recognised as a result of the business combination. The details of the business combination are detailed below.

(a) Balance sheet acquired on business combination

	ECPF II $'000
Cash and cash equivalents	482
Investment properties	35,283
Interest bearing liabilities	(17,557)
Other assets	318
Other liabilities	(7,654)
Total net assets	**10,872**

(b) New equity raised

	Total $'000
New equity raised from stapling (net of capital raised costs)	7,194

(c) Transaction costs related to the business combination

	Total $'000
Acquisition costs including advisers and consultants fees	478

ACCOUNTING POLICY

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value and comprises the assets transferred, the liabilities incurred and the equity interests issued. Acquisition-related costs are recognised in profit or loss as incurred.

Non-controlling interests that are present ownership interests are entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Fund reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

12. Other assets and liabilities

OVERVIEW

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

(a) Trade and other payables

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Trade and other creditors	469	183
Accrued expenses	1,146	349
GST payable	677	167
Other liabilities	-	146
Total payables	**2,292**	**845**

ACCOUNTING POLICY

Payables represent liabilities and accrued expenses owing by the Fund at period end which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Payables are recognised at amortised cost and normal commercial terms and conditions apply to payables.

13. Net tangible assets

OVERVIEW

This note sets out the net tangible assets of the Fund.

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Net tangible assets are calculated as follows:		
Total assets	266,495	90,716
Less: total liabilities	138,797	46,281
Net tangible assets	**127,698**	**44,435**
Total number of stapled securities on issue	85,919,863	46,922,305
Net tangible asset backing per stapled security ($)	1.49	0.95

14. Related parties

OVERVIEW

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

(a) Key management personnel

Responsible Entity

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

Directors of the Responsible Entity

The Directors of Elanor Funds Management Limited are:

Paul Bedbrook (Chair)
Glenn Willis (Managing Director and Chief Executive Officer)
Nigel Ampherlaw
William (Bill) Moss AO (resigned 17 September 2019)
Lim Kin Song (appointed 30 May 2019)
Anthony Fehon (appointed 20 August 2019)

Other Management Personnel

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

David Burgess – Fund Manager
Symon Simmons – Chief Financial Officer
Paul Siviour – Chief Operating Officer

Remuneration of Management Personnel

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

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

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

Related party disclosure

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

Fees paid to Elanor Investors Group and its controlled entities:	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Management Fees	2,309	571
Other (Cost Recoveries)	256	132
Total	**2,565**	**703**

14. Related parties (continued)

Related party holdings

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

	30 June 2019 No. of fully paid units	30 June 2019 $
Investment held by Elanor Investment Trust	12,997,180	12,670,551
Investment held by Directors and other Management Personnel	51,546	50,000
Total	**13,048,726**	**12,720,551**

	30 June 2018 No. of fully paid units	30 June 2018 $
Investment held by Elanor Investment Trust	762,120	721,723
Investment held by Directors and other Management Personnel	-	-
Total	**762,120**	**721,723**

15. Non-cancellable operating lease receivables

OVERVIEW

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

	Consolidated Group 30 June 2019 $'000	Consolidated Group 30 June 2018 $'000
Not later than 1 year	22,835	8,148
Later than 1 year and not longer than 5 years	77,042	22,209
Later than 5 years	22,355	8,317
Total	**122,232**	**38,674**

16. Unrecognised items

OVERVIEW

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

(a) Contingent liabilities

The Directors are not aware of any material contingent liabilities of the Fund as at 30 June 2019 (30 June 2018: nil).

(b) Commitments

The Fund has no commitments as at 30 June 2019 (30 June 2018: nil).

17. Parent entity disclosure

OVERVIEW

The financial information below on Elanor Commercial Property Fund's parent entity, ECPF, as stand-alone entity has been provided as follows:

(a) Summarised financial information

Financial Position	ECPF 30 June 2019 $'000	ECPF 30 June 2018 $'000
Current assets	327	405
Non-current assets	81,138	46,070
Total Assets	**81,465**	**46,475**
Current liabilities	4,899	5,250
Non-current liabilities	-	-
Total Liabilities	**4,899**	**5,250**
Contributed equity	88,810	47,096
Reserves	(471)	(471)
Accumulated losses	(11,773)	(5,400)
Total Equity	**76,566**	**41,225**
Financial performance		
Loss for the period	(1,231)	(779)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	**(1,231)**	**(779)**

(b) Commitments

ECPF has no commitments as at 30 June 2019 (2018: none) in relation to capital expenditure contracted for but not recognised as liabilities.

(c) Guarantees provided

ECPF has had no outstanding guarantees as at 30 June 2019 (2018: none).

(d) Contingent liabilities

ECPF has no contingent liabilities as at 30 June 2019 (2018: none).

ACCOUNTING POLICY

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

18. Auditors' remuneration

OVERVIEW

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

	30 June 2019 $	30 June 2018 $
Deloitte Touche Tohmatsu Australia		
Audit and other assurance services		
Audit of financial report	45,000	22,550
Taxation services		
Tax compliance services	21,600	14,400
Total auditor's remuneration	**66,600**	**36,950**

19. Subsequent events

The Board approved the appointment of Mr Anthony Fehon as a director of the Trustee, with an effective date of 20 August 2019. The Board accepted the resignation of Mr William (Bill) Moss AO as a director of the Trustee, with an effective date of 17 September 2019.

Subsequent to year end, the Board has commenced a review of the opportunity to undertake an Initial Public Offering ("IPO") and potential ASX listing of the securities of the Fund.

Other than the above, 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 year ended 30 June 2019.

20. Accounting policies

OVERVIEW

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

(a) Interest Income

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

(b) Expenses

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

(c) Income Taxation

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

20. Accounting policies (continued)

(d) New accounting standards and interpretations

Certain new Accounting Standards and Interpretations have been published that are mandatory for the financial year ended 30 June 2019. The Group's assessment of the impact of these new standards and interpretation are set out below.

Reference	Description	Impact on the Fund's financial statements
AASB 9 *Financial Instruments* (Applicable 1 January 2018)	AASB 9 addresses the classification, measurement and de-recognition of financial assets and liabilities and introduces new rules for hedge accounting and impairment of financial assets.	Adoption of the new standard did not have an impact on the measurement and recognition of amounts of the Fund's financial statements. The Fund adopted the standard in the financial year beginning 1 July 2018.
AASB 15 *Revenue from Contracts with Customers* (Applicable 1 January 2018)	AASB 15 introduces a five-step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts.	The Fund's main sources of income are rental income and interest income. An assessment has been performed on the Fund's existing revenue streams and note no material impact. The group retrospectively adopted the standard in the financial year beginning 1 July 2019.

20. Accounting policies (continued)

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the financial year ended 30 June 2019 but are available for early adoption. They have not been applied in preparing this financial report. The Responsible Entity's assessment of the impact of these new standards and interpretations is set out below.

Reference	Description	Impact on the Fund's financial statements
AASB 16 *Leases* (Applicable 1 January 2019 – early adoption allowed if AASB 15 is adopted at the same time)	AASB 16 introduces new requirements in relation to lease classification and recognition, measurement and presentation and disclosure of leases for lessees and lessors. For lessees a (right-of-use) asset and a lease liability will be recognised on the balance sheet in respect of all leases subject to limited exceptions. The accounting for lessors will not significantly change.	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 and measurement of lease-related revenues, assets or liabilities. The Fund has adopted the standard in the current financial year beginning 1 July 2019.
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle (Effective for reporting periods after 1 January 2019).	Amendments made to the following accounting standards: AASB 3 Business Combination; AASB 11 Joint Arrangements; AASB 112 Income Tax; and AASB 13 Borrowing costs.	The Fund does not anticipate that the application of the amendments will have a material impact on the Fund's financial statement.

Several other amendments to standards and interpretations will apply on or after 1 July 2019, and have not yet been applied, however, they are not expected to impact the Fund's consolidated financial statements.

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

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

In particular, information about 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 provided in:

- Note 6 Investment properties; and
- Note 10 Financial risk management (Financial Instruments)

ELANOR COMMERCIAL PROPERTY FUND

DIRECTORS' DECLARATION TO STAPLED SECURITY HOLDERS

The financial report has been prepared in accordance with Australian Accounting Standards and mandatory professional reporting requirements to the extent described in Note 20.

In accordance with a resolution of the Directors of Elanor Funds Management Limited, the Trustee for Elanor Commercial Property Fund, we declare that in the opinion of the Directors:

(a) The consolidated financial statements and notes set out on pages 8 to 34 are in accordance with the Syndicate Constitution and the Debt Facility Agreement, including:

    a. complying with Australian Accounting Standards and other mandatory professional reporting requirements as detailed above; and

    b. giving a true and fair view of the entity's financial position as at 30 June 2019 and of its performance for the year ended 30 June 2019; and

(b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

(d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer

Signed in accordance with a resolution of the Directors of the Trustee, Elanor Funds Management Limited, dated 25 September 2019.

On behalf of the Directors

Glenn Willis
CEO and Managing Director

Sydney
25 September 2019

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report to the Stapled Security Holders of Elanor Commercial Property Fund Comprising Elanor Commercial Property Fund I and Elanor Commercial Property Fund II

Opinion

We have audited the financial report of Elanor Commercial Property Fund (the "Group" or "Fund") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated stapled entity ("Elanor Commercial Property Fund") as set out on pages 8 to 35. The consolidated stapled entity comprises Elanor Commercial Property Fund I and the entities it controlled at the year's end or from time to time during the year, including Elanor Commercial Property Fund II and the entities it controlled at year's end or from time to time during the financial year end.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Group's financial position as at 30 June 2019 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the Fund's constitution.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the directors' report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of Management and the Directors for the Financial Report

Management of the Group is responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the Fund’s constitution and for such internal control as management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

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

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

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

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

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AG Collinson
Partner
Chartered Accountants
Sydney, 25 September 2019