15 October 2021

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

**Elanor Retail Property Fund Annual Report for the Year Ended 30 June 2021**

Attached is the Elanor Retail Property Fund (ASX:ERF) Annual Report for the year ended 30 June 2021.

The attached Annual Report, containing the Annual Financial Report, is consistent with the Appendix 4E Preliminary Final Report released to the ASX on 23 August 2021. In respect of the Annual Financial Report released to the ASX on 29 September 2021, we note that due to an inadvertent administrative issue in the preparation of the financial statements, page 17 of that report contained an incorrect version of the Consolidated Statements of Financial Position. As a result, the Annual Financial Report has been revised and reissued, including the correct Consolidated Statements of Financial Position as set out on page 26 of the attached Annual Report, together with the inclusion of details of the 1 October 2021 appointment of Mr Lim Su Kiat in the Directors' Report. Otherwise, no other amendments were required to any other pages of the Financial Report.

The Net Assets of ERF as at 30 June 2021 remains unchanged at $156.35 million.

Yours sincerely,

Symon Simmons
Company Secretary
Elanor Funds Management Limited

**Authority and Contact Details**

This announcement has been authorised for release by the Board of Directors of Elanor Funds Management Limited

For further information regarding this announcement please contact:

Symon Simmons
Company Secretary
Elanor Funds Management Limited
Phone: (02) 9239 8400

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Elanor RETAIL PROPERTY FUND

# Annual Report

For the year ended 30 June 2021

Tweed Mall Shopping Centre, Tweed Heads, NSW

## Contents



## Financial Calendar

**DEC**
December 2021
Estimated interim distribution announcement and securities trade ex-distribution

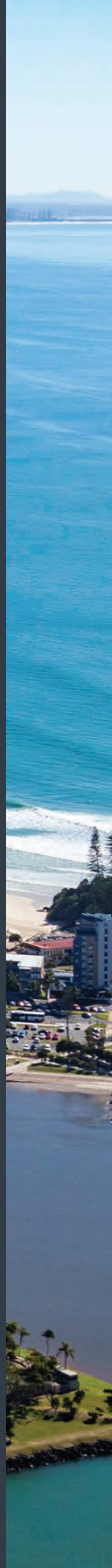
**FEB**
February 2022
Interim results announcement and Interim distribution payment

**JUN**
June 2022
Estimated final distribution announcement and securities trade ex-distribution

**AUG**
August 2022
Full-year results announcement and Final distribution payment

**SEP**
September 2022
Annual tax statements

**Responsible Entity**
Elanor Funds Management Limited ABN 39 125 903 031. AFSL 398196.

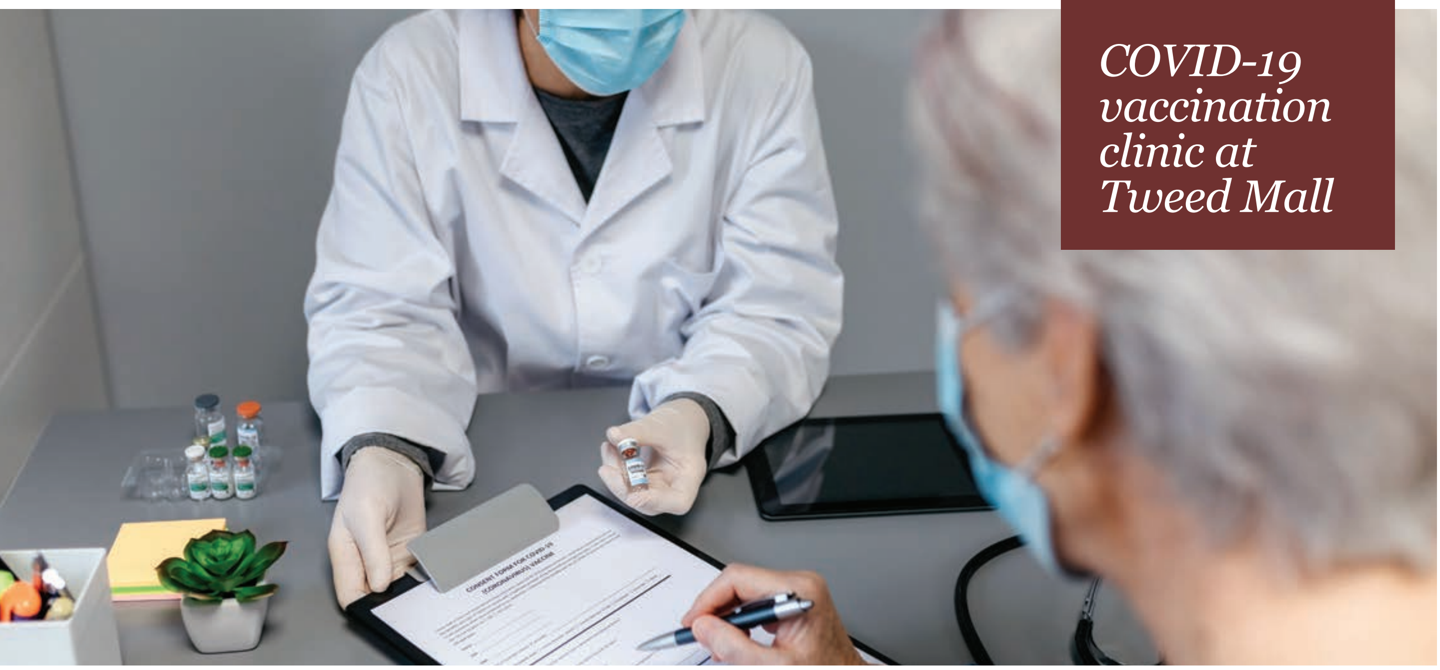


# Highlights

| Core Earnings | Distributions | Security Price | Portfolio Weighted Average Capitalisation Rate |
|---|---|---|---|
| For the financial year 2021 | per security | As at 30 June 2021 | |
| $11.7m | 20.67c | $1.14 | 7.32% |
| ↑ 5.1% | ↑ 294.5% | ↑ 38.2% | ↑ 0.4% |

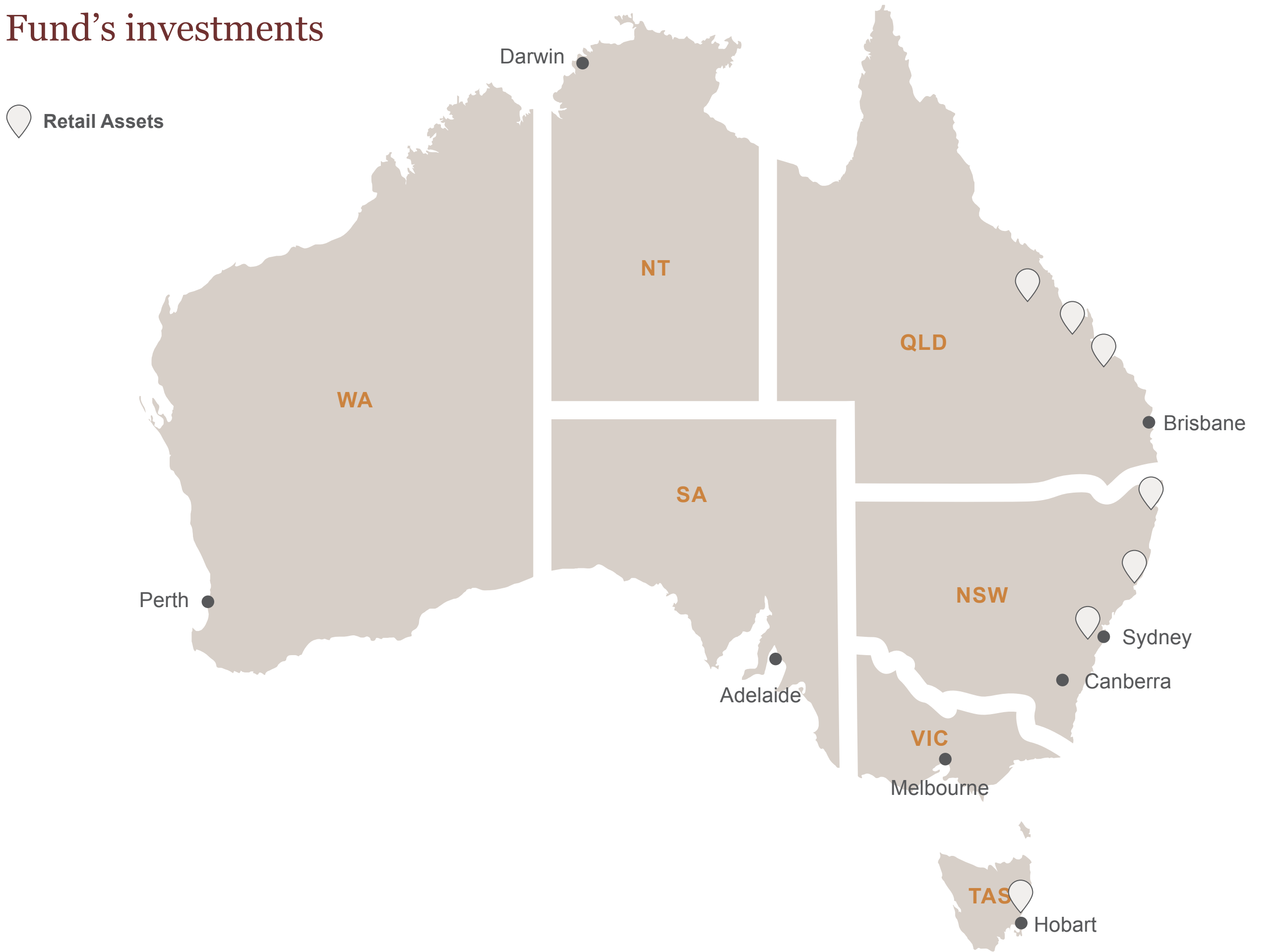
| Portfolio WALE | Portfolio Value | Net Asset Value | Gearing |
|---|---|---|---|
| by income | As at 30 June 2021 | per security | As at 30 June 2021 |
| 4.4yrs | $215.0m[1] | $1.22[2] | 21.1% |
| ↑ 10% | ↓ 32.2% | ↓ 9.0% | ↓ from 43.7% |

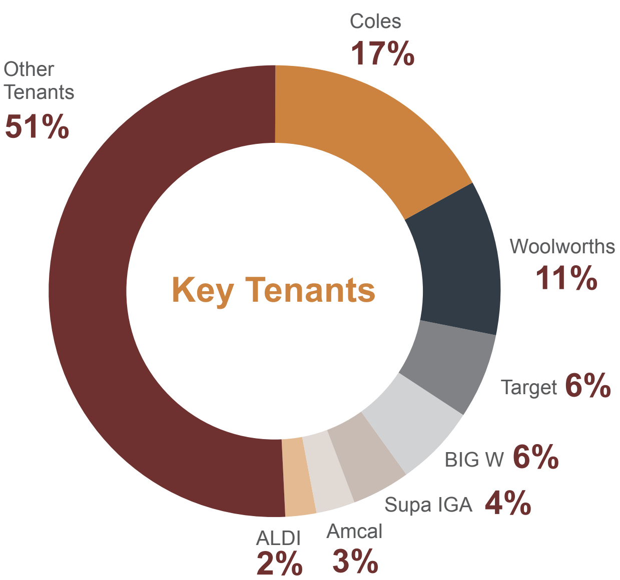
1) Post the sale of Auburn Central
2) Post Special and Final Distribution

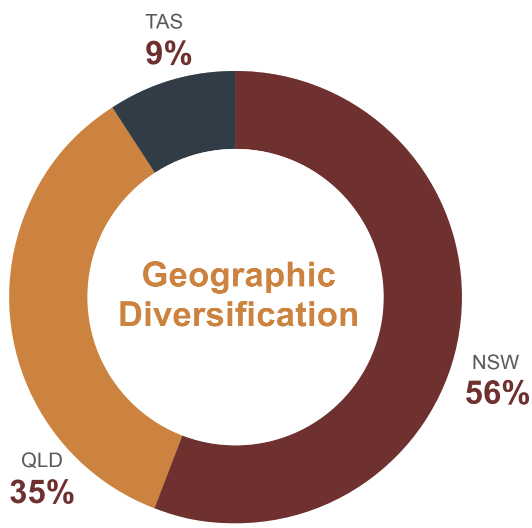


*COVID-19 vaccination clinic at Tweed Mall*

## Location of the Fund's investments



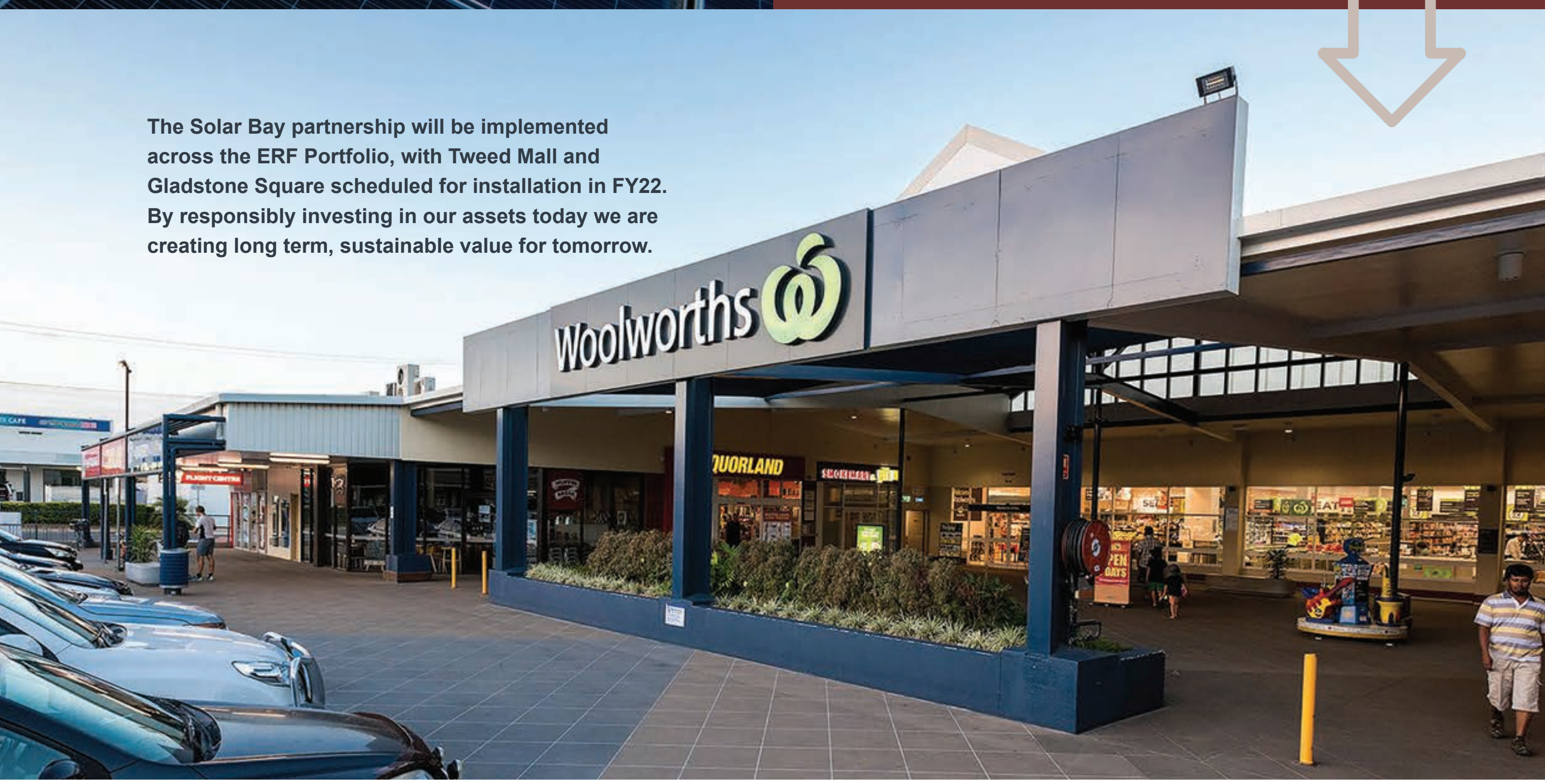



# Making a positive impact

## Strategic renewable energy initiative

A key initiative for the Fund is the strategic partnership with Solar Bay to deliver a renewable energy solution through the installation of rooftop solar arrays. This enables our tenants to benefit from cheaper energy sourced from renewables and allows them to track their positive environmental impacts.

**The Solar Bay partnership will be implemented across the ERF Portfolio, with Tweed Mall and Gladstone Square scheduled for installation in FY22. By responsibly investing in our assets today we are creating long term, sustainable value for tomorrow.**




## Waste minimisation

Waste management is a key focus to improve both our internal recycling targets and diversion away from landfill. Various waste management and recycling systems have been implemented across the portfolio and continue to be reviewed to achieve best practice outcomes across our assets. These systems include general waste, cardboard, plastics, commingled and organics recycling.

## Connecting with the community

Elanor strives to connect with stakeholders and embed ourselves in the local communities in which we operate. We connect through supporting various community groups such as Australian Red Cross, Lions Club, The Salvation Army, Coffee with a Cop, numerous community sporting clubs, and more.

# Message from the Chairman

On behalf of the Board, I am pleased to present Elanor Retail Property Fund's Annual Report, including its Financial Statements for the year ended 30 June 2021

Elanor Retail Property Fund (ERF) is an externally managed real estate investment fund investing in Australian retail property, focusing on high investment quality neighbourhood and sub-regional shopping centres. The Fund's core strategy is focused on actively managing and growing earnings from its defensive investment portfolio, realising value-add opportunities and acquiring additional high investment quality, value-add, retail properties.

The Fund has delivered Core Earnings of $11.7 million for the year. Distributions for the year ended 30 June 2021 totalled 20.67 cents per security (including the Special Distribution of 12.0 cents per security in respect of the gain on sale of the Fund's Auburn Central property).

## Achievements

The Fund has successfully completed the sale of the Auburn Central property for a gross sales price of $129.5 million, a premium to book value, following the transformation of the centre into a triple-supermarket anchored, metropolitan neighbourhood shopping centre.

The Fund continues to execute its retail repositioning strategy for Tweed Mall, remaining focused on unlocking the significant value upside in the asset through the execution of the strategy to reposition the Centre's retail mix and realise on the property's significant mixed-use value-add potential.

The Fund's Income Assets performed strongly over the year in challenging market conditions. The strength of the Fund's non-discretionary focused assets has been reflected in the recent divestment of the Moranbah Fair property, at book value, in August 2021.

As at 30 June 2021, ERF's gearing level was 21.1%, substantially below the Fund's target range (30% to 40%), thereby providing significant investment capacity. The Fund's weighted average cost of debt has been reduced to 1.7% p.a. and the average debt maturity is 2.9 years.

As at 30 June 2021, the Fund's Net Tangible Assets per security was $1.22 (after provisions for the Special Distribution and Final Distribution at year end).

## COVID-19

While the COVID-19 pandemic has created significant challenges to operating and financial conditions across the Australian economy, ERF's non-discretionary focused retail centres have proved their resilience during the year. As trading conditions in the retail sector remain challenging and uncertain, our operational teams remain vigilant in their execution of strategic initiatives while ensuring the health, safety and wellbeing of our staff, tenants and visitors to the Fund's properties.

## Outlook

The Fund's core strategy is focused on actively managing and growing earnings from its investment portfolio and acquiring additional high investment quality, value-add, retail properties.

While market conditions in the retail sector remain challenging and uncertain, the Fund is well positioned to enhance value for securityholders in the short term, following the execution of current initiatives to realise the operational and strategic opportunities across the Portfolio.

I wish to thank my fellow Board members, our executive leadership team and the Fund team led by Michael Baliva, for their hard work, dedication and enthusiasm.

Finally, thank you to all Elanor Retail Property Fund securityholders for your continued support.

Yours sincerely,

**Paul Bedbrook**
**Chairman**

# CEO's Message

## I am pleased to present Elanor Retail Property Fund's Annual Report for the financial year ended 30 June 2021

Core Earnings for the year ended 30 June 2021 was $11.7 million, and the Fund distributed 20.67 cents per security, including the Special Distribution of 12.0 cents per security in respect of the gain on sale of the Fund's Auburn Central property.

We continued to execute on the Fund's strategic objectives during the year: unlocking the significant value upside in the Fund's Value-Add asset, Tweed Mall; divesting the Fund's Income Assets, including Auburn Central following the successful repositioning of the Centre; and identifying potential high investment quality retail value-add assets for the Fund.

We are particularly pleased with the strong performance of the Fund's Income Assets over the period and a further realisation of the Funds Income Assets with the sale of Moranbah Fair, at book value, in August 2021.

The defensive nature of our non-discretionary focused portfolio is highlighted by its strong rental collections (97% for the year) and the strength of the Fund's property valuations in these challenging times (2.8% increase). We remain confident that the Fund is well positioned to continue to grow value for securityholders.

### Key Results

- Core Earnings for the period of $11.7 million, or 9.14 cents per security
- Distributions for the year ended 30 June 2021 totalled 20.67 cents per security (including the Special Distribution of 12.0 cents per security in respect of the gain on realisation of Auburn Central)
- Rent collections of 97% for the period
- 2.8% increase in portfolio value to $215 million since 30 June 2020
- Conservative gearing at 21.1%
- Net Tangible Assets per security of $1.22 (post recognition of the Special and Year End distributions) as at 30 June 2021

### Achievements

The sale of Auburn Central was completed for a gross sales price of $129.5 million, a 3% premium to book value, following the transformation of the Centre into a triple-supermarket anchored, metropolitan neighbourhood shopping centre.

Positive leasing momentum was achieved across the Fund's portfolio:

- Four new store openings at Gladstone Square during the year, rectifying several long-term vacancies and enhancing the food precinct and the Centre's services offering
- Strong leasing outcomes at Northway Plaza; the Centre's major tenant, Super IGA, exercised their rental option for a further five years; five renewals completed increasing the WALE of the Centre to 4.8 years
- Two new leasing transactions and six renewals were completed at Glenorchy Plaza to improve the tenancy mix at the Centre and the WALE of the asset
- Leasing progress at Tweed Mall in the lead up to the major repositioning project at the Centre; two new leasing transactions and three key renewals executed

Subsequent to year end, on 22 August 2021, the Fund entered into an unconditional contract for the sale of Moranbah Fair at book value of $28.0 million. The sale completed on 1 September 2021.

### Impact of COVID-19 on the Fund

The defensive attributes of the Group's shopping centre portfolio enabled the Fund to perform well during the year despite the challenging market conditions resulting from the COVID-19 pandemic. Trading activity across the Fund's portfolio recovered (post the easing of Government imposed restrictions), with 100% of the Fund's tenants trading as at 30 June 2021. Furthermore, rent collections for the period were 97%.

### Capital Management

$97.6 million of the Fund's debt was repaid during the period following asset sales – resulting in a reduction in the Fund's gearing to 21.1% at balance date. This is substantially below the Fund's target gearing range of 30% to 40%, thereby providing significant investment capacity.

During the year ahead, we will continue to explore capital management opportunities to deliver value to securityholders.

*"As the scale of our portfolio grows, we recognise the opportunity to amplify the positive environmental and social impacts of our investments on the communities in which we operate."*

Manning Mall, Taree, NSW

## Our Approach to Sustainability

We recognise the importance of managing environmental, social and governance factors in how we deliver value for our investors. As such, we evaluate acquisition opportunities through both a value-for-risk and sustainability lens – making a positive impact on the tenants and communities in which our assets operate is implicit in how we manage our investments.

We are pleased with the launch of our renewable energy initiative for the Fund's properties during the year. In collaboration with Solar Bay and Momentum Energy, we will deliver a combination of on-site and off-site renewables to meet 100% of the energy needs at the Fund's Tweed Mall and Gladstone Square properties.

As the scale of our portfolio grows, we recognise the opportunity to amplify the positive environmental and social impacts of our investments on the communities in which we operate. The Group's Environmental, Social and Governance (ESG) Management Committee, chaired by the CEO, and the broader funds management team are actively engaging with our stakeholders to deliver the Fund's ESG objectives.

## Strategy

The Fund's objective is to provide investors with strong income returns and capital growth. To achieve this objective, the Fund's strategy is to:

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

## Outlook

The Fund is well positioned to enhance value for securityholders. The active asset management of the portfolio is generating improved operational performance and investment returns. Furthermore, we are focused on executing strategic initiatives to grow securityholder value to reflect the underlying capital value of the Fund.

I wish to sincerely thank my fellow executives across the Group, our Seniors Advisors, and my fellow Executive Management Committee and Board members. I particularly want to thank the Fund's management team, led by Michael Baliva, for their dedication, enthusiasm and successful execution of the Fund's strategy over the year.

Yours sincerely,

**Glenn Willis**
**Managing Director and Chief Executive Officer**

# Financial Report

*for the year ended 30 June 2021*

# Directors' Report

## Directors' Report

The Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II, present their report together with the consolidated financial report of Elanor Retail Property Fund (Group, Consolidated Group or Fund) and the consolidated financial report of the Elanor Retail Property Fund I Group (ERPF I Group) for the year ended 30 June 2021.

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

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

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

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

## 1. Directors

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

- Paul Bedbrook (Chair)
- Glenn Willis (Managing Director and Chief Executive Officer)
- Nigel Ampherlaw
- Lim Kin Song (resigned 25 January 2021)
- Anthony Fehon
- Lim Su Kiat (appointed 1 October 2021)

## 2. Principal activities

The principal activities of the Fund are the investment in non-discretionary focused neighbourhood and sub-regional shopping centres that have strong value-add potential.

## 3. Distributions

Distributions relating to the year ended 30 June 2021 comprise:

| Distributions | Year Ended 30 June 2021 |
|---|---|
| Interim Distribution | |
| Amount paid (cents per stapled security) | 4.84 |
| Payment Date | 5 March 2021 |
| Special Distribution[1] | |
| Amount payable (cents per stapled security) | 12.00 |
| Payment Date | 3 September 2021 |
| Final Distribution[2] | |
| Amount payable (cents per stapled security) | 3.83 |
| Payment Date | 3 September 2021 |

[1] A distribution payable for the special distribution has been recognised at year end. The distribution was declared on 24 June 2021 and was paid 3 September 2021.

The Fund achieved Core Earnings of $11.7 million for the financial year ended 30 June 2021 and $5.1 million for the six months ended 30 June 2021. Total distributions in respect of the year ended 30 June 2021 is 20.67 cents per stapled security, including the special distribution of 12.0 cents per stapled security in respect of gain on asset divestments.

## 4. Operating and financial review

### OVERVIEW AND STRATEGY

The Fund is an externally managed real estate investment fund investing in Australian retail property focused on high investment quality neighbourhood and sub-regional shopping centres with strong value-add potential.

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

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

The Fund will focus on retail assets that provide opportunities for high, risk-adjusted total returns from realising the highest and best use from repositioning the centres' retail tenant mix, repositioning existing retail for higher and better use, and/or unlocking the assets' development potential.

The Fund's portfolio of non-discretionary focused retail properties:

- Comprise one 'Value-Add' property, Tweed Mall valued at $85.0 million, which is currently undergoing a repositioning project;
- Comprise four 'Income Assets', being sub-regional and neighbourhood shopping centres located across NSW, Tasmania and Queensland, with a combined value of $102.0 million;
- Had an occupancy level of 95.3% at balance date; and
- Generates approximately 46% of its income from major retailers and 48% from specialty retailers.

## 4. Operating and financial review (continued)

### OVERVIEW AND STRATEGY (continued)

Impact of the COVID-19 Pandemic on the Fund

Government requirements and health related measures in response to the COVID-19 pandemic continued throughout the financial year. The National Code of Conduct ceased on 31 December 2020 for Queensland and 31 March 2021 for New South Wales and Tasmania.

Certain restrictions eased, however recent COVID-19 lockdown restrictions, reintroduced in June 2021, will continue to influence operating and financial conditions across the Australian economy.

The Group's 'defensive' shopping centre portfolio performed well during the COVID-19 pandemic in 2020 and 2021. Given the geographic spread and non-discretionary nature of the ERF portfolio, the ongoing effects of the current COVID-19 pandemic restriction is expected to be relatively minimal. However, the implications of stricter or prolonged restrictions especially for non-essential goods and services retailers, are unclear.

As at 31 July 2021, 97% of rental billings for the financial year ended 30 June 2021 had been collected.

The majority of negotiations in respect to COVID-19 related rent relief and deferral arrangements have been finalised in accordance with the Code of Conduct. For the year ended 30 June 2021, the impact of COVID-19 rental abatements was $0.3 million, representing only 1.2% of Rental Income.

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 6 for the key estimates and significant judgements in this regard.

### INVESTMENT PORTFOLIO

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

| Property | Location | Type | Carrying Value $'m |
|---|---|---|---|
| Auburn Central | Auburn, NSW | Neighbourhood shopping centre | – |
| Tweed Mall | Tweed Heads, NSW | Sub-regional shopping centre | 85.0 |
| Manning Mall | Taree, NSW | Sub-regional shopping centre | 36.1 |
| Gladstone Square | Gladstone, QLD | Neighbourhood shopping centre | 30.0 |
| Glenorchy Plaza | Glenorchy, TAS | Sub-regional shopping centre | 18.9 |
| Northway Plaza | Bundaberg, QLD | Neighbourhood shopping centre | 17.0 |
| **Total investment property** | | | **187.0** |
| Moranbah Fair | Moranbah, QLD | Neighbourhood shopping centre | 28.0 |
| **Total Asset held for sale** | | | **28.0** |
| **Total investment portfolio** | | | **215.0** |

At 30 June 2021, the value of the Fund's investment portfolio increased by 2.7% to $215.0 million, excluding the value-add asset Auburn Central. The sale of Auburn Central settled on 23 December 2020 for a gross sale price of $129.5 million, substantially greater than its carrying value of $108.0 million as at 30 June 2020. Following the divestment of Auburn Central, the Fund's portfolio comprises five (5) income and one (1) value add asset, being Tweed Mall. The Income Assets valuations improved during the year due to their strong operating performance and the improved market sentiment for retail real estate investments.

Consistent with property valuations completed at 31 December 2020, independent valuers of the Group's properties have included a statement within their valuation reports noting that in their view, significant valuation uncertainty exists in the current market environment. The significant uncertainty declaration serves as a precaution and does not invalidate the valuation. The Fund manages this increased uncertainty through active asset management of the investment portfolio, including ongoing detailed engagement with tenants across the portfolio in respect of their business operations and future leasing transactions.

## 4. Operating and financial review (continued)

### FINANCIAL RESULTS

The Group recorded a statutory income of $7.2 million for the year ended 30 June 2021, including movements in the valuation of the Fund's investment portfolio.

Core Earnings for the year was $11.7 million or 9.14 cents per stapled security. Core Earnings is a non-IFRS measure and the key financial measurement of the Fund. This financial measurement is also called Funds from Operations (FFO) and is used by the Directors to make strategic decisions and as a guide to assessing appropriate distribution declarations.

A summary of the Group's results for the year ended 30 June 2021 is set out below:

| Key financial results | Consolidated Group 30 June 2021 | ERPF I Group 30 June 2021 |
|---|---|---|
| Net income ($'000) | 7,157 | 3,439 |
| Core Earnings/ FFO ($'000) | 11,672 | 5,472 |
| Distributions paid/payable to securityholders ($'000) | 11,089 | 5,198 |
| Core Earnings/ FFO per stapled security (cents) | 9.14 | 4.28 |
| Core Earnings/ FFO per weighted average stapled security (cents) | 9.10 | 4.27 |
| Distributions (cents per stapled security) | 8.67 | 4.07 |
| Special distribution (cents per stapled security)[1] | 12.00 | 0.78 |
| Net tangible assets ($ per stapled security) | 1.22 | 0.33 |
| Gearing (net debt / total assets less cash) (%) | 21.1% | 0.3% |

[1] The special distribution in respect of the capital gain realised on the sale of Auburn Central has been recognised as a distribution payable at year end. The distribution was declared on 24 June 2021 and will be paid 3 September 2021.

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

| | Consolidated Group 30 June 2021 $'000 | ERPF I Group 30 June 2021 $'000 |
|---|---|---|
| **Statutory net income** | **7,157** | **3,439** |
| Adjustments for items included in statutory income | | |
| Net fair value increment on investment property | (1,596) | (2,621) |
| Straight-lining of rental income[2] | 234 | 234 |
| Amortisation expense[3] | 885 | 807 |
| Sale of Auburn Ambulance Station[4] | 1,379 | – |
| Transaction costs[5] | 3,613 | 3,613 |
| **Core Earnings/ FFO[1]** | **11,672** | **5,472** |

| | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|
| **Statutory net loss** | **(11,964)** | **(20,261)** |
| Adjustments for items included in statutory loss | | |
| Net fair value decrement on investment property | 21,602 | 24,722 |
| Straight-lining of rental income[2] | 194 | 59 |
| Amortisation expense[3] | 1,275 | 818 |
| **Core Earnings/ FFO[1]** | **11,107** | **5,338** |

[1] Core Earnings / Funds from Operations (FFO) has been determined in accordance with the Property Council of Australia 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/loss on sale of investment properties, straight-line rental adjustments, non-FFO tax expenses/benefits and other unrealised one-off items.

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

[3] Amortisation expense includes the amortisation of capitalised leasing costs and debt establishment costs, recognised in rates, taxes and other outgoings, other expenses and borrowing costs in the Consolidated Statement of Profit or Loss.

[4] The profit on divestment of Auburn Ambulance Station has been included in Core Earnings/FFO for the year. Settlement occurred on 7 August 2020.

[5] Transaction costs incurred by the Group through profit and loss related to the divestment of Auburn Central which settled on 23 December 2020. This includes swap break costs of $3.6 million included in Borrowing costs in the Consolidated Statements of Profit or Loss.

## 4. Operating and financial review (continued)

### SUSTAINABILITY

Sustainability is a key focus of the Group when managing assets and assessing acquisition opportunities. This includes consideration of the asset's energy efficiency, water efficiency, waste management, carbon impact, indoor environment, and proximity to public transport. Sustainability is also key focus in respect of the various communities in which our retail assets operate. This includes master planning with sustainability initiatives in mind to support local communities and key stakeholder groups.

A key sustainability initiative for the Fund is the strategic partnership with Solar Bay to deliver renewable energy solutions, through rooftop solar infrastructure for the Fund's properties. This allows the Fund's tenants to benefit from cheaper energy sourced from renewables and enables the tracking of their positive impact. The Solar Bay model will be replicated across the portfolio, with Tweed Mall and Gladstone Square scheduled for implementation in 2022. By responsibly investing in our assets today, we're creating long term, sustainable value for tomorrow.

Further information on the Fund's approach to Environmental, Social and Governance (ESG) matters is provided in the Annual Report.

### SUMMARY AND OUTLOOK

The Fund's core strategy remains focused on actively managing and growing earnings from its defensive investment portfolio, realising value-add opportunities across the portfolio from the execution of repositioning strategies, and acquiring additional high investment quality retail properties.

During the year ended 30 June 2021, the Fund has undertaken the following key activities:

- The sale of Auburn Central was completed for a gross sales price of $129.5 million, following its transformation into a triple-supermarket anchored, metropolitan neighbourhood shopping centre with the introduction of ALDI and Tong Li supermarkets to complement the existing Woolworths supermarket.
- Leasing momentum achieved at Gladstone Square during the year with four new store openings resolving vacancies and enhancing the food precinct and services offering.
- Strong leasing outcomes for Northway Plaza, which saw major tenant Super IGA exercise their option for a further 5 years, with five renewals completed, increasing the WALE and de-risking the asset.
- Positive leasing traction at Glenorchy Plaza with two new leases completed to improve the retailer mix of the Centre. In addition, six renewals were completed, thereby de-risking the income profile and increasing the WALE of the asset.
- Leasing progress at Tweed Mall in the lead up to the Centre's major repositioning project.
- Trading activity across the Fund's portfolio has recovered post Government imposed restrictions with 100% of tenants trading as at 30 June 2021.
- Long term loans of $97.6 million were repaid, resulting in reduction of gearing from 43.7% to 21.0% at balance date.

The risks to the Fund in the coming year primarily comprise potential earnings variability associated with uncertain economic and market conditions related to the COVID-19 pandemic. These risks may result in reduced retailer demand and domestic retail spending, softening of rental growth and increases in required incentives. While general market uncertainty may impact the availability of capital for acquisition opportunities, investment demand for quality assets is expected to remain 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 analyses, are key contributors to the strong performance of the Fund. Further risk mitigants include the broadening of the Fund's tenant mix, and actively managing the Fund's cash position and capital structure.

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

## 5. Value of assets

| | Consolidated Group 30 June 2021 $'000 | ERPF I Group 30 June 2021 $'000 |
|---|---|---|
| Value of total assets | 246,526 | 221,145 |
| Value of net assets | 156,348 | 42,286 |

## 6. Interests in the Group

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

| | Consolidated Group 30 June 2021 | Consolidated Group 30 June 2020 | ERPF I Group 30 June 2021 | ERPF I Group 30 June 2020 |
|---|---|---|---|---|
| Stapled securities on issue at the beginning of the period | 128,729,755 | 128,729,755 | 128,729,755 | 128,729,755 |
| Stapled securitites cancelled through security buy-back scheme | (1,017,030) | – | (1,017,030) | – |
| **Stapled securities on issue at the end of the period** | **127,712,725** | **128,729,755** | **127,712,725** | **128,729,755** |

## 7. Directors

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

| Name | Particulars |
|---|---|
| Paul Bedbrook | Independent Non-Executive Chairman<br>Chairman, Remuneration and Nominations Committee<br>Paul was appointed a Director of both Elanor Investors Limited and Elanor Fund Management Limited (Responsible Entity) in June 2014. Paul has had a career of over 30 years in financial services, originally as an analyst, fund manager and then the GM & Chief Investment Officer for Mercantile Mutual Investment Management Ltd (ING owned) from 1987 to 1995.<br>Paul was an executive for 26 years with the Dutch global banking, insurance and investment group, ING, retiring in 2010. Paul's career included the roles of: President and CEO of ING Direct Bank, Canada (2000 – 2003), CEO of the ING Australia/ANZ Bank Wealth JV (2003 - 2008) and Regional CEO, ING Asia Pacific, Hong Kong (2008 – 2010). Paul is currently the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies, and a non-executive director of Credit Union Australia and the National Blood Authority.<br>Former listed directorships in the last three years: None<br>Interest in stapled securities: None<br>Qualifications: B.Sc, F FIN, FAICD |

# ELANOR RETAIL PROPERTY FUND

## DIRECTORS' REPORT

## 7. Directors (continued)

| Name | Particulars |
|---|---|
| Glenn Willis | Managing Director and Chief Executive Officer<br><br>Glenn has over 30 years' experience in the Australian and international capital markets. Glenn was the co-founder and Chief Executive Officer of Moss Capital, prior to its ASX listing as Elanor Investors Group in July 2014. Prior to Elanor, Glenn co-founded Grange Securities and led the team in his role as Managing Director and CEO.<br><br>After 12 years of growth, Grange Securities was acquired by Lehman Brothers International in 2007 as the platform for Lehman's Australian investment banking and funds management operations. Glenn was appointed Managing Director and Country Head in March 2007. In 2008, Glenn was appointed executive Vice Chairman of Lehman Brothers Australia.<br><br>Glenn is a Director of FSHD Global Research Foundation.<br><br>Former listed directorships in the last three years: None<br><br>Interest in stapled securities: 278,775<br><br>Qualifications: B.Bus (Econ & Fin) |
| Nigel Ampherlaw | Independent Non-Executive Director<br><br>Chairman, Audit and Risk Committee<br><br>Nigel was appointed a Director of both the Elanor Investors Limited and the Responsible Entity in June 2014. Nigel was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses.<br><br>He also held a number of senior client Lead Partner roles. Nigel has extensive experience in risk management, technology, consulting and auditing in Australia and the Asia-Pacific region.<br><br>Nigel's current Directorships include as Chairman of Credit Union Australia and non-executive Director of the Australia Red Cross Blood Service, where he is a member of the Finance and Audit Committee and a member of the Risk Committee.<br><br>Former listed directorships in the last three years: Quickstep Holdings Ltd<br><br>Interest in stapled securities: 109,630<br><br>Qualifications: B.Com, FCA, MAICD |
| Anthony (Tony) Fehon | Independent Non-Executive Director<br><br>Tony was appointed as a Director of both the Elanor Investors Limited and the Responsible Entity in August 2019. Tony has more than 30 years' experience working in senior roles with some of Australia's leading financial services and funds management businesses. He has broad experience in operational and leadership roles across many industries.<br><br>Tony is an Executive Director of Volt Bank Limited and has primary responsibility for capital management. He is also director of enLighten Australia Pty Limited, Global Bioprotect Pty Limited, Maker Films and Team Mates Pty Limited. Previously Tony was an Executive Director of Macquarie Bank Limited where he was involved in the formation and listing of several of Macquarie's listed property trusts including being a director of the listed leisure trust.<br><br>Tony continues to be involved in developing and completing investment structures for real estate investment and development, financial assets and leisure assets.<br><br>Former listed directorships in the last three years: None<br><br>Interest in stapled securities: 60,000<br><br>Qualifications: B. Com, FCA |

## 7. Directors (continued)

| Name | Particulars |
|---|---|
| Lim Su Kiat<br><br>(appointed 1 October 2021) | Non-Executive Director<br><br>Su Kiat was appointed as a Director of both Elanor Investors Limited and the Responsible Entity in October 2021. Su Kiat has over 18 years' of real estate experience, across a wide range of real estate related activities including real estate investment and origination, fund management, land economics and retail economics, across Asia Pacific including Australia.<br><br>Su Kiat is the CEO of Firmus Capital Pte Ltd, a fully-integrated investment and asset management firm with capabilities and representations across Australia and Singapore. Prior to joining Firmus, Su Kiat co-founded Rockworth Capital Partners in 2011 and was the firm's Chief Investment Officer and was responsible for the development of the investment management business. Rockworth holds a 15% ownership interest in the Group.<br><br>Su Kiat's current Directorships include Firmus Property Pty Ltd Firmus Investment Management Pty Ltd and Singaporean entities Aspen Vision Group Sdn Bhd, Aspen (Group) Holdings Ltd Laville Pte Ltd, M&S Global Ventures Pte Ltd, Firmus Capital Pte Ltd Kanada-Ya Sg Pte Ltd, Firmus Opportunity Fund VC and Firms Cap (TPI Pte Ltd).<br><br>Former listed directorships in the last three years: None<br><br>Interest in stapled securities: None<br><br>Qualifications: PhD Economics |
| Lim Kin Song<br><br>(resigned 25 January 2021) | Non-Executive Director<br><br>Kin Song was appointed as a Director of both the Elanor Investors Limited and the Responsible Entity in May 2019. Kin Song is the CEO of Rockworth Capital Partners (which holds a 15% ownership interest in the Group) and is responsible for all aspects of Rockworth's business with a focus on strategy, transactions, business development and investor relations.<br><br>With over 20 years of experience in the real estate sector, Kin Song specialises in acquisitions, asset management, business development and leasing. He has extensive experience across multi-core real estate sectors in Australia and South East Asia.<br><br>Kin Song has been the key driver of Rockworth's rapid growth in its assets under management since its inception in 2011, and provided leadership and strategic direction in transactions, corporate development, capital allocation and asset management. Prior to founding Rockworth in 2011, Kin Song held various positions in leading property groups in Asia, including Frasers Centrepoint Ltd, Ascendas-MGM Funds Management and the CapitaLand Group.<br><br>Former listed directorships in the last three years: None<br><br>Interest in stapled securities: None |

## 8. Directors' relevant interests

| | Securities at the date of this report |
|---|---|
| Paul Bedbrook | – |
| Glenn Willis | 278,775 |
| Nigel Ampherlaw | 109,630 |
| Anthony Fehon | 60,000 |
| Lim Kin Song (resigned 25 January 2021) | – |
| Lim Su Kiat (appointed 1 October 2021) | – |

Other than as disclosed in the Annual Financial Report, no contracts exist where a director is entitled to a benefit. Refer to Note 14 for additional information.

## 9. Directors' remuneration

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

## 10. Meetings of Directors

The attendance at meetings of Directors of the Responsible Entity and the Audit and Risk Committee of the Group during the year is set out in the following table:

| Name | Elanor Board (Responsible Entity) | | Audit and Risk Committee | |
|---|---|---|---|---|
| | Held | Attended | Held | Attended |
| Paul Bedbrook | 15 | 15 | 8 | 8 |
| Glenn Willis | 15 | 15 | 8 | 8 |
| Nigel Ampherlaw | 15 | 14 | 8 | 8 |
| Anthony Fehon | 15 | 15 | N/A | N/A |
| Lim Kin Song (resigned 25 January 2021) | 8 | 8 | N/A | N/A |
| Lim Su Kiat (appointed 1 October 2021) | N/A | N/A | N/A | N/A |

## 11. Company Secretary

Symon Simmons held the position of Company Secretary of the Responsible Entity during the year. Symon is the Chief Financial Officer of Elanor Investors Group and holds a Bachelor of Economics with majors in Economics and Accounting, has extensive experience as a company secretary, is a Justice of the Peace in NSW and is a Responsible Manager on the Australian Financial Services Licence held by the Responsible Entity.

## 12. Indemnification and insurance of officers and auditors

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the Directors of the Responsible Entity (as named above), the company secretary, and all executive officers of the Responsible Entity and of any related body corporate against a liability incurred in their capacity as Directors and officers of the Responsible Entity to the extent permitted by the Corporations Act 2001 (Cth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Responsible Entity or of any related body corporate against a liability incurred in their capacity as an officer.

The auditor of the Fund is not indemnified out of the assets of the Fund.

## 13. 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.

## 14. Significant changes in state of affairs

Other than as described in this report, there was no significant change in the state of affairs of the Fund during the year.

## 15. 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.

## 16. Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 18 to the consolidated financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor’s behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth). The Directors are of the opinion that the services as disclosed in Note 18 to the consolidated financial statements do not compromise the external auditor’s independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 ‘Code of Ethics for Professional Accountants’ issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Fund, acting as advocate for the Fund or jointly sharing economic risks and rewards.

## 17. 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.

## 18. Going concern

The Fund has a net current asset position of $32.1 million and net assets of $156.3 million as at 30 June 2021. Despite the challenging economic environment and increased variability created by the COVID-19 pandemic, the Fund has not been materially impacted based on the strength of the non-discretionary focus of the properties, the observed trading results to date including the level of rental collections and the tenancy mix of the Fund’s portfolio. The Fund is wholly in compliance with all banking covenants as at 30 June 2021. The Fund has not required any covenant waivers in response to the impacts of the COVID-19 pandemic.

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

## 19. Events occurring after reporting date

On 22 August 2021, the Fund entered into an unconditional contract for the sale of Moranbah Fair at a sale price of $28.0 million. The sale settled on 31 August 2021.

Other than the above, the Directors of the Responsible Entity are not aware of any other matter since the end of the year that has or may significantly affect the operations of the Group, the result of those operations, or the state of the Group's affairs in future financial periods that are not otherwise referred to in this Directors' Report.

## 20. Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, issued by the Australian Securities and Investments Commission, amounts in the financial statements have been rounded to the nearest thousand dollars, 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 made pursuant to section 298(2) of the Corporations Act 2001 (Cth).

Paul Bedbrook
Chairman

Glenn Willis
CEO and Managing Director

Sydney, 15 October 2021

# *Auditor's Independence Declaration*

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

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

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

Bianca Buckman
Partner
PricewaterhouseCoopers

Sydney
15 October 2021

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# Consolidated Statements of Profit or Loss

For the year ended 30 June 2021

| | Note | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Rental income | 2 | 21,885 | 27,198 | 18,673 | 19,050 |
| Outgoings reimbursement | | 2,556 | 2,723 | 2,402 | 2,470 |
| Interest income | | – | 3 | – | 2 |
| Net fair value increment on investment properties | 6 | 1,596 | – | 2,621 | – |
| **Total income** | | **26,037** | **29,924** | **23,696** | **21,522** |
| **Expenses** | | | | | |
| Rates, taxes and other outgoings | | 8,271 | 9,749 | 7,042 | 7,249 |
| Borrowing costs | | 6,194 | 5,605 | 9,864 | 6,559 |
| Investment management fees | 14 | 2,165 | 3,279 | 1,595 | 2,205 |
| Other expenses | | 2,250 | 1,653 | 1,756 | 1,048 |
| Net fair value decrement on investment properties | | – | 21,602 | – | 24,722 |
| **Total expenses** | | **18,880** | **41,888** | **20,257** | **41,783** |
| **Net profit / (loss) for the period** | | **7,157** | **(11,964)** | **3,439** | **(20,261)** |
| **Attributable to securityholders of:** | | | | | |
| - Elanor Retail Property Fund II | | 3,718 | 8,297 | – | – |
| - Elanor Retail Property Fund I (Non-controlling interest) | | 3,439 | (20,261) | 3,439 | (20,261) |
| **Net profit / (loss) for the period** | | **7,157** | **(11,964)** | **3,439** | **(20,261)** |
| Basic earnings per stapled security (cents) | 4 | 5.58 | (9.29) | 2.68 | (15.74) |
| Diluted earnings per stapled security (cents) | 4 | 5.58 | (9.29) | 2.68 | (15.74) |

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

# Consolidated Statements of Comprehensive Income

For the year ended 30 June 2021

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| **Net profit / (loss) for the period** | **7,157** | **(11,964)** | **3,439** | **(20,261)** |
| Other comprehensive income | | | | |
| *Items that may be reclassified to profit and loss* | | | | |
| Gain / (Loss) on revaluation of cash flow hedge | 4,207 | (453) | 4,147 | (756) |
| Movement in security based payment reserves | (79) | – | (34) | – |
| Other comprehensive income / (loss) for the period | 4,128 | (453) | 4,113 | (756) |
| **Total comprehensive income / (loss) for the period** | **11,285** | **(12,417)** | **7,552** | **(21,017)** |
| **Attributable to securityholders of:** | | | | |
| - Elanor Retail Property Fund II | 3,733 | 8,600 | – | – |
| - Elanor Retail Property Fund I (Non-controlling interest) | 7,552 | (21,017) | 7,552 | (21,017) |
| **Total comprehensive income / (loss) for the period** | **11,285** | **(12,417)** | **7,552** | **(21,017)** |

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

# Consolidated Statements of Financial Position

As at 30 June 2021

| | Note | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | | 18,713 | 4,003 | 4,277 | 3,071 |
| Trade and other receivables | 8,13 | 7,578 | 1,830 | 594 | 1,186 |
| Other current assets | | 821 | 169 | 821 | 112 |
| Prepayments | | 456 | 624 | 453 | 447 |
| Assets held for sale | 7 | 28,000 | 4,000 | 28,000 | – |
| **Total current assets** | | **55,568** | **10,626** | **34,145** | **4,816** |
| **Non-current assets** | | | | | |
| Trade and other receivables | 8,13 | 3,958 | – | – | – |
| Investment properties | 6 | 187,000 | 317,197 | 187,000 | 209,197 |
| **Total non-current assets** | | **190,958** | **317,197** | **187,000** | **209,197** |
| **Total assets** | | **246,526** | **327,823** | **221,145** | **214,013** |
| **Current liabilities** | | | | | |
| Distribution payable | 3 | 20,223 | – | 3,360 | – |
| Trade and other payables | 9 | 2,606 | 4,486 | 1,546 | 3,470 |
| Rent received in advance | | 563 | 674 | 563 | 519 |
| Derivative financial instruments | 11 | 63 | 1,689 | – | 1,626 |
| **Total current liabilities** | | **23,455** | **6,849** | **5,469** | **5,615** |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 10 | 66,669 | 145,620 | 4,997 | 96,477 |
| Interest bearing cross-staple loan | 10 | – | – | 168,393 | 67,949 |
| Derivative financial instruments | 11 | 54 | 2,636 | – | 2,519 |
| **Total non-current liabilities** | | **66,723** | **148,256** | **173,390** | **166,945** |
| **Total liabilities** | | **90,178** | **155,105** | **178,859** | **172,560** |
| **Net assets** | | **156,348** | **172,718** | **42,286** | **41,453** |
| | | | | | |
| **Equity** | | | | | |
| *Equity Holders of Parent Entity* | | | | | |
| Contributed equity | 12 | 89,691 | 90,421 | 65,581 | 66,116 |
| Reserves | | (120) | (135) | – | (4,113) |
| Retained profits / (accumulated losses) | | 24,491 | 40,979 | (23,295) | (20,550) |
| **Parent entity interest** | | **114,062** | **131,265** | **42,286** | **41,453** |
| | | | | | |
| *Equity Holders of Non-Controlling Interest* | | | | | |
| Contributed equity | 12 | 65,581 | 66,116 | – | – |
| Reserves | | – | (4,113) | – | – |
| (Accumulated losses) / Retained profits | | (23,295) | (20,550) | – | – |
| **Non-controlling interest** | | **42,286** | **41,453** | **–** | **–** |
| | | | | | |
| **Total equity attributable to stapled securityholders:** | | | | | |
| - Elanor Retail Property Fund II | | 114,062 | 131,265 | – | – |
| - Elanor Retail Property Fund I | | 42,286 | 41,453 | 42,286 | 41,453 |
| **Total equity** | | **156,348** | **172,718** | **42,286** | **41,453** |

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

# Consolidated Statements of Changes in Equity

For the year ended 30 June 2021

| | Note | Contributed Equity $'000 | Cash flow Hedge Reserve $'000 | Security Based Payment Reserve $'000 | Retained Profits/ (Accumulated Losses) $'000 | Parent Entity Total Equity $'000 | Non-Controlling Interests $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|
| **Consolidated Group** | | | | | | | | |
| Total equity at 1 July 2020 | | 90,421 | (180) | 45 | 40,979 | 131,265 | 41,453 | 172,718 |
| Profit / (loss) for the period | | – | – | – | 3,718 | 3,718 | 3,439 | 7,157 |
| Other comprehensive income / (expense) for the period | | – | 60 | (45) | – | 15 | 4,113 | 4,128 |
| **Total comprehensive income / (expense) for the period** | | **–** | **60** | (45) | **3,718** | **3,733** | **7,552** | **11,285** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Security buy-back | | (730) | – | – | 13 | (717) | (523) | (1,240) |
| Distributions provided for / paid | | – | – | – | (20,219) | (20,219) | (6,196) | (26,415) |
| **Total equity at 30 June 2021** | | **89,691** | **(120)** | **–** | **24,491** | **114,062** | **42,286** | **156,348** |
| | | | | | | | | |
| **Consolidated Group** | | | | | | | | |
| Total equity at 30 June 2019, as originally presented | | 90,421 | (483) | 40 | 39,410 | 129,388 | 68,062 | 197,450 |
| Change in accounting policy | 3 | – | – | – | (2,715) | (2,715) | (2,860) | (5,575) |
| Restated total equity at 1 July 2019 | | 90,421 | (483) | 40 | 36,695 | 126,673 | 65,202 | 191,875 |
| Profit / (loss) for the period | | – | – | – | 8,297 | 8,297 | (20,261) | (11,964) |
| Other comprehensive income / (expense) for the period | | – | 303 | – | – | 303 | (756) | (453) |
| **Total comprehensive income / (expense) for the period** | | **–** | **303** | – | **8,297** | **8,600** | **(21,017)** | **(12,417)** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Security-based payments | | – | – | 5 | – | 5 | 4 | 9 |
| Distributions paid | | – | – | – | (4,013) | (4,013) | (2,736) | (6,749) |
| **Total equity at 30 June 2020** | | **90,421** | **(180)** | **45** | **40,979** | **131,265** | **41,453** | **172,718** |

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

# Consolidated Statements of Changes in Equity

## For the year ended 30 June 2021

| | Note | Contributed Equity $'000 | Cash flow Hedge Reserve $'000 | Security Based Payment Reserve $'000 | Retained Profits/ (Accumulated Losses) $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|
| **ERPF I Group** | | | | | | |
| Total equity at 1 July 2020 | | 66,116 | (4,147) | 34 | (20,550) | 41,453 |
| Profit / (loss) for the period | | – | – | – | 3,439 | 3,439 |
| Other comprehensive income / (expense) for the period | | – | 4,147 | (34) | – | 4,113 |
| **Total comprehensive income / (expense) for the period** | | **–** | **4,147** | (34) | **3,439** | **7,552** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Security buy-back | | (535) | – | – | 12 | (523) |
| Distributions provided for / paid | | – | – | – | (6,196) | (6,196) |
| **Total equity at 30 June 2021** | | **65,581** | **–** | **–** | **(23,295)** | **42,286** |
| | | | | | | |
| **ERPF I Group** | | | | | | |
| Total equity at 30 June 2019, as originally presented | | 66,116 | (3,391) | 30 | 5,307 | 68,062 |
| Change in accounting policy | 3 | – | – | – | (2,860) | (2,860) |
| Restated total equity at 1 July 2019 | | 66,116 | (3,391) | 30 | 2,447 | 65,202 |
| Profit / (loss) for the period | | – | – | – | (20,261) | (20,261) |
| Other comprehensive income / (expense) for the period | | – | (756) | – | – | (756) |
| **Total comprehensive income / (expense) for the period** | | **–** | **(756)** | **–** | **(20,261)** | **(21,017)** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Security-based payments | | – | – | 4 | – | 4 |
| Distributions paid | | – | – | – | (2,736) | (2,736) |
| **Total equity at 30 June 2020** | | **66,116** | **(4,147)** | **34** | **(20,550)** | **41,453** |

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

# Consolidated Statements of Cash Flows

For the year ended 30 June 2021

| | Note | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Rental and other property income received | | 27,369 | 31,099 | 23,876 | 22,457 |
| Interest received | | – | 3 | – | 3 |
| Finance costs paid | | (2,398) | (5,269) | (6,089) | (3,790) |
| Payments to suppliers and the Responsible Entity | | (16,254) | (15,913) | (14,812) | (11,693) |
| **Net cash flows from operating activities** | 5(a) | **8,717** | **9,920** | **2,975** | **6,977** |
| **Cash flows from investing activities** | | | | | |
| Receipts from disposals of investment properties | | 115,174 | – | – | – |
| Payments for additions to investment properties | | (18,998) | (8,726) | (4,092) | (3,524) |
| **Net cash flows from investing activities** | | **96,176** | **(8,726)** | **(4,092)** | **(3,524)** |
| **Cash flows from financing activities** | | | | | |
| Net proceeds from interest bearing liabilities | 5(b) | 20,506 | 10,962 | 4,835 | 2,080 |
| Net proceeds from interest bearing-cross staple loan | | – | – | 100,938 | – |
| Security buy-back | | (1,244) | – | (525) | – |
| Swap break costs | | (3,613) | – | (3,613) | – |
| Distributions paid | | (6,192) | (12,324) | (2,835) | (5,596) |
| Repayment of interest bearing liabilities | 5(b) | (99,640) | – | (96,477) | – |
| **Net cash flows from financing activities** | | **(90,183)** | **(1,362)** | **2,323** | **(3,516)** |
| Net (decrease) / increase in cash and cash equivalents | | 14,710 | (168) | 1,206 | (63) |
| Cash and cash equivalents at the beginning of the period | | 4,003 | 4,171 | 3,071 | 3,134 |
| **Cash and cash equivalents at the end of the period** | | **18,713** | **4,003** | **4,277** | **3,071** |

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## About this Report

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

For the purposes of the consolidated financial report, ERPF II has been deemed the parent entity of ERPF I 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 Retail Property Fund II, including Elanor Retail Property Fund I and its controlled entities (ERPF I Group). As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838, this report is a combined report that presents the consolidated financial statements and accompanying notes of both the Fund and ERPF I Group.

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, the Scheme Constitutions and Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ('IFRS').

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

### Reissue of Financial Report

Due to an inadvertent administrative error in the preparation of the Financial Report issued on 29 September 2021, page 17 of that report contained an incorrect version of the Consolidated Statements of Financial Position. As a result, this Financial Report has been revised and reissued, including the correct Consolidated Statements of Financial Position as set out on page 26. No other amendments were required to any other pages of the Financial Report.

## New accounting standards and interpretations

### (a) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

### (b) New standards, amendments and interpretations effective after 1 July 2021 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 and have not been adopted early in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

## Basis of consolidation

The consolidated financial report of the Fund incorporates the assets and liabilities of ERPF II (the Parent) and all of its subsidiaries, including ERPF I and its subsidiaries as at 30 June 2021. ERPF II is the parent entity in relation to the stapling. The results and equity of ERPF I (which is not directly owned by ERPF II) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of ERPF I are disclosed as a non-controlling interest, the stapled security holders of ERPF I are the same as the stapled security holders of ERPF II.

This consolidated financial report also includes a separate column representing the financial report of ERPF I, incorporating the assets and liabilities of ERPF I and all of its subsidiaries, as at 30 June 2021.

For the purpose of preparing the financial statements, the Fund is a for-profit entity. The financial report is presented in Australian Dollars. These consolidated financial statements have been prepared on a going concern basis.

## Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, issued by the Australian Securities and Investments Commission, amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

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

Where the impact of the COVID-19 pandemic has heightened uncertainty in applying these accounting estimates and critical judgments for the year ended 30 June 2021, enhanced disclosures have been incorporated throughout the consolidated financial statements to enable users to understand the basis for the estimates and judgments utilised.

### 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.

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

- Investment Properties - assumptions underlying fair value - Note 6
- Derivative financial instruments - assumptions underlying fair value – Note 11

# Notes to the Consolidated Financial Statements
## For the year ended 30 June 2021

The notes to the consolidated Financial Statements have been organised into the following sections:

# Results

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

## 1. Segment information

### OVERVIEW

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

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

| | Consolidated Group 30 June 2021 $'000 | ERPF I Group 30 June 2021 $'000 |
|---|---|---|
| **Statutory net income** | **7,157** | **3,439** |
| Adjustments for items included in statutory income | | |
| Net fair value increment on investment property | (1,596) | (2,621) |
| Straight-lining of rental income[2] | 234 | 234 |
| Amortisation expense[3] | 885 | 807 |
| Sale of Auburn Ambulance Station[4] | 1,379 | – |
| Transaction costs[5] | 3,613 | 3,613 |
| **Core Earnings/ FFO[1]** | **11,672** | **5,472** |

| | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|
| **Statutory net loss** | **(11,964)** | **(20,261)** |
| Adjustments for items included in statutory loss | | |
| Net fair value decrement on investment property | 21,602 | 24,722 |
| Straight-lining of rental income[2] | 194 | 59 |
| Amortisation expense[3] | 1,275 | 818 |
| **Core Earnings/ FFO[1]** | **11,107** | **5,338** |

[1] Core Earnings / Funds from Operations (FFO) has been determined in accordance with the Property Council of Australia 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/loss on sale of investment properties, straight-line rental adjustments, non-FFO tax expenses/benefits and other unrealised one-off items.

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

[3] Amortisation expense includes the amortisation of capitalised leasing costs and debt establishment costs, recognised in rates, taxes and other outgoings, other expenses and borrowing costs in the Consolidated Statement of Profit or Loss.

[4] The profit on divestment of Auburn Ambulance Station has been included in Core Earnings/FFO for the year. Settlement occurred on 7 August 2020.

[5] Transaction costs incurred by the Group through profit and loss related to the divestment of Auburn Central which settled on 23 December 2020. This includes swap break costs of $3.6 million included in Borrowing costs in the Consolidated Statements of Profit or Loss.

## 2. Revenue

### OVERVIEW

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

### (a) Rental income

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| Tweed Mall | 6,927 | 6,889 | 6,927 | 6,889 |
| Auburn Central | 3,213 | 8,148 | – | – |
| Manning Mall | 3,243 | 3,148 | 3,243 | 3,148 |
| Gladstone Square | 2,622 | 2,721 | 2,622 | 2,721 |
| Moranbah Fair | 2,576 | 2,960 | 2,575 | 2,960 |
| Glenorchy Plaza | 1,833 | 1,781 | 1,833 | 1,781 |
| Northway Plaza | 1,473 | 1,551 | 1,473 | 1,551 |
| **Total revenue from operating activities** | **21,885** | **27,198** | **18,672** | **19,050** |

The expected credit loss provision as at 30 June 2021 reflects the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant. Refer Note 13d for further information.

### ACCOUNTING POLICY

#### Rental income

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

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

When an agreement is made with tenants impacted by the COVID-19 pandemic to waive rent, any rent waived that relates to future occupancy is spread over the remaining lease term and recognised on a straight-line basis. Rent waived that relates to past occupancy is expensed immediately in Other Expenses, except to the extent of a pre-existing provision for expected credit losses relating to the unpaid rent.

#### Rental abatements

Where a rental abatement is granted retrospectively on uncollected past due rent, the abatement is expensed as an impairment of trade receivables. Where an agreement on past due receivables has not been reached by 30 June 2021, an estimate of the expected abatement on the outstanding balance is made and incorporated into the expected credit loss calculation.

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

## 2. Revenue (continued)

### 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.

Rental deferrals as part of COVID-19 rent concessions subsequently waived in consideration for extension of the lease term will be treated as a lease incentive on a straight-line basis over the new lease term.

## 3. Distributions

### OVERVIEW

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

### Distributions during the year

*Consolidated Group*

The following distributions were declared by the Consolidated Group in respect of the years ended 30 June 2020 and 30 June 2021 or related to the year ended:

| | Distribution FY21 cents per stapled security | Distribution FY20 cents per stapled security | Total amount FY21 $'000 | Total amount FY20 $'000 |
|---|---|---|---|---|
| Interim distribution (declared before year end) | 4.84 | 5.24 | 6,192 | 6,748 |
| Special Distribution (declared before year end)[1] | 12.00 | – | 15,326 | – |
| Final Distribution (declared after year end) | 3.83 | – | 4,897 | – |
| **Total** | **20.67** | **5.24** | **26,415** | **6,748** |

*ERPF I Group*

The following distributions were declared by the ERPF I Group in respect of the years ended 30 June 2020 and 30 June 2021 or related to the year ended:

| | Distribution FY21 cents per stapled security | Distribution FY20 cents per stapled security | Total amount FY21 $'000 | Total amount FY20 $'000 |
|---|---|---|---|---|
| Interim distribution (declared before year end) | 2.22 | 2.13 | 2,835 | 2,736 |
| Special Distribution (declared before year end)[1] | 0.78 | – | 997 | – |
| Final Distribution (declared after year end) | 1.85 | – | 2,364 | – |
| **Total** | **4.85** | **2.13** | **6,196** | **2,736** |

[1] The special distribution for the capital gains realised on the sale of Auburn Central has been recognised as a distribution payable at year end. The distribution was declared on 24 June 2021 and was paid 3 September 2021.

Please refer to the Directors' Report for the calculation of Core Earnings and the Distribution.

### 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.

## 3. Distributions (continued)

### ACCOUNTING POLICY (CONTINUED)

A review was performed on the accounting policy for the recognition of distributions in the current year. 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 year ended 30 June 2021 will be paid (even if not yet declared at balance date). This policy change has been applied retrospectively, resulting in a restatement in the opening retained earnings balance as at 1 July 2019 in the Consolidated Statement of Changes in Equity. The total impact is a decrease in the opening retained earnings of $5.58 million and $2.86 million for the Consolidated Group and the ERPF I Group, respectively.

## 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 30 June 2021 | Consolidated Group 30 June 2020 | ERPF I Group 30 June 2021 | ERPF I Group 30 June 2020 |
|---|---|---|---|---|
| The (losses) / earnings per stapled security measure shown below is based upon the profit / (loss) attributable to securityholders: | | | | |
| Basic (losses) / earnings per stapled security (cents) | 5.58 | (9.29) | 2.68 | (15.74) |
| Diluted (losses) / earnings per stapled security (cents) | 5.58 | (9.29) | 2.68 | (15.74) |
| (Loss) / profit attributable to securityholders used in calculating basic and diluted earnings per stapled security ($'000) | 7,157 | (11,964) | 3,439 | (20,261) |
| Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security | 128,216,377 | 128,729,755 | 128,216,377 | 128,729,755 |
| Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security | 128,216,377 | 128,729,755 | 128,216,377 | 128,729,755 |

## 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 (loss) / profit for the year to net cash provided by operating activities

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| **(Loss) / profit for the period** | **7,157** | **(11,964)** | **3,439** | **(20,261)** |
| Swap break costs | 3,613 | – | 3,613 | – |
| Amortisation | 885 | 1,000 | 807 | 552 |
| Other non cash items | 469 | 9 | (26) | 2,671 |
| Straight-lining of rental income and rental guarantee | (234) | (219) | (234) | (352) |
| Fair value adjustment on revaluation of investment property | (1,596) | 21,602 | (2,621) | 24,722 |
| **Net cash provided by operating activities before changes in working capital** | **10,294** | **10,428** | **4,978** | **7,332** |
| **Movement in working capital** | | | | |
| Decrease (Increase) in trade and other receivables | 898 | (1,065) | 592 | (726) |
| Decrease (Increase) in prepayments | 168 | (32) | (6) | (35) |
| (Increase) in other current assets | (652) | (112) | (709) | (112) |
| Increase (Decrease) in trade and other payables | (1,880) | 757 | (1,924) | 543 |
| Increase (Decrease) in amounts received in advance | (111) | (56) | 44 | (25) |
| **Net cash from operating activities** | **8,717** | **9,920** | **2,975** | **6,977** |

### (b) Reconciliation of liabilities arising from financing activities

*Consolidated Group*

| | 30 June 2020 | *Cash flows* Debt drawdowns/ (paydowns) net of borrowing costs | *Non-cash items* Amortisation of borrowing costs | 30 June 2021 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Interest bearing loans | 145,620 | (79,134) | 183 | 66,669 |
| **Total liabilities from financing activities** | **145,620** | **(79,134)** | **183** | **66,669** |

| | 30 June 2019 | *Cash flows* Debt drawdowns/ (paydowns) net of borrowing costs | *Non-cash items* Amortisation of borrowing costs | 30 June 2020 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Interest bearing loans | 134,523 | 10,962 | 135 | 145,620 |
| **Total liabilities from financing activities** | **134,523** | **10,962** | **135** | **145,620** |

## 5. Cash flow information (continued)

*ERPF I Group*

| | 30 June 2020 | Cash flows: Debt drawdowns/ (paydowns) net of borrowing costs | Non-cash items: Amortisation of borrowing costs | Non-cash items: Accumulated interest expense | 30 June 2021 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest bearing loans | 96,477 | (91,642) | 162 | – | 4,997 |
| Cross-staple loan | 67,949 | 95,892 | – | 4,552 | 168,393 |
| **Total liabilities from financing activities** | **164,426** | **4,250** | **162** | **4,552** | **173,390** |

| | 30 June 2019 | Cash flows: Debt drawdowns/ (paydowns) net of borrowing costs | Non-cash items: Amortisation of borrowing costs | Non-cash items: Accumulated interest expense | 30 June 2020 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest bearing loans | 89,860 | 6,516 | 101 | – | 96,477 |
| Cross-staple loan | 69,717 | (4,436) | – | 2,668 | 67,949 |
| **Total liabilities from financing activities** | **159,577** | **2,080** | **101** | **2,668** | **164,426** |

### ACCOUNTING POLICY

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

## Operating Assets and Liabilities

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

## 6. Investment properties

### OVERVIEW

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

The Fund obtained three independent valuations at balance sheet date covering 35% of the portfolio (by value). Internal valuations on the remaining portfolio were completed with reference to both a discounted cash flow and income capitalisation valuation methods. The property valuations were completed using detailed forecasts prepared by the Fund's asset management teams. 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.

At 30 June 2021, the value of the Fund's investment portfolio was $215.0 million increasing 2.7%, excluding the value-add asset Auburn Central. The sale of Auburn Central's settled on 23 December 2020 for a gross sales price of $129.5 million, substantially greater than the carrying value of $108.0 million as at 30 June 2020. Following the divestment of Auburn Central, the Fund's portfolio comprises five income and one value add asset, being Tweed Mall. The Income Assets performed well during the year ended 30 June 2021 and is reflected in the valuation outcomes. Tweed Mall has maintained prior book value pending further execution of the repositioning strategy at the asset.

On 22 August 2021, contracts were exchanged for the sale of Moranbah Fair for $28.0 million. This asset has been classified as Assets Held for Sale as at 30 June 2021. The sale settled on 31 August 2021.

Property valuations for five of the Fund's assets increased due to their strong operating performance and the improving market sentiment for retail investment. Within the 2nd half of FY21 the market has seen increased investor demand for non-discretionary supermarket and strong performing Discount Department Store (DDS) anchored assets, due to their defensive nature and resilient performance throughout the pandemic. The portfolio's valuations reflect the improved sentiment, evidenced by an overall tightening of capitalisation rates for income assets. The valuation improvements were further supported by positive asset level outcomes across the portfolio, including improved portfolio occupancy, WALE and major tenant performance.

## 6. Investment properties (continued)

### (a) Carrying values of investment properties

| | Valuation | Date | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|---|---|
| Tweed Mall | Internal | Jun-21 | 85,000 | 84,500 | 85,000 | 84,500 |
| Auburn Central[1] | n/a | n/a | – | 108,000 | – | – |
| Manning Mall | Internal | Jun-21 | 36,100 | 34,000 | 36,100 | 34,000 |
| Gladstone Square | Independent | Jun-21 | 30,000 | 28,000 | 30,000 | 28,000 |
| Moranbah Fair[2] | n/a | n/a | – | 27,997 | – | 27,997 |
| Glenorchy Plaza | Independent | Jun-21 | 18,900 | 18,500 | 18,900 | 18,500 |
| Northway Plaza | Independent | Jun-21 | 17,000 | 16,200 | 17,000 | 16,200 |
| **Total investment properties** | | | **187,000** | **317,197** | **187,000** | **209,197** |

[1] On 18 November 2020, the Fund exchanged contracts for the sale of the Auburn Central property. The transaction was settled on 23 December 2020 for a gross sales price of $129.5 million. A key element included in the sale was a retention amount of $13.9 million, of which $11.5 million is expected to be recoverable ($0.9million has been recovered till year-end)

[2] Moranbah Fair has been reclassified to an Asset Held for Sale at balance sheet date. Refer to Note 7.

Investment properties are categorised as level 3 in the fair value hierarchy. There were no transfers between hierarchies during the year.

### (b) Movement in investment properties

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| **Opening balance** | **317,197** | **334,518** | **209,197** | **230,494** |
| Acquisitions | – | – | – | – |
| Disposals | (121,778) | – | – | – |
| Reclassification | (28,000) | (4,000) | (28,000) | – |
| Capital expenditure | 18,998 | 8,726 | 4,092 | 3,524 |
| Straightlining of rental income | (234) | (194) | (234) | (59) |
| Amortisation | (779) | (251) | (676) | (40) |
| Net fair value adjustments | 1,596 | (21,602) | 2,621 | (24,722) |
| **Total investment properties** | **187,000** | **317,197** | **187,000** | **209,197** |

### (c) Fair value measurement

*Highest and best use*

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

## 6. Investment properties (continued)

### (c) Fair value measurement (continued)

**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 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.

The internal valuations are performed by utilising the information from a combination of asset plans and forecasting tools prepared by the asset management team. Appropriate capitalisation rate, terminal yield and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation based valuation and a discounted cash flow valuation. Both valuations are considered to determine the final valuation.

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

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

Independent valuers of the Fund's properties have included a statement within their valuation reports noting that in their view, significant valuation uncertainty exists in the current market environment. The significant uncertainty declaration is to serve as a precaution and does not invalidate the valuation. Rather, the statement is to ensure transparency of the fact that in the current extraordinary market circumstances as a result of the COVID-19 pandemic, less certainty can be attached to the valuations and continued periodic assessment should be performed subsequent to the date of the valuation assessment. The Fund will manage this increased uncertainty through active management of the investment portfolio, including ongoing detailed engagement with tenants across the portfolio in respect of their business operations and future leasing transactions.

Internal valuations use the Fund's best estimate of the economic and financial impacts of the COVID-19 pandemic using information available, at the time of preparation of the consolidated financial statements, in respect of existing conditions at reporting date and in relation to forward looking assumptions. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of the Fund's investment property portfolio.

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.

## 6. Investment properties (continued)

### (c) Fair value measurement (continued)

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.

### (d) Valuation technique and inputs

*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 below. 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.

| Valuation Techniques | Significant unobservable inputs | Range FY21 | Range FY20 | Weighted average FY21 | Weighted average FY20 |
|---|---|---|---|---|---|
| *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] | 7.50% - 8.75% | 7.50% - 9.00% | 7.89% | 7.87% |
| | Adopted terminal yield[2] | 7.25% - 8.32% | 5.75% - 8.29% | 7.60% | 7.05% |
| | Net property income (per sqm)[3] | $168 - $341 | $168 - $568 | $261 | $380 |
| *Capitalisation method* – involves determining the net market income of the investment property. This net market income is then capitalised at the adopted capitalisation rate to derive a core value. | Adopted capitalisation rate[4] | 7.00% - 8.00% | 6.00% - 8.04% | 7.32% | 6.94% |

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

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

[3] Net property income (per sqm): The forecast annual net rental income per sqm reflecting leased occupancy and likely to be leased space based on commitments and estimates. Resulting WALE and occupancy rate from existing tenancies will impact the forecast cash flow from net property income. The rate is determined with regard to existing lease terms and other market evidence.

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

The key inputs used to measure fair values of investment properties are disclosed below along with their sensitivity to an increase or decrease.

The investment property fair values presented are based on market values, which are derived using the capitalisation and the discounted cash flow methods. The Fund’s preferred or primary method is the capitalisation method.

## 6. Investment properties (continued)

### (d) Valuation techniques and inputs (continued)

*Capitalisation method*

Capitalisation rate is an approximation of the ratio between the net operating income produced by an investment property and its fair value. This excludes consideration of costs of acquisition or disposal. The net income is capitalised in perpetuity from the valuation date at an appropriate investment yield. The adopted percentage rate investment yield reflects the capitalisation rate and includes consideration of the property type, location and comparable sales.

*Discounted cash flows (DCF)*

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. The cash flow projections reflect tenants currently in occupation or are contracted to meet lease commitments or are likely to be in occupation based on the market's general perception and relevant available market evidence. To this projected cash flow series, an appropriate discount rate is applied to establish the present value of the income stream associated with the property. The discount rate is the rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The rate is determined with regard to market evidence and prior independent valuation.

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

**Sensitivity Information**

The key unobservable inputs to measure the fair value of investment properties are disclosed below along with sensitivity to a significant increase or decrease set out in the following table:

| | Fair value measurement sensitivity to increase in input | Fair value measurement sensitivity to decrease in input |
|---|---|---|
| Discount rate (%) | Decrease | Increase |
| Terminal yield (%) | Decrease | Increase |
| Capitalisation rate (%) | Decrease | Increase |

**Sensitivity Analysis**

When calculating the income capitalisation approach, the net property income has a strong inter-relationship with the adopted capitalisation rate given the methodology involves assessing the total income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the income and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the income and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the income and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value. The impact on the fair value of an increase (softening) in the adopted discount rate could potentially offset the impact of a decrease (tightening) in the adopted terminal yield. The same can be said for a decrease (tightening) in the adopted discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and adopted terminal yield could potentially magnify the impact to the fair value.

The adopted forecast net property income in the discounted cash flow is reflective of existing lease terms and other market data. Assets with higher WALE and occupancy rates improve net property income resulting in higher cash flow forecasts. The increased forecasted cash flow increases the fair value of the property.

## 6. Investment properties (continued)

### (d) Valuation techniques and inputs (continued)

| | Fair value measurement sensitivity | | | |
|---|---|---|---|---|
| | Increase by 0.25% $'000 | Decrease by 0.25% $'000 | Increase by 0.25% % | Decrease by 0.25% % |
| Discount rate (%) | (3,800) | 4,000 | (1.8%) | 1.9% |
| Terminal yield (%) | (4,300) | 4,400 | (2.0%) | 2.0% |
| Capitalisation rate (%) | (8,000) | 8,600 | (3.7%) | 4.0% |

## 7. Assets held for sale

Assets held for sale are presented separately. Investment properties held for sale are measured at fair value.

On 22 August 2021, contracts were exchanged for the sale of Moranbah Fair. As at 30 June 2021, the property was classified as an Asset Held for Sale. The fair value of the asset is equal to its contracted sale price of $28.0 million.

## 8. Trades and other receivables

**OVERVIEW**

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

### Trade and other receivables

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Trade receivables | 664 | 1,830 | 449 | 1,186 |
| Other receivables | 6,914 | – | 145 | – |
| **Total receivables** | **7,578** | **1,830** | **594** | **1,186** |
| | | | | |
| **Non current assets** | | | | |
| Other receivables | 3,958 | – | – | – |
| **Total receivables** | **3,958** | **–** | **–** | **–** |

Other current and non-current receivables relate mainly to the expected retention amount from sale of Auburn Central property.

## 9. Trade and other payables

### OVERVIEW

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

Trade and other payables

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| Trade creditors | 758 | 1,736 | 823 | 1,544 |
| Related party payables | 289 | 1,349 | 289 | 785 |
| Accrued expenses | 1,557 | 1,044 | 261 | 564 |
| GST payable | 2 | 357 | 173 | 577 |
| **Total trade and other payables** | **2,606** | **4,486** | **1,546** | **3,470** |

### ACCOUNTING POLICY

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

## Finance and Capital Structure

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

## 10. Interest bearing liabilities

### OVERVIEW

The Fund has access to a combined $66.7 million debt facility and is fully drawn as at 30 June 2021. During the year, the Fund refinanced its debt facilities to a new 2-year term. The weighted average cost of debt is 1.70% p.a., and the weighted average debt facility maturity at year end is 2.87 years. At 30 June 2021, the interest rate risk of drawn facilities is hedged to 63%. The fair value of the debt facilities is $65.1 million.

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Bank loan - term debt | 66,699 | 145,825 | 5,000 | 96,639 |
| Borrowing costs less amortisation | (30) | (205) | (3) | (162) |
| **Total non-current interest bearing liabilities** | **66,669** | **145,620** | **4,997** | **96,477** |
| Cross-staple loan | – | – | 168,393 | 67,949 |
| **Total interest bearing liabilities** | **66,669** | **145,620** | **173,390** | **164,426** |

During the year ended 30 June 2021, the Fund repaid long term loans of $99.6 million which included breaking two interest rate swaps. Total swap break costs incurred amounted to $3.6 million and has been included in Borrowing Cost in the Consolidated Statements of Profit and Loss.

### 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.

## 11. 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 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Interest rate swaps | 63 | 1,689 | – | 1,626 |
| **Non-current liabilities** | | | | |
| Interest rate swaps | 54 | 2,636 | – | 2,519 |
| **Total derivative financial instruments** | **117** | **4,325** | **–** | **4,145** |

### (a) Valuation

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves (Level 2). The Fund has hedged $41.7 million of its $66.7 million floating interest-bearing loans using interest rate swap agreements. These agreements are in place to swap the floating interest payable to a fixed rate to minimise the interest rate risk and have been assessed as effective.

All of the resulting fair value estimates are included in Level 2. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates fixed rate and forward interest rate curves.

### b) Hedging

*Instruments used by the Fund*

Interest rate swaps are currently in place to hedge 63% (2020: 75%) of the variable loan principal outstanding. The fixed interest rates of the swap is 0.41% (2020: 0.41% - 2.52%) and the variable rate of the loan is 1.42% (2020: 1.42%-1.90%) which is above the 90-day bank bill rate, which was at the end of the reporting period 0.08% (2020: 0.15%).

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

## 11. Derivative financial instruments (continued)

### b) Hedging (continued)

*Effects of hedge accounting on the financial position and performance*

The effects of the interest rate swaps on the fund's financial position and performance are as follows:

| | Consolidated Group 30 June 2021 | Consolidated Group 30 June 2020 | ERPF I Group 30 June 2021 | ERPF I Group 30 June 2020 |
|---|---|---|---|---|
| Carrying amount (current and non-current liablities) ($'000) | 117 | 4,325 | – | 4,145 |
| Notional amount ($'000) | 41,700 | 109,425 | – | 33,825 |
| Maturity date | May 2023 | 2022 & 2023 | – | May 2022 |
| Hedge ratio | 1:1 | 1:1 | – | 1:1 |

### 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. The movement in the effective portion of the hedge will be recognised in Other Comprehensive Income. 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.

## 12. Contributed equity

### OVERVIEW

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

### (a) Parent entity

| | No. of securities 30 June 2021 '000 | No. of securities 30 June 2020 '000 | Parent Entity 30 June 2021 $'000 | Parent Entity 30 June 2020 $'000 |
|---|---|---|---|---|
| **Opening balance** | 128,730 | 128,730 | 90,421 | 90,421 |
| Cancellation | (1,017) | – | (730) | – |
| **Total contributed equity** | **127,713** | **128,730** | **89,691** | **90,421** |

### (b) ERPF I Group

| | No. of securities 30 June 2021 '000 | No. of securities 30 June 2020 '000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| **Opening balance** | 128,730 | 128,730 | 66,116 | 66,116 |
| Cancellation | (1,017) | – | (535) | – |
| **Total contributed equity** | **127,713** | **128,730** | **65,581** | **66,116** |

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

## 13. Financial risk management (continued)

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

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

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

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

### (a) Market risk

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

### (b) Interest rate risk

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

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

| Consolidated Group 30 June 2021 | Maturity < 1 yr $'000 | Maturity 1 - 5 yrs $'000 | Maturity > 5 yrs $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 18,713 | – | – | 18,713 |
| Derivative financial instruments | – | – | – | – |
| **Total assets** | **18,713** | – | – | **18,713** |
| Weighted average interest rate | | | | **0.00%** |
| **Liabilities** | | | | |
| Interest bearing loans | – | 69,955 | – | 69,955 |
| Derivative financial instruments | – | 117 | – | 117 |
| **Total liabilities** | – | **70,072** | – | **70,072** |
| Weighted average interest rate | | | | **1.70%** |

| Consolidated Group 30 June 2020 | Maturity < 1 yr $'000 | Maturity 1 - 5 yrs $'000 | Maturity > 5 yrs $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 4,003 | – | – | 4,003 |
| **Total assets** | **4,003** | – | – | **4,003** |
| Weighted average interest rate | | | | **0.07%** |
| **Liabilities** | | | | |
| Interest bearing loans | 5,749 | 151,813 | – | 157,562 |
| Derivative financial instruments | 1,689 | 2,636 | – | 4,325 |
| **Total liabilities** | **7,438** | **154,449** | – | **161,887** |
| Weighted average interest rate | | | | **3.03%** |

## 13. Financial risk management (continued)

### (b) Interest rate risk (continued)

| ERPF I Group<br>30 June 2021 | Maturity<br>< 1 yr<br>$'000 | Maturity<br>1 - 5 yrs<br>$'000 | Maturity<br>> 5 yrs<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 4,277 | – | – | 4,277 |
| **Total assets** | **4,277** | **–** | **–** | **4,277** |
| Weighted average interest rate | | | | **0.00%** |
| **Liabilities** | | | | |
| Interest bearing loans | – | 5,229 | – | 5,229 |
| Interest bearing cross-staple loan | – | – | 202,973 | 202,973 |
| Derivative financial instruments | – | – | – | – |
| **Total liabilities** | **–** | **5,229** | **202,973** | **208,203** |
| Weighted average interest rate | | | | **3.77%** |

| ERPF I Group<br>30 June 2020 | Maturity<br>< 1 yr<br>$'000 | Maturity<br>1 - 5 yrs<br>$'000 | Maturity<br>> 5 yrs<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 3,071 | – | – | 3,071 |
| **Total assets** | **3,071** | **–** | **–** | **3,071** |
| Weighted average interest rate | | | | **0.06%** |
| **Liabilities** | | | | |
| Interest bearing loans | 4,779 | 107,878 | – | 112,657 |
| Interest bearing cross-staple loan | – | – | 86,748 | 86,748 |
| Derivative financial instruments | 1,626 | 2,519 | – | 4,145 |
| **Total liabilities** | **6,405** | **110,397** | **86,748** | **203,550** |
| Weighted average interest rate | | | | **3.87%** |

### (c) Interest rate sensitivity

At reporting date, if Australian interest rates had been 1% higher / lower and all other variables were held constant, the impact on the Fund in relation to cash and cash equivalents, derivatives, interest bearing loans and the Fund's profit and equity would be:

| | | Increase by 1% | | Decrease by 1% | |
|---|---|---|---|---|---|
| **Consolidated Group<br>30 June 2021** | **Amount<br>$'000** | **Profit<br>$'000** | **Equity<br>$'000** | **Profit<br>$'000** | **Equity<br>$'000** |
| Cash and cash equivalents | 18,713 | 187 | – | (187) | – |
| Derivative financial instruments | 117 | – | 417 | – | (417) |
| Interest bearing loans | 66,669 | (667) | – | (667) | – |
| **Total increase / (decrease)** | **85,499** | **(480)** | **417** | **(854)** | **(417)** |

| | | Increase by 1% | | Decrease by 1% | |
|---|---|---|---|---|---|
| **ERPF I<br>30 June 2021** | **Amount<br>$'000** | **Profit<br>$'000** | **Equity<br>$'000** | **Profit<br>$'000** | **Equity<br>$'000** |
| Cash and cash equivalents | 4,277 | 43 | – | (43) | – |
| Derivative financial instruments | – | – | – | – | – |
| Interest bearing loans | 173,390 | (1,734) | – | 1,734 | – |
| **Total increase / (decrease)** | **177,667** | **(1,691)** | **–** | **1,691** | **–** |

## 13. Financial risk management (continued)

### (c) Interest rate sensitivity (continued)

| | | Increase by 1% | | Decrease by 1% | |
|---|---|---|---|---|---|
| **Consolidated Group 30 June 2020** | **Amount $'000** | **Profit $'000** | **Equity $'000** | **Profit $'000** | **Equity $'000** |
| Cash and cash equivalents | 4,003 | 40 | – | (40) | – |
| Derivative financial instruments | 4,325 | – | 1,090 | – | (1,090) |
| Interest bearing loans | 145,620 | (1,458) | – | 1,458 | – |
| **Total increase / (decrease)** | **153,948** | **(1,418)** | **1,090** | **1,418** | **(1,090)** |

| | | Increase by 1% | | Decrease by 1% | |
|---|---|---|---|---|---|
| **ERPF I 30 June 2020** | **Amount $'000** | **Profit $'000** | **Equity $'000** | **Profit $'000** | **Equity $'000** |
| Cash and cash equivalents | 3,071 | 31 | – | (31) | – |
| Derivative financial instruments | 4,145 | – | 680 | – | (680) |
| Interest bearing loans | 164,426 | (930) | – | 930 | – |
| **Total increase / (decrease)** | **171,642** | **(899)** | **680** | **899** | **(680)** |

Of the $66.7 million floating interest-bearing loans, an amount of $41.7 million has been hedged using interest rate swap agreement. The agreement is in place to swap the floating interest payable to a fixed rate to minimise the interest rate risk.

### (d) Credit risk

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

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

The Fund applied the AASB 9 *Financial Instruments* simplified approach using the provision matrix for measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance. The ECL calculation is based on assumptions about risk of default and expected loss rates. The Fund has considered the following in assessing the expected credit loss: ageing of the debtor's balances, tenant payment history, ongoing negotiations relating to COVID-19 rent relief arrangements, assessment of the tenant's financial position, existing market conditions and forward-looking estimates.

## 13. Financial risk management (continued)

### (d) 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 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| Cash and other cash equivalents | 18,713 | 4,003 | 4,277 | 3,071 |
| Trade and other receivables | 11,536 | 1,830 | 594 | 1,186 |
| **Total** | **30,249** | **5,833** | **4,871** | **4,257** |

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.

The ageing profile of the trade and other receivables balance as at 30 June 2021 is as follows:

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Current | 310 | 598 | – | 685 |
| Past due 31-60 days | 178 | 1,223 | 178 | 528 |
| Past due 61+ days | 1,085 | 922 | 837 | 680 |
| **Total** | 1,573 | 2,743 | 1,015 | 1,893 |
| **Other Receivables** | | | | |
| Current | 10,872 | – | 145 | – |
| **Total aged Trade and other receivables** | 12,445 | 2,743 | 1,160 | 1,893 |
| Provision for expected credit losses | (909) | (913) | (566) | (707) |
| **Net Trade and other receivables** | **11,536** | **1,830** | **594** | **1,186** |

### (e) Capital risk management

The Fund maintains its capital structure with the objective to safeguard its ability to continue as a going concern, to increase the returns for security holders and to maintain an optimal capital structure. The capital structure of the Fund consists of equity as listed in Note 12.

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

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

### (f) Liquidity risk

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

## 13. Financial risk management (continued)

### (f) Liquidity risk (continued)

As a result of the uncertain economic environment created by the COVID-19 pandemic, Fund cashflow management and tenant related cash flows have been subject to heightened levels of review and focus to ensure the Fund maintains strong balance sheet liquidity. At balance date, the fund has a total of $18.9 million of cash and cash equivalents. No drawings are currently anticipated to support COVID-19 related impacts on the Fund.

The following are the undiscounted contractual cash flows of derivatives and non-derivative financial liabilities shown at their nominal amount.

| Consolidated Group<br>30 June 2021 | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Derivative financial instruments** | | | | | | |
| Derivatives | – | 117 | – | – | – | 117 |
| **Non derivative financial liabilities** | | | | | | |
| Distribution payable | 20,223 | – | – | – | – | 20,223 |
| Trade and other payables | 2,606 | – | – | – | – | 2,606 |
| Interest bearing loans | – | – | 66,669 | – | – | 66,669 |
| **Total** | **22,829** | **117** | **66,669** | **–** | **–** | **89,615** |

| Consolidated Group<br>30 June 2020 | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Derivative financial instruments** | | | | | | |
| Derivatives | 1,689 | 2,636 | – | – | – | 4,325 |
| **Non derivative financial liabilities** | | | | | | |
| Distribution payable | – | – | – | – | – | – |
| Trade and other payables | 4,486 | – | – | – | – | 4,486 |
| Interest bearing loans | – | 65,064 | 91,560 | – | – | 156,624 |
| **Total** | **6,175** | **67,700** | **91,560** | **–** | **–** | **165,435** |

| ERPF I Group<br>30 June 2021 | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Derivative financial instruments** | | | | | | |
| Derivatives | – | – | – | – | – | – |
| **Non derivative financial liabilities** | | | | | | |
| Distribution payable | 3,360 | – | – | – | – | 3,360 |
| Trade and other payables | 1,546 | – | – | – | – | 1,546 |
| Interest bearing loans | – | – | 4,997 | 168,393 | – | 173,390 |
| **Total** | **4,906** | **–** | **4,997** | **168,393** | **–** | **178,296** |

| ERPF I Group<br>30 June 2020 | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 | More than 5 years $'000 | Contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Derivative financial instruments** | | | | | | |
| Derivatives | 1,626 | 2,519 | – | – | – | 4,145 |
| **Non derivative financial liabilities** | | | | | | |
| Distribution payable | – | – | – | – | – | – |
| Trade and other payables | 3,470 | – | – | – | – | 3,470 |
| Interest bearing loans | – | 18,286 | 88,271 | – | – | 106,557 |
| **Total** | **5,096** | **20,805** | **88,271** | **–** | **–** | **114,172** |

## 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.

## 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
Anthony Fehon
Lim Kin Song (resigned 25 January 2021)

*Other Management Personnel*

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

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

*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.

## 14. Related parties (continued)

*Related party disclosure*

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

| Fees paid to Elanor Investors Group and its controlled entities: | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| Management fees | 1,837 | 2,822 | 1,382 | 1,529 |
| Accrued performance fee | 328 | 1,165 | 213 | 676 |
| Total investment management fees | 2,165 | 3,987 | 1,595 | 2,205 |
| Other | 396 | 469 | 339 | 325 |
| **Total** | **2,561** | **4,456** | **1,934** | **2,530** |
| **Outstanding balances arising from Fees paid to Elanor Investors Group and its controlled entities:** | | | | |
| Accounts payable | 289 | 255 | 289 | 6 |
| **Total** | **289** | **255** | **289** | **6** |

*Related party holdings*

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

| | Stapled Securities 30 June 2021 | Stapled Securities 30 June 2020 |
|---|---|---|
| Investments held by Elanor Investment Trust | 23,026,082 | 23,026,082 |
| Investments held by Directors and other Management Personnel | 797,391 | 828,641 |
| **Total** | **23,823,473** | **23,854,723** |

*Cross-Staple Loan*

On 9 November 2016, as part of the internal funding structure on listing of the Fund, ERPF I entered into a 10-year interest-bearing loan with ERPF II at arm's length commercial terms. As of 30 June 2021, the outstanding loan balance payable to ERPF II was $168.4 million ($67.9 million as at 30 June 2020).

The ERF II has applied the ECL model under AASB 9 *Financial Instruments* to its unsecured intercompany loan receivable with ERPF I. An impairment provision as the 12-month ECL has been assessed at balance date. Despite the current economic environment, there has been no history of defaults and management has determined that there has not been a significant increase in credit risk on the intercompany loan since its inception. ERPF I maintains a strong capital position and forecasts sufficient cash flows to repay the loan to ERPF II on expiry. There is no impact on the Fund as this loan eliminates on consolidation.

## 15. Non-cancellable operating lease receivables

### OVERVIEW

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

| | Consolidated Group 30 June 2021 $'000 | Consolidated Group 30 June 2020 $'000 | ERPF I Group 30 June 2021 $'000 | ERPF I Group 30 June 2020 $'000 |
|---|---|---|---|---|
| Within 1 year | 14,997 | 22,934 | 14,997 | 16,929 |
| Between 1 and 2 years | 12,421 | 17,528 | 12,421 | 12,957 |
| Between 2 and 3 years | 10,431 | 15,663 | 10,431 | 11,944 |
| Between 3 and 4 years | 8,612 | 10,598 | 8,612 | 9,503 |
| Between 4 and 5 years | 6,183 | 9,310 | 6,183 | 8,857 |
| Later than 5 years | 23,466 | 27,081 | 23,466 | 26,848 |
| **Total** | **76,110** | **103,114** | **76,110** | **87,038** |

## 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 2021 (30 June 2020: nil).

### (b) Commitments

The Fund, including ERPF I Group, has capital commitments of nil (30 June 2020: $8.95 million) in respect of capital expenditures contracted at the date of the statements of financial position.

## 17. Parent entity disclosure

### OVERVIEW

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

### (a) Summarised financial information

| Financial Position | ERPF II 30 June 2021 $'000 | ERPF II 30 June 2020 $'000 | ERPF I 30 June 2021 $'000 | ERPF I 30 June 2020 $'000 |
|---|---|---|---|---|
| Current assets | 21,423 | 2,350 | 40,453 | (2,514) |
| Non - current assets | 172,351 | 179,950 | 149,576 | 147,475 |
| **Total Assets** | **193,774** | **182,300** | **190,029** | **144,961** |
| | | | | |
| Current liabilities | 17,986 | 1,714 | 4,188 | 2,180 |
| Non - current liabilities | 61,726 | 49,323 | 173,390 | 120,025 |
| **Total Liabilities** | **79,712** | **51,037** | **177,578** | **122,205** |
| | | | | |
| Contributed equity | 89,690 | 90,422 | 65,677 | 66,213 |
| Reserves | (118) | (137) | 1,535 | (2,577) |
| Retained profits / (accumulated losses) | 24,490 | 40,978 | (54,761) | (40,880) |
| **Total Equity** | **114,062** | **131,263** | **12,451** | **22,756** |
| | | | | |
| **Financial performance** | | | | |
| Profit / (loss) for the period | 3,716 | 8,297 | (7,696) | (10,143) |
| Other comprehensive income for the year | 15 | 302 | 4,113 | (570) |
| **Total comprehensive income for the year** | **3,731** | **8,599** | **(3,584)** | **(10,713)** |

### (b) Commitments

ERPF I had no commitments as at 30 June 2021 (2020: none), while ERPF II had $1.0 million as at 30 June 2021 (2020: $8.95 million) in relation to capital expenditure contracted at the date of the statements of financial position.

### (c) Guarantees provided

ERPF I and ERPF II had no outstanding guarantees as at 30 June 2021 (2020: none).

### (d) Contingent liabilities

ERPF I and ERPF II has no contingent liabilities as at 30 June 2021 (2020: none).

### ACCOUNTING POLICY

With the exception of consolidation, the financial information of the parent entities of Elanor Retail Property Fund and ERPF I Group have been prepared on the same basis as the consolidated financial statements.

## 18. Auditors' remuneration

### OVERVIEW

PricewaterhouseCoopers are the independent auditors of the Fund (2020: Deloitte Touche Tohmatsu) and have provided audit and other assurance related services as well as other non-assurance related services to Group and the Trust during the year.

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

| | Consolidated Group 30 June 2021 $ | Consolidated Group 30 June 2020 $ |
|---|---|---|
| **Audit and other assurance services** | | |
| *Audit and review of financial statements* | | |
| PricewaterhouseCoopers | 91,710 | – |
| Deloitte Touche Tohmatsu | – | 101,900 |
| ***Other services*** | | |
| *Taxation services* | – | 20,488 |
| *Consulting services* | 96,900 | – |
| **Total auditor's remuneration** | **188,610** | **122,388** |

## 19. Subsequent events

On 22 August 2021, contracts were exchanged for the sale of Moranbah Fair at a sale price of $28.0 million. The sale settled on 31 August 2021.

Other than the above, since the end of the year, 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 2021.

## 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.

# Directors' Declaration to Stapled Securityholders

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

(a) the financial statements and notes set out on pages 24 to 60 are in accordance with the Corporations Act 2001 (Cth), including:

i. complying with Australian Accounting Standards, the *Corporations Regulations* 2001 and other mandatory professional reporting requirements; and

ii. giving a true and fair view of the Consolidated Group's and ERPF I Group's financial position as at 30 June 2021 and of their performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Consolidated Group and the ERPF I Group will be able to pay their debts as and when they become due and payable; and

(c) the 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 required by Section 295A of the *Corporations Act 2001* (Cth).

This declaration is made in accordance with a resolution of the Board of Directors in accordance with Section 295(5) of the *Corporations Act 2001* (Cth).

Glenn Willis
CEO and Managing Director

Sydney, 15 October 2021

# *Independent auditor's report*

To the stapled securityholders of Elanor Retail Property Fund II and Elanor Retail Property Fund I

## *Report on the audit of the financial report*

### *Our opinion*

In our opinion:

The accompanying financial reports of:

- Elanor Retail Property Fund II (the Registered Scheme) and its controlled entities (together the Group), and
- Elanor Retail Property Fund I and the entities it controlled during the year (ERPF I Group)

is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the financial positions of the Group and ERPF I Group as at 30 June 2021 and of their financial performance for the year then ended

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

***What we have audited***

The financial reports of the Group and ERPF I Group (the financial report) comprise:

- the consolidated statements of financial position as at 30 June 2021
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of profit or loss for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flow for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration to the stapled securityholders.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

***PricewaterhouseCoopers, ABN 52 780 433 757***
*One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001*
*T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

*Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124*
*T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au*

***Independence***

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

## *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group and ERPF I Group, their accounting processes and controls and the industry in which they operate.


| ***Materiality*** | ***Audit scope*** | ***Key audit matters*** |
|---|---|---|
| • For the purpose of our audit of the Group and ERPF I Group, we used overall materiality of \$0.6 million and \$0.3 million, respectively, which represents approximately 5% of Funds from Operations. The metric is defined in note 1 of the financial report.<br>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing, and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.<br>• We chose Funds from Operations because, in our view, it is the primary metric against which the performance of the Group | • Our audit focused on where the Group and ERPF I Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.<br>• The audit team consisted of individuals with the appropriate skills and competencies needed for the audits, and this included industry expertise in real estate, as well as valuation, tax, and treasury experts. | • Amongst other relevant topics, we communicated the following key audit matter to the Audit and Risk Committee:<br>– Valuation of Investment Properties<br>• This is further described in the *Key audit matters* section of our report. |

and ERPF I Group are most commonly measured in the industry.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period and were determined separately for the Group and ERPF I Group. Relevant amounts listed for each part of the stapled group represent balances as they are presented in the financial report and should not be aggregated. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

| ***Key audit matter*** | ***How our audit addressed the key audit matter*** |
|---|---|
| ***Valuation of Investment Properties***<br>*(Refer to note 6)*<br>*Group: $187 million*<br>*ERPF I Group: $187 million*<br>The Group's and ERPF I Group's property portfolios consist of retail investment properties at 30 June 2021.<br>The fair value of investment properties was determined using the valuation methodologies and the significant assumptions and inputs into the valuation models as outlined in note 6.<br>This was a key audit matter because of the:<br>• relative size of the investment property portfolio to net assets and related valuation movements, and<br>• inherent subjectivity of the key assumptions that underpin the valuations and the uncertainty arising from the ongoing COVID-19 pandemic. | Our procedures included, amongst others:<br>• Obtaining an understanding of the Group's and ERPF I Group's process for determining the valuation of the investment properties;<br>• Assistance from PwC's real estate valuation experts where relevant;<br>• Assessing the scope, competence and objectivity of the external valuation firms engaged by the Group and ERPF I Group to provide external valuations at reporting date;<br>• Assessing the appropriateness of the valuation methodologies utilised, and reconciling the fair value recorded in the accounting records to the external and internal valuation reports for all the properties;<br>• Selecting a risk-based sample of both internally and externally valued properties to assess the appropriateness of the significant assumptions with reference to market data where possible. We agreed the underlying lease terms to the tenancy schedule and |

traced the rental income used in the external valuation to the tenancy schedule. We assessed the appropriateness of income related assumptions including adjustments made in response to the ongoing impacts of COVID-19;

- Testing the mathematical accuracy of a sample of the valuations;
- Considering the reasonableness of the disclosures made in relation to the significant assumptions, including the sources of estimation uncertainty in note 6 in light of the requirements of Australian Accounting Standards.

## *Emphasis of matter – Reissue of financial report*

We draw attention to the About this report – Reissue of Financial Report section in the financial report which indicates that the financial reports of the Group and ERPF I have been revised and reissued. This audit report supersedes our audit report on the previously issued financial report, dated 29 September 2021. Our opinion is not modified in respect of this matter.

## *Other information*

The directors of Elanor Funds Management Limited, the Responsible Entity of the Registered Scheme and ERPF I (the directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, 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 accordingly 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the directors for the financial report*

The directors are responsible for the preparation of the 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 determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## *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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Buckman

Bianca Buckman
Partner

Sydney
15 October 2021

# Corporate Governance

The Board of Directors of Elanor Funds Management Limited as responsible entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II (Fund) have approved the Fund's Corporate Governance Statement as at 30 June 2021. In accordance with ASX Listing Rule 4.10.3, the Fund's Corporate Governance Statement can be found on its website at: **www.elanorinvestors.com/ERF**

The Board of Directors is responsible for the overall corporate governance of the Fund, including establishing and monitoring key strategy and performance goals. The Board monitors the operational and financial position and performance of the Fund, and oversees its business strategy, including approving the Fund's strategic goals.

The Board seeks to ensure that the Fund is properly managed to protect and enhance securityholder interests, and that the Fund, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing the Fund, including Board and Committee Charters and various corporate governance policies designed to promote the responsible management and conduct of the Fund.

# Securityholder Analysis

As at 1 October 2021

## Stapled Securities

The units of the Trusts are combined and issued as stapled securities in the Fund. The Fund's securities are traded on the Australian Securities Exchange (ASX: ERF), having listed on 9 November 2016. The units of the Trusts cannot be traded separately and can only be traded as stapled securities. In accordance with the ASX's requirements for stapled securities, the ASX reserves the right (but without limiting its absolute discretion) to remove a Trust from the ASX Official List if any of the units cease to be stapled together or any equity securities issued by the Trusts which are not stapled to equivalent securities in the other entity.

## Top 20 Securityholders

| Number | Securityholder | No. of Securities | % |
|---|---|---|---|
| 1 | J P Morgan Nominees Australia Pty Limited | 23,204,479 | 18.17 |
| 2 | Elanor Investment Nominees Pty Limited <Elanor Investment A/C> | 23,026,082 | 18.03 |
| 3 | HSBC Custody Nominees (Australia) Limited | 10,001,251 | 7.83 |
| 4 | Perpetual Corporate Trust Ltd <QCAXSIVECF A/C> | 6,897,779 | 5.40 |
| 5 | Kenxue Pty Ltd <Susan Investment A/C> | 4,848,518 | 3.80 |
| 6 | BNP Paribas Noms Pty Ltd <Drp> | 4,634,907 | 3.63 |
| 7 | National Nominees Limited | 2,085,387 | 1.63 |
| 8 | Kenxue Pty Ltd <Susan Investment A/C> | 1,901,766 | 1.49 |
| 9 | Armada Investments Pty Ltd | 1,822,222 | 1.43 |
| 10 | Certane Ct Pty Ltd <ECT CAP STBL FND> | 1,592,646 | 1.25 |
| 11 | Kindol Pty Ltd <Veale Super Fund A/C> | 1,458,960 | 1.14 |
| 12 | Berg Family Foundation Pty Ltd <Berg Family Foundation A/C> | 1,366,667 | 1.07 |
| 13 | Pinwillow Pty Ltd <ARB Personal Super Fund A/C> | 1,366,667 | 1.07 |
| 14 | Colovine Pty Ltd | 1,228,656 | 0.96 |
| 15 | Yarramalong Management Services Pty Limited <Yarramalong Mge P/L S/F A/C><Yarramalong Mge P/L S/F A/C> | 940,119 | 0.74 |
| 16 | Oksar Pty Ltd <Raskos A/C> | 827,779 | 0.65 |
| 17 | Basapa Pty Ltd <Kehoe Family A/C> | 825,927 | 0.65 |
| 18 | Bond Street Custodians Limited <JJH1 - V01845 A/C> | 822,223 | 0.64 |
| 19 | Bejjal Pty Ltd <Bejjal Super Fund A/C> | 740,742 | 0.58 |
| 20 | Amjor Pty Ltd <Thaler Family Investment A/C> | 725,185 | 0.57 |
| **Total** | | 90,317,962 | 70.72 |
| **Balance of Register** | | 37,394,763 | 29.28 |
| **Grand Total** | | 127,712,725 | 100.00 |

# Securityholder Analysis
# 1 October 2021

## Range Report

| Range | No. of Securities | % | No. of Holders | % |
|---|---|---|---|---|
| 100,001 and over | 113,948,212 | 89.22 | 122 | 17.04 |
| 10,001 to 100,000 | 12,804,911 | 10.03 | 348 | 48.60 |
| 5,001 to 10,000 | 697,155 | 0.55 | 83 | 11.59 |
| 1,001 to 5,000 | 235,086 | 0.18 | 81 | 11.31 |
| 1 to 1,000 | 27,361 | 0.02 | 82 | 11.45 |
| **Total** | 127,712,725 | 100.00 | 716 | 100.00 |

The total number of security holders with an unmarketable parcel of securities was 53.

## Substantial Securityholders

| Securityholder | No. of Securities | % |
|---|---|---|
| Elanor Investment Nominees Pty Ltd ATF Elanor Investment Trust | 23,026,082 | 18.03 |
| Moelis Australia Asset Management Limited | 19,784,465 | 15.37 |
| Perpetual Limited | 6,705,766 | 5.21 |
| Kenxue Pty Ltd <Susan Investment Trust><br>Aloron Pty Ltd <The Campbell Super Fund> | 6,524,812 | 5.07 |

## Voting rights

On a poll, each security holder has, in relation to resolutions of the Trusts, one vote for each dollar value of their total units held in the Trust.

## On-Market Buy-back

There is no current on-market buy-back program in place.

# Corporate Directory

## Elanor Investors Group (ASX Code: ERF)

Elanor Funds Management Limited (ACN 125 903 031) is the Responsible Entity of Elanor Retail Property Fund I (ARSN 615 054 129) (ERPF I) and Elanor Retail Property Fund II (ARSN 615 054 174) (ERPF II) each a Trust and together the Elanor Retail Property Fund

Level 38
259 George Street
Sydney NSW 2000
T: +61 2 9239 8400

## Directors of the Responsible Entity

Paul Bedbrook (Chairman)
Glenn Willis (Managing Director and CEO)
Nigel Ampherlaw
Anthony (Tony) Fehon
Lim Su Kiat (Appointed 1 October 2021)

## Company Secretary of the Responsible Entity

Symon Simmons

## Security Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

## Auditors

PricewaterhouseCoopers
One International Towers
Watermans Quay
Barangaroo NSW 2000

## Custodian

The Trust Company (Australia) Limited
Level 18
123 Pitt Street
Sydney NSW 2000

## Website

www.elanorinvestors.com/ERF

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PROPERTY
FUND

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**elanorinvestors.com/ERF**