

Appendix 4D

Half year report for the period ended 31 December 2021

Name of entity	Elanor Commercial Property Fund (ECF), a stapled entity comprising Elanor Funds Management Limited as Responsible Entity of Elanor Commercial Property Fund I (ECPF I), and Elanor Funds Management Limited as Responsible Entity of Elanor Commercial Property Fund II (ECPF II).
ARSN	Elanor Commercial Property Fund I 636 623 099
ARSN	Elanor Commercial Property Fund II 636 623 517
ABN	Elanor Funds Management Limited 39 125 903 031
Reporting period	Six month period ended 31 December 2021
Previous corresponding period	Six month period ended 31 December 2020

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 2021.

Results for announcement to the market

Financial Performance

		A \$'000
Revenue from ordinary activities	Up 9.46% to	21,865
Profit/(loss) from ordinary activities attributable to security holders	Up 18.72% to	18,598
Net profit/(loss) for the period attributable to security holders	Up 18.72% to	18,598
Funds from Operations ¹	Up 10.63% to	14,330

Distribution

Current Period	Amount per unit
Quarterly Distribution - (December 2021 Quarter) ²	2.35 cents
Quarterly Distribution - (September 2021 Quarter)	2.35 cents
Previous Corresponding Period:	
Quarterly Distribution - (December 2020 Quarter)	2.55 cents
Quarterly Distribution - (September 2020 Quarter)	2.53 cents

Record date for determining entitlement to the Final Distribution:	31 December 2021
Date the Final Distribution is payable:	28 February 2022
The components of the Interim Distribution comprise ² :	Trust Distribution: 2.35 cents

Note: Further information on tax components of the distribution will be provided to securityholders with their distribution statement for the period ending 31 December 2021.

Net Tangible Assets

Current Period	Current Period
Net tangible asset backing per security	\$1.19
Previous Corresponding Period	
Net tangible asset backing per security	\$1.18

Notes:

- Funds from Operations (FFO) has been determined in accordance with the Property Council Guidelines and represents the Directors' view of underlying earnings from ongoing operating activities since listing on 6 December 2019, being statutory profit / (loss) (under IFRS), adjusted for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gains/loss on sale of investment properties, straight-line rental adjustments, non-FFO tax expenses/benefits and other unrealised one-off items, determined in accordance with ASIC RG230.
- The quarterly distributions are based on a payout ratio of 85% of Funds from Operations.

Control Gained over Entities during the Period

100% equity investment in 50 Cavill Ave Property Trust

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 final distribution for the half year ended 31 December 2021.

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

- Directors' Report
- Interim Financial Report



Interim Financial Report

For the half year ended
31 December 2021

Elanor Commercial Property Fund

Comprising the stapling of units in Elanor Commercial Property Fund I (ARSN 636 623 099) and units in Elanor Commercial Property Fund II (ARSN 636 623 517)

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ELANOR COMMERCIAL PROPERTY FUND

TABLE OF CONTENTS

Directors' Report	3
Auditor's Independence Declaration	8
Consolidated Statements of Profit or Loss	9
Consolidated Statements of Comprehensive Income	10
Consolidated Statements of Financial Position	11
Consolidated Statements of Changes in Equity	12
Consolidated Statements of Cash Flows	14
Notes to the Consolidated Financial Statements.....	15
Directors' Declaration to Stapled Securityholders	25
Independent Auditor's Report.....	26

ELANOR COMMERCIAL PROPERTY FUND

DIRECTORS' REPORT

Directors' Report

The Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Commercial Property Fund, present their interim report together with the consolidated interim financial report of Elanor Commercial Property Fund (Group, Consolidated Group or Fund) for the half year ended 31 December 2021 (period).

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

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.

ECPF I and ECPF II were registered as managed investment schemes on 18 October 2019. The units of ECPF I and the units of ECPF II are combined and issued as stapled securities in the Group. The Group's securities are traded on the Australian Securities Exchange (ASX: ECF). The units of each scheme cannot be traded separately and can only be traded as stapled securities. Although there is no ownership interest between ECPF I and ECPF II, ECPF I 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
- Anthony Fehon
- Su Kiat Lim (appointed 1 October 2021)
- Karyn Baylis (appointed 1 November 2021)

2. Principal activities

The principal activity of the Fund is the investment in Australian commercial properties, with a focus on high investment quality commercial properties, located in major metropolitan areas or established commercial precincts.

3. Distributions

Distributions relating to the half year ended 31 December 2021 comprise:

	Distribution Cents per stapled security	31 December 2021 \$'000
Consolidated Group		
Distribution paid: 1 July - 30 September 2021	2.35	6,612
Distribution payable: 1 October - 31 December 2021	2.35	6,613
Total distributions paid or payable	4.70	13,225

ELANOR COMMERCIAL PROPERTY FUND

DIRECTORS' REPORT

4. Operating and financial review

OVERVIEW AND STRATEGY

The Elanor Commercial Property Fund is an externally managed real estate investment fund that invests in high investment quality commercial office properties.

The Fund's objective is to provide strong, risk-adjusted returns through a combination of regular distributions and capital growth. To achieve this objective, the Fund's strategy is to:

- Invest in commercial office properties located in major metropolitan areas or established commercial precincts;
- Implement leasing and active asset management to grow the income and value of the properties;
- Acquire additional investment grade commercial properties that satisfy the Fund's investment criteria and enhance overall portfolio quality; and
- Maintain a conservative capital structure with a target Gearing range between 30% and 40%.

During the six months to 31 December 2021, the Fund completed and achieved the following key initiatives and results:

- Funds from Operations (FFO) for the period of \$14.3 million or 5.50 cents per security;
- Distributions of \$13.2 million or 4.7 cents per security, at a payout ratio of 85% - at the low end of the Fund's target payout ratio range (80% – 100%);
- Acquired the 50 Cavill Avenue, Surfers Paradise property, for \$113.5 million in August 2021 (\$110.6 million net of settlement adjustments for outstanding incentives);
- Remained negligibly impacted by the COVID-19 pandemic, with immaterial arrears across the Portfolio; and
- Successfully negotiated and executed a range of lease renewals and new leases over vacant areas.

Impact of COVID-19 on the Fund

Government requirements and health related measures in response to the COVID-19 pandemic have continued during the period, and the pandemic continues to influence operating and financial conditions across the Australian economy.

The Fund's income is generated from a diversified portfolio of tenants that have showed insignificant adverse impact from the pandemic. A very small portion of the Fund's retail tenants have been affected by the challenging trading conditions and therefore required rent relief support. At balance date, the Fund had a provision in respect of potential COVID-19 impacts to rental income of \$0.14 million.

The impacts of COVID-19 on the Fund have also been considered in the determination of the fair value of investment properties. Refer to Note 4 for the key estimates and significant judgements applied.

ELANOR COMMERCIAL PROPERTY FUND

DIRECTORS' REPORT

4. Operating and financial review (continued)

INVESTMENT PORTFOLIO

The valuation of the Fund's portfolio of investment properties (excluding 50 Cavill Avenue) at 31 December 2021 has increased by \$13.2 million (3.4%) since 30 June 2021. The valuation of 50 Cavill Avenue at 31 December 2021 increased by \$2.0 million (1.76%) since its acquisition in August 2021, or \$4.9 million (4.4%) from the purchase price net of settlement adjustments for vendor funded incentives.

This increase in portfolio valuation has resulted from the successful execution of strategic leasing and asset management initiatives across the portfolio and from tighter capitalisation rates applied to the independent valuations of the Fund's assets. The result reflects the strength of the Fund's tenancy profile and investor demand for comparable assets.

The resilience of the Fund's property portfolio in the current uncertain economic environment is reflective of its tenant quality, its WALE of 3.7 years, weighted average capitalisation rate of 6.33%, and the properties' locations in established commercial precincts.

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

Property	Location	Carrying Value \$'m
WorkZone West	Perth, WA	134.0
50 Cavill Avenue	Surfers Paradise QLD	115.5
Garema Court	Canberra, ACT	72.0
200 Adelaide St	Brisbane, QLD	55.5
Campus DXC	Felixstow, SA	37.5
Limestone Centre	Ipswich, QLD	37.0
NEXUS Centre	Mount Gravatt, QLD	39.2
34 Corporate Drive	Cannon Hill, QLD	22.5
Total Investment properties		513.2

FINANCIAL RESULTS

The Fund recorded a statutory profit of \$18.60 million for the half year ended 31 December 2021.

Funds from Operations (FFO) were \$14.33 million or 5.50 cents per weighted average stapled security. FFO is the Directors' measure of the periodic amount available for distributions, and has been determined in accordance with the Property Council Guidelines.

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

Key financial results	Consolidated Group 31 December 2021	ECPF II 31 December 2021
Net profit (\$'000)	18,598	3,798
Funds from Operations (FFO) (\$'000)	14,330	1,081
Distributions payable to securityholders (\$'000)	6,613	427
FFO per stapled security (cents)	5.09	0.38
FFO per weighted average stapled security (cents)	5.50	0.41
Distributions (cents per stapled security)	4.70	0.36
Net tangible assets (\$ per stapled security)	1.19	0.09
Gearing (net debt / total assets less cash) (%)	32.79%	30.85%

ELANOR COMMERCIAL PROPERTY FUND

DIRECTORS' REPORT

4. Operating and financial review (continued)

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

	Consolidated Group 31 December 2021 \$'000	ECPF II 31 December 2021 \$'000
Funds from Operations (FFO)		
Statutory net profit for the 6 months ending 31 December 2021	18,598	3,798
<i>Adjustments for items included in statutory profit:</i>		
Transaction and establishment costs	1	-
Fair value adjustments on investment property	(5,555)	(2,857)
Straight lining of rental income ²	(319)	(44)
Amortisation expense ³	1,605	184
Funds from Operations (FFO)¹	14,330	1,081

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

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

Note 3: Amortisation expense includes the amortisation of capitalised leasing costs and rental abatements, and debt establishment costs recognised in the Statement of Profit or Loss.

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 commercial office properties.

The Fund is committed to growing the value of its investment portfolio and continues to evaluate high investment quality commercial office properties to enhance risk-adjusted returns and improve the diversification, WALE and overall quality of the Fund's portfolio.

Throughout the COVID-19 pandemic the Fund's assets have continued to prove their resilience with limited financial impact on the Fund to date. Risks to the Fund include potential earnings variability associated with uncertain economic and market conditions related to the COVID-19 pandemic. However, investment demand for quality assets has remained positive. Other risks include potential related movements in property valuations and possible weather-related events.

These risks to the Fund are mitigated through the active management of the Fund's portfolio. Regular engagement with tenants across the portfolio and ongoing assessments of tenant rental risks, including relevant scenario analysis, are key contributors to the strong performance of the Fund. Further risk mitigants include the broadening of the Fund's tenant mix, ensuring appropriate insurance arrangements are in place and actively managing the Fund's cash position and 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.

ELANOR COMMERCIAL PROPERTY FUND

DIRECTORS' REPORT

5. Carrying value of assets

	Consolidated Group 31 December 2021 \$'000	ECPF II 31 December 2021 \$'000
Value of total assets	532,254	40,739
Value of net assets	334,210	26,411

6. Interests in the Group

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

	Consolidated Group 31 December 2021	Consolidated Group 30 June 2021
Stapled securities on issue at the beginning of the period	204,400	204,400
Stapled securities raised through capital raising during the period	76,983	-
Stapled securities on issue at the end of the period	281,383	204,400

7. 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.

8. Events occurring after reporting date

The Directors are not aware of any other matter since the end of the period that has or may significantly affect the operations of the Fund, the result of those operations, or the state of the Fund's affairs in future financial periods that are not otherwise referred to in this Directors' Report.

9. 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 pursuant to section 298(2) of the Corporations Act 2001 (Cth).



Paul Bedbrook
Chairman



Glenn Willis
CEO and Managing Director

Sydney, 18 February 2022



Auditor's Independence Declaration

As lead auditor for the review of Elanor Commercial Property Fund I and Elanor Commercial Property Fund II for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'N R McConnell', is written over a light grey rectangular background.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
18 February 2022

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

		Consolidated Group 31 December 2021 \$'000	Consolidated Group 31 December 2020 \$'000	ECPF II 31 December 2021 \$'000	ECPF II 31 December 2020 \$'000
	Note				
Income					
Rental income	2	18,860	17,678	1,488	1,579
Other income		357	298	44	-
Outgoings reimbursements		2,648	1,999	98	129
Net fair value movement of investment properties	4	5,555	2,515	2,857	(1)
Total income		27,420	22,490	4,487	1,707
Expenses					
Rates, taxes and other outgoings		4,175	3,509	348	348
Borrowing costs		1,949	1,567	154	157
Other expenses		1,133	469	73	70
Investment management fees		1,564	1,255	114	120
Transaction and establishment costs		1	25	-	-
Total expenses		8,822	6,825	689	695
Net profit for the period		18,598	15,665	3,798	1,012
Attributable to securityholders of:					
- Elanor Commercial Property Fund I		14,800	14,653	-	-
- Elanor Commercial Property Fund II (Non-controlling interest)		3,798	1,012	3,798	1,012
Net profit attributable to ECPF securityholders		18,598	15,665	3,798	1,012
Net profit for the period		18,598	15,665	3,798	1,012
Basic (loss)/earnings per stapled security (cents)		0.071	0.077	0.015	0.005
Diluted (loss)/earnings per stapled security (cents)		0.071	0.077	0.015	0.005

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 HALF YEAR ENDED 31 DECEMBER 2021

	Consolidated Group 31 December 2021 \$'000	Consolidated Group 31 December 2020 \$'000	ECPF II 31 December 2021 \$'000	ECPF II 31 December 2020 \$'000
Net profit for the period	18,598	15,665	3,798	1,012
Other comprehensive income				
<i>Items that may be reclassified to profit and loss</i>				
Gain/(Loss) on revaluation of cash flow hedge	3,180	(224)	185	(22)
Other comprehensive income/(loss) for the period	3,180	(224)	185	(22)
Total comprehensive income for the period	21,778	15,441	3,983	990
Attributable to securityholders of:				
- Elanor Commercial Property Fund I	17,795	14,451	-	-
- Elanor Commercial Property Fund II (Non-controlling interest)	3,983	990	3,983	990
Total comprehensive income for the period	21,778	15,441	3,983	990

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 HALF YEAR ENDED 31 DECEMBER 2021

		Consolidated Group 31 December 2021 \$'000	Consolidated Group 30 June 2021 \$'000	ECPF II 31 December 2021 \$'000	ECPF II 30 June 2021 \$'000
	Note				
Assets					
Current assets					
Cash and cash equivalents		14,447	8,409	1,248	473
Receivables		1,163	454	55	15
Prepayments		877	344	19	11
Other current assets		61	458	38	35
Derivative financial instruments		726	-	41	-
Total current assets		17,274	9,665	1,401	534
Non-current assets					
Investment property	4	513,200	384,500	37,000	34,000
Interest bearing cross staple loan receivable		-	-	2,258	3,527
Derivative financial instruments		1,780	-	80	-
Total non-current assets		514,980	384,500	39,338	37,527
Total assets		532,254	394,165	40,739	38,061
Liabilities					
Current liabilities					
Trade and other payables		4,042	2,662	231	368
Rent received in advance		3,015	682	227	229
Distribution payable	3	6,613	5,092	427	529
Derivative financial instruments		133	342	13	32
Total current liabilities		13,803	8,778	898	1,158
Non-current liabilities					
Interest bearing liabilities	5	184,223	141,441	13,429	13,421
Derivative financial instruments		18	483	2	46
Total non-current liabilities		184,241	141,924	13,431	13,467
Total liabilities		198,044	150,702	14,329	14,625
Net assets		334,210	243,463	26,410	23,436
Equity					
<i>Equity Holders of Parent Entity</i>					
Contributed equity		307,190	224,996	25,978	25,978
Reserves		1,999	(996)	358	173
(Accumulated losses)/retained profits		(1,389)	(3,973)	74	(2,715)
Parent entity interest		307,800	220,027	26,410	23,436
<i>Equity Holders of Non-Controlling Interest</i>					
Contributed equity		25,978	25,978	-	-
Reserves		358	173	-	-
Retained profits		74	(2,715)	-	-
Non-controlling interest		26,410	23,436	-	-
Total equity attributable to stapled securityholders:					
- Elanor Commercial Property Fund I		307,800	220,027	-	-
- Elanor Commercial Property Fund II		26,410	23,436	26,410	23,436
Total equity attributable to stapled securityholders:		334,210	243,463	26,410	23,436

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 HALF YEAR ENDED 31 DECEMBER 2021

Consolidated Group	Note	Contributed Equity \$'000	Cash Flow Hedge Reserves \$'000	Accumulated profit/(losses) \$'000	Parent Entity Total Equity \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
Balance as at 1 July 2021		224,996	(996)	(3,973)	220,027	23,436	243,463
Net (loss)/profit for the period		-	-	14,800	14,800	3,798	18,598
Other comprehensive income for the period		-	2,995	-	2,995	185	3,180
Total comprehensive income for the period		-	2,995	14,800	17,795	3,983	21,778
Transactions with securityholders in their capacity as securityholders:							
Contributions of equity, net of issue costs		82,194	-	-	82,194	-	82,194
Distributions paid or payable	3	-	-	(12,216)	(12,216)	(1,009)	(13,225)
Total equity as at 31 December 2021		307,190	1,999	(1,389)	307,800	26,410	334,210
Balance as at 1 July 2020		224,996	(2,051)	(17,316)	205,629	25,939	231,568
Net (loss)/profit for the period		-	-	14,653	14,653	1,012	15,665
Other comprehensive income for the period		-	(202)	-	(202)	(22)	(224)
Total comprehensive income for the period		-	(202)	14,653	14,451	990	15,441
Transactions with securityholders in their capacity as securityholders:							
Distributions paid or payable	3	-	-	(9,305)	(9,305)	(1,056)	(10,362)
Total equity as at 31 December 2020		224,996	(2,253)	(11,968)	210,775	25,872	236,648

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

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Elanor Commercial Property Fund II	Note	Contributed Equity \$'000	Cash Flow Hedge Reserves \$'000	Accumulated profit/(losses) \$'000	Total Equity \$'000
Balance as at 1 July 2021		25,978	173	(2,715)	23,436
Net profit for the period		-	-	3,798	3,798
Other comprehensive income for the period		-	185	-	185
Total comprehensive income for the period		-	185	3,798	3,983
Transactions with securityholders in their capacity as securityholders:					
Distributions paid or payable	3	-	-	(1,009)	(1,009)
Total equity as at 31 December 2021		25,978	358	74	26,410
Balance as at 1 July 2020		25,978	61	(101)	25,938
Net profit for the period		-	-	1,012	1,012
Other comprehensive income for the period		-	(22)	-	(22)
Total comprehensive income for the period		-	(22)	1,012	990
Transactions with securityholders in their capacity as securityholders:					
Distributions paid or payable		-	-	(1,056)	(1,056)
Total equity as at 31 December 2020		25,978	39	(145)	25,872

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

ELANOR COMMERCIAL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Consolidated Group 31 December 2021 \$'000	Consolidated Group 31 December 2020 \$'000	ECPF II 31 December 2021 \$'000	ECPF II 31 December 2020 \$'000
Cash flows from operating activities				
Rental and other property income received	23,472	20,395	1,639	2,088
Finance costs paid	(1,856)	(1,555)	(146)	(149)
Payments to suppliers and the Responsible Entity	(7,384)	(7,845)	(828)	(794)
Net cash flows from in operating activities	14,232	10,995	665	1,145
Cash flows from investing activities				
Net payments for additions to investment properties	(121,372)	(630)	(48)	(62)
Payments for transaction costs	(1)	(25)	-	-
Net cash flows used in investing activities	(121,373)	(655)	(48)	(62)
Cash flows from financing activities				
Proceeds from interest bearing liabilities	42,689	1,788	-	-
Repayments of interest bearing liabilities and borrowing costs	-	-	-	(9)
Proceeds from issue of shares	84,682	-	-	-
Transaction costs related to issue of shares	(2,488)	-	-	-
Distributions paid	(11,704)	(10,008)	(1,111)	(979)
Proceeds from interest bearing - cross staple loan	-	-	1,269	-
Repayments of interest bearing - cross staple loan	-	-	-	(381)
Net cash flows from/(used in) financing activities	113,179	(8,220)	158	(1,369)
Net increase in cash and cash equivalents	6,038	2,120	775	(286)
Cash and cash equivalents at the beginning of the period	8,409	6,813	473	1,018
Cash at the end of the period	14,447	8,933	1,248	732

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

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Notes to the Consolidated Financial Statements

About this Report

Elanor Commercial Property Fund (the Fund, Group or Consolidated Group) is a 'stapled' entity comprising Elanor Commercial Property Fund I (ECPF I) and its controlled entities, including Elanor Commercial Property Fund II (ECPF II). The units in ECPF I 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 I 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, and Elanor Commercial Property Fund II. As permitted by ASIC Instrument 2015/838 (Stapled Group Reports), this report is a combined report that presents the consolidated financial statements and accompanying notes of both the Fund and ECPF II.

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

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Fund during the half year ended 31 December 2021 in accordance with the continuous disclosure requirements of the Corporations Act 2001. The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial report.

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

New accounting standards and interpretations

(a) New and amended accounting standards and interpretations commencing 1 July 2021

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that are applicable to the Fund.

(b) New accounting standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Fund. These standards, amendments or interpretations are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

The consolidated financial report of the Fund incorporates the assets and liabilities of ECPF I (the Parent) and all of its subsidiaries, including ECPF II as at 31 December 2021. ECPF I is the parent entity in relation to the stapling.

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

Rounding of amounts to the nearest thousand dollars

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

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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

RESULTS	17
1. Segment information	17
2. Revenue	17
3. Distributions	18
OPERATING ASSETS	19
4. Investment properties.....	19
FINANCE STRUCTURE	21
5. Interest bearing liabilities.....	21
OTHER ITEMS.....	22
6. Related parties	22
7. Unrecognised items.	23
8. Subsequent events	24
9. Accounting estimates and judgements	24

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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 31 December 2021 \$'000	Consolidated Group 31 December 2020 \$'000	ECPF II 31 December 2021 \$'000	ECPF II 31 December 2020 \$'000
WorkZone West	6,768	6,739	-	-
Garema Court	3,400	3,447	-	-
50 Cavill Avenue	2,298	-	-	-
200 Adelaide St	1,447	1,710	-	-
Campus DXC	1,571	1,559	-	-
Limestone Centre	1,488	1,579	1,488	1,579
NEXUS Centre	1,749	1,717	-	-
34 Corporate Drive	139	927	-	-
Total revenue from operating activities	18,860	17,678	1,488	1,579

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

3. Distributions

OVERVIEW

In accordance with the Fund's Constitutions, the Responsible Entity 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 period ended 31 December 2021:

	Distribution 31 December 2021	Total 31 December 2021
	cents per stapled security	amount \$'000
Consolidated Group		
Distribution paid: 1 July - 30 September 2021	2.35	6,612
Distribution payable: 1 October - 31 December 2021 ¹	2.35	6,613
Total	4.70	13,225

¹The distribution of 2.35 cents per stapled security for the quarter ended 31 December 2021 will be paid on 28 February 2022. Please refer to the Director's Report for the calculation of FFO and the Distribution.

	Distribution 31 December 2020	Total 31 December 2020
	cents per stapled security	amount \$'000
Consolidated Group		
Distribution paid: 1 July - 30 September 2020	2.52	5,156
Distribution payable: 1 October - 31 December 2020	2.54	5,205
Total	5.06	10,361

ECPF II

The following distributions were declared and paid by the ECPF II in respect of the period ended 31 December 2021:

	Distribution 31 December 2021	Total 31 December 2021
	cents per stapled security	amount \$'000
Distribution paid: 1 July - 30 September 2021	0.21	582
Distribution payable: 1 October - 31 December 2021 ¹	0.15	427
Total	0.36	1,009

(1) The distribution of 0.15 cents per stapled security for the quarter ended 31 December 2021 will be paid on 28 February 2022. Please refer to the Director's Report for the calculation of FFO and the Distribution.

	Distribution 31 December 2020	Total 31 December 2020
	cents per stapled security	amount \$'000
Distribution paid: 1 July - 30 September 2020	0.27	545
Distribution payable: 1 October - 31 December 2020	0.25	511
Total	0.52	1,056

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

3. Distributions (continued)

ACCOUNTING POLICY

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

A review was performed on the accounting policy for the recognition of distributions at 30 June 2021, as disclosed in the Fund's Annual Financial Report. In prior periods, a distribution was recognised when declared. It is deemed appropriate, given the track record of the Fund paying a distribution, to record a liability at balance date as the record date has passed and it is probable the distribution in respect of the half year ended 31 December 2021 will be paid. This policy change has been applied retrospectively, resulting in a restatement in the retained earnings balance as at 31 December 2020 in the Consolidated Statement of Changes in Equity. The total impact is a decrease in the comparative retained earnings of \$5.20 million and \$0.5 million for the Consolidated Group and ECPF II, respectively.

Operating Assets

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

4. Investment properties

OVERVIEW

Investment Properties are held solely for the purpose of earning rental income and/or for capital appreciation. At balance date, the Fund's investment property portfolio comprised eight commercial properties in Australia. Independent valuations were performed for all properties as at 31 December 2021.

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

Refer to the 30 June 2021 Annual Financial Report for detailed accounting policies and the valuation techniques applied.

(a) Carrying values of investment properties

		Consolidated Group 31 December 2021 \$'000	Consolidated Group 30 June 2021 \$'000	ECPF II 31 December 2021 \$'000	ECPF II 30 June 2021 \$'000
	Valuation				
WorkZone West	External	134,000	134,000	-	-
50 Cavill Avenue	External	115,500	-	-	-
Garema Court	External	72,000	71,500	-	-
200 Adelaide St	External	55,500	50,000	-	-
Campus DXC	External	37,500	37,500	-	-
Limestone Centre	External	37,000	34,000	37,000	34,000
NEXUS Centre	External	39,200	36,500	-	-
34 Corporate Drive	External	22,500	21,000	-	-
Total investment properties held at fair value		513,200	384,500	37,000	34,000

On 2 August 2021, the Fund exchanged contracts for the acquisition of the 50 Cavill Avenue. The transaction was settled on 31 August 2021 for a gross acquisition price of \$113.5 million (\$110.6 million net of settlement adjustments for vendor funded incentives).

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

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

4. Investment properties (continued)

(b) Movement in investment properties

	Consolidated Group 31 December 2021 \$'000	Consolidated Group 30 June 2021 \$'000	ECPF II 31 December 2021 \$'000	ECPF II 30 June 2021 \$'000
Opening Balance	384,500	373,500	34,000	36,300
Acquisitions	118,278	-	-	-
Capital expenditure	4,260	1,950	47	335
Straightlining of rental income	319	1,661	44	(121)
Amortisation	(377)	-	-	-
Movement in lease incentives and rental guarantee	665	1,809	52	122
Net fair value adjustments	5,555	5,580	2,857	(2,636)
Total investment properties	513,200	384,500	37,000	34,000

(c) Fair value measurement

Highest and best use

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

Fair value hierarchy and valuation techniques

The fair value measurement for investment properties has been categorised as Level 3 fair value based on the key inputs to the valuation techniques. Key valuation assumptions including capitalisation rates, terminal yields and discount rates were determined based on comparable market evidence and valuation parameters determined in external valuations completed for comparable properties.

Refer to the 30 June 2021 Annual Financial Report for detailed explanations of the significant unobservable inputs.

Valuation Techniques	Significant unobservable inputs	Range FY22 H1	Range FY21 H1	Weighted average FY22 H1	Weighted average FY21 H1
<i>Discounted cash flows</i> – 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	6.50% - 7.0%	6.75% - 7.75%	6.67%	7.13%
	Adopted terminal yield	5.75% - 7.25%	6.75% - 7.75%	6.59%	7.03%
	Net property income (per sqm)	\$270 - \$865	\$184 - \$795	\$574	\$554
<i>Capitalisation method</i> – 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	5.50% - 7.00%	6.50% - 7.25%	6.33%	6.72%

The COVID-19 pandemic continued to create uncertainty in the office real estate sector. Considering the continued uncertainty created by the pandemic, the Fund independently valued all eight assets representing 100% of the portfolio by value at 31 December 2021. Across the independent valuations, valuers adopted a range of adjustments to reflect the shorter-term impact of the pandemic. Property specific adjustments such as increases in vacancy periods, increases in operating costs, reductions in lease income to reflect the allowance for lease abatements under the Code of Conduct, reduction in renewal assumptions on expiry of existing leases and changes to growth rates were made. These assumptions were generally applied over a forward-looking period of between 6 months and 2 years by the external valuers.

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

4. Investment properties (continued)

(c) Fair value measurement (continued)

All the relevant information available at 31 December 2021 has been incorporated in determining the fair value of the Group's investment properties, including relevant market information between 31 December 2021 and the date of approval of the Group's financial statements. No additional information after balance date had an impact on the fair value of the Group's investment properties reported at 31 December 2021.

The following sensitivity analysis has been prepared to illustrate the exposure of the fair value of the investment property balance at 31 December to changes in the key drivers most impacted by the current market uncertainty. Significant unobservable inputs such as discount and capitalisation rates, and terminal yields may be impacted by market movements after 31 December 2021. While it is unlikely that the significant assumptions would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual assumption has on fair value.

Sensitivity Analysis

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

	Fair value measurement sensitivity			
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
	\$'000	\$'000	%	%
Discount rate (%)	(10,000)	9,500	(1.9%)	1.9%
Terminal yield (%)	(12,200)	13,000	(2.4%)	2.5%
Capitalisation rate (%)	(19,600)	22,050	(3.8%)	4.3%

Finance Structure

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

5. Interest bearing liabilities

OVERVIEW

The Fund has access to a total of \$189.7 million of debt facilities. The total drawn amount at 31 December 2021 was \$184.8 million, with a weighted average debt facility maturity of 3.08 years and a weighted average interest rate of 2.19% p.a. at 31 December 2021. The interest rate risk of drawn facilities is hedged to 97.3%.

	Consolidated Group 31 December 2021 \$'000	Consolidated Group 30 June 2021 \$'000	ECPF II 31 December 2021 \$'000	ECPF II 30 June 2021 \$'000
Non-current - secured				
Bank loan - term debt	184,780	141,788	13,456	13,456
Borrowing costs less amortisation	(557)	(347)	(27)	(35)
Total non-current interest bearing liabilities	184,223	141,441	13,429	13,421
Total interest bearing liabilities	184,223	141,441	13,429	13,421

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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. Related parties

OVERVIEW

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

(a) Key management personnel

Responsible Entity

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

Directors of the Responsible Entity

The Directors of Elanor Funds Management Limited are:

Paul Bedbrook (Chair)
Glenn Willis (Managing Director and Chief Executive Officer)
Nigel Ampherlaw
Anthony Fehon
Su Kiat Lim (appointed 1 October 2021)
Karyn Baylis (appointed 1 November 2021)

Key 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.

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

6. Related parties (continued)

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 and cost recoveries.

	Consolidated Group 31 December 2021	Consolidated Group 31 December 2020	ECPF II 31 December 2021	ECPF II 31 December 2020
Fees paid to Elanor Investors Group and its controlled entities:				
Management Fees	1,564,289	1,255,160	114,337	120,198
Other	312,466	302,466	40,819	43,209
Total	1,876,755	1,557,626	155,156	163,407

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:

	31 December 2021 No. of fully paid units
Investment held by Elanor Investment Trust	30,664,771
Investment held by Directors and Other Management Personnel	587,823
Total	31,252,594

	30 June 2021 No. of fully paid units
Investment held by Elanor Investment Trust	30,664,771
Investment held by Directors and Other Management Personnel	396,288
Total	31,061,059

Cross-Staple Loan

On 9 December 2019, as part of the internal funding structure on listing of the Fund, ECPF II entered into a 10 year interest-bearing loan with ECPF I at arm's length commercial terms. As at 31 December 2021, the outstanding loan balance payable to ECPF II was \$2.26 million (30 June 2021: \$3.53 million).

7. Unrecognised items

OVERVIEW

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

(a) Contingent liabilities

The Directors are not aware of any material contingent liabilities of the Fund as at 31 December 2021 (30 June 2021: nil).

(b) Commitments

The Fund has no capital commitments as of 31 December 2021 (30 June 2021: nil).

ELANOR COMMERCIAL PROPERTY FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

8. Subsequent events

The Directors are not aware of any other matter since the end of the period that has or may significantly affect the operations of the Fund, the result of those operations, or the state of the Fund's affairs in future financial periods that are not otherwise referred to in this Directors' Report.

9. Critical accounting estimates and judgements

OVERVIEW

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 2021, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are consistent with those disclosed in the financial report of the previous financial year.

COVID-19 Pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the financial statements. This uncertainty is associated with the extent and duration of the economic disruption to business arising from the response of government, businesses and consumers in response to the COVID-19 pandemic.

The impact of the COVID-19 pandemic has heightened uncertainty in applying accounting estimates and critical judgments for the period ended 31 December 2021. In response to the recent market volatility, the appropriateness of the inputs to the valuation of the Fund's investment properties (including vacancy allowances, lease renewal probabilities, levels of leasing incentives and market rent growth assumptions), and the impact of any changes in these inputs have been considered in detail in independent property valuations (including relevant sensitivity analysis) with respect to the fair value hierarchies. The Fund's portfolio of investment properties has been appropriately valued at balance date. Refer to Note 4 for further information.

The recoverability of the Fund's rent receivables has been assessed in detail. This assessment has been completed by the Fund's asset management team in conjunction with the property manager for each asset through the review of expected or requested waivers and deferrals of rent, assessment of each tenants' financial situation and the outstanding debtor ageing balance. Regular tenant engagement continues, with information provided by tenants in response to requests for rental relief under the Code of Conduct (including financial information) utilised in recoverability assessments.

ELANOR COMMERCIAL PROPERTY FUND

DIRECTORS' DECLARATION TO STAPLED SECURITYHOLDERS

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

- (a) the financial statements and notes set out on pages 9 to 24 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 entity's financial position as at 31 December 2021 and of its performance for the half year ended 31 December 2021; and
- (b) there are reasonable grounds to believe that the Consolidated Group and the ECPF II 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, 18 February 2022



Independent auditor's review report to the stapled security holders of Elanor Commercial Property Fund I and Elanor Commercial Property Fund II

Report on the half-year financial reports

Conclusion

We have reviewed the half-year financial report of:

- Elanor Commercial Property Fund I (the Registered Scheme) and the entities it controlled during the half-year (together the Group), and
- Elanor Commercial Property Fund II (ECPF II)

which comprise:

- the consolidated statements of financial position as at 31 December 2021
- the consolidated statements of comprehensive income for the half-year then ended
- the consolidated statements of changes in equity for the half-year then ended
- the consolidated statements cash flow statements for the half-year then ended
- the significant accounting policies and explanatory notes and the director's declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group and ECPF II does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's and ECPF II's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

We are independent of the Group and ECPF II in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Responsibilities of the directors of the Responsible Entity for the half-year financial report

The directors of Elanor Funds Management Limited, the Responsible Entity of the Group and ECPF II (the directors), are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's and ECPF II's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'N R McConnell'.

N R McConnell
Partner

Sydney
18 February 2022