

22 September 2023

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

Dear Sir/Madam

Elanor Commercial Property Fund Annual Report for Year ended 30 June 2023

Attached is the Elanor Commercial Property Fund (ASX: ECF) Annual Report for the year ended 30 June 2023.

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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Annual Report

For the year ended 30 June 2023



Acknowledgement of country

Elanor is proud to work with the communities in which we operate, to manage and improve properties on land across Australia and New Zealand.

We pay our respects to the traditional owners, their elders past, present and emerging and value their care and custodianship of these lands.



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Financial Calendar

SEP	September 2023 Estimated interim distribution announcement and securities trade ex-distribution
NOV	November 2023 Interim distribution payment
DEC	December 2023 Estimated interim distribution announcement and securities trade ex-distribution
FEB	February 2024 Interim results announcement and interim distribution payment
MAR	March 2024 Estimated final distribution announcement and securities trade ex-distribution
MAY	May 2024 Interim distribution payment
JUN	June 2024 Estimated interim distribution announcement and securities trade ex-distribution
AUG	August 2024 Full-year results announcement and final distribution payment
SEP	September 2024 Annual tax statements

Responsible Entity

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

2023 Highlights



Funds From Operations (FFO)

per security

11.01c

Achieved FY23 guidance of 11.0 cents per security



Distributions per Security

9.40c

85% payout ratio



Like-for-like Rental Income Growth

6.8%

With 11% positive leasing spreads¹



Portfolio Value²

\$557.5m

Decrease of 8.5% from 30 June 2022



NTA per Security

\$1.00

\$1.20 at 30 June 2022



Balance Sheet Gearing³

35.1%

26% on a proforma basis post asset sales⁴



Hedged Interest Rate Exposure⁵

78.9%

Weighted average hedge expiry of 3.2 years



Occupancy⁶

98.4%

Significantly above market occupancy of 85%⁷



Portfolio WALE⁸

3.1yrs

Secure income with only 6% of income expiring in FY24



Weighted Average Capitalisation Rate

6.95%

Up from 6.09%

1. Calculated on leases executed in FY23

2. Treating 19 Harris Street as an equity-accounted investment results in investment portfolio of \$507.2 million

3. Debt less cash divided by total assets less cash

4. Assumes net proceeds from the sale of Nexus and Limestone is applied to reduce debt (refer ASX announcement 17 August 2023)

5. Reflects hedged interest rate exposure following interest rate hedging transactions completed on 15 August 2023; 19 Harris Street debt is hedged to expiry

6. Weighted by area, including Heads of Agreements

7. JLL REIS June 2023, national CBD occupancy

8. Weighted by income, including Heads of Agreements

Impactful sustainability for our stakeholders

Environment

Enhancing energy efficiency and working towards a net zero carbon portfolio

35%¹

of portfolio is carbon neutral with roadmap established to further reduce emissions



47%¹

of portfolio have on-site solar power, enhancing efficiency and reducing reliance on the grid

Social

Making a positive impact to the communities in which we operate

Proud partnership with The Smith Family, providing support to disadvantaged Australian students



The Smith Family
Learn today, change tomorrow.

Partnerships with leading community organisations to support and contribute to social impact outcomes



Cancer Council
Australia's Biggest Morning Tea



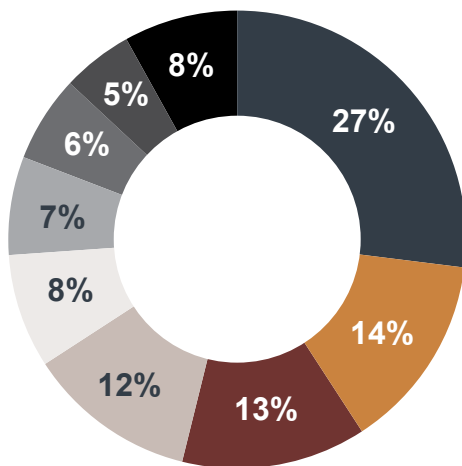
Governance

Best practice governance for all stakeholders

ESG management committee: oversight of modern slavery, diversity and inclusion and climate change policy

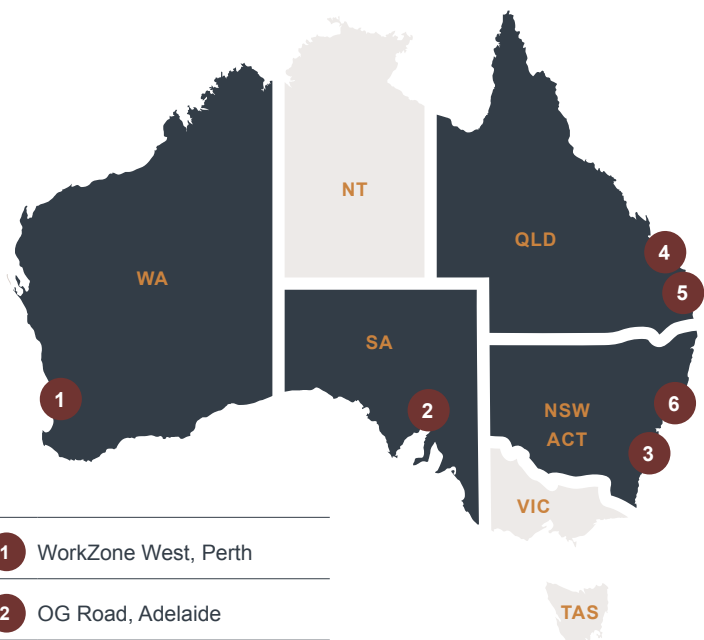
Implementation of policies to ensure partners and contractors meet our governance expectations

Key Tenant Sectors



27%	Engineering
14%	Government
13%	Real Estate
12%	Media & Advertising
8%	Technology
7%	Finance & Legal
6%	Health
5%	Retail
8%	Other

Geographic Diversification



- 1 WorkZone West, Perth
- 2 OG Road, Adelaide
- 3 Garema Court, Canberra
- 4 200 Adelaide St, Brisbane, Nexus Centre, Mt Gravatt, Limestone Centre, Ipswich, and Corporate Drive, Cannon Hill

- 5 50 Cavill Ave, Gold Coast
- 6 19 Harris Street, Sydney

1. Weighted by asset values

Message from the Chair

On behalf of the Board, I am pleased to present Elanor Commercial Property Fund's Annual Report, including its Financial Statements, for the year ended 30 June 2023.



50 Cavill Ave, Gold Coast

Elanor Commercial Property Fund (ASX: ECF) is an externally managed real estate investment trust that currently owns nine Australian commercial office assets with a portfolio valuation of \$557.5 million.

ECF's investment portfolio has continued to perform strongly during the financial year, generating Funds from Operations (FFO) of \$34.9 million, or 11.01 cents per security, in line with FY23 FFO guidance. The Fund distributed \$29.8 million or 9.40 cents per security, at a conservative payout ratio of 85%.

The Fund's management team achieved significant leasing results over the year, resulting in portfolio occupancy increasing to over 98% and FY24 lease expiries reducing to only 6% of income. These leasing outcomes strongly position the Fund for FY24 with secure income in the prevailing market conditions.

Strengthening the Fund's balance sheet has been a key focus, with agreements executed for the conditional sale of Nexus Centre and Limestone Street. The net sale proceeds are to be applied to reduce gearing, with proforma gearing post asset sales of 26.2% (35.1% as at 30 June 2023).

ECF's office assets performed strongly over the period. However, the valuation of the Fund's portfolio decreased by 8.5% since 30 June 2022 as a result of softening capitalisation rates in the commercial office sector due to

the prevailing rising interest rate environment and broader market conditions. The Fund's weighted average capitalisation rate was 6.95% at 30 June 2023 (91 basis points above the JLL national average).

ECF's key strategic objective is to provide strong risk-adjusted returns by investing in commercial office properties that have clearly differentiated and sustainable competitive advantages in their respective markets.

I wish to thank my fellow Board members, our executive leadership team and the Fund team led by David Burgess, ECF's Fund Manager, for their hard work and commitment to driving the performance of ECF's portfolio of commercial office properties.

Finally, I would like to thank all ECF Securityholders for their continued support.

Yours sincerely,

Paul Bedbrook
Independent Non-Executive
Director and Chair

CEO's Message

I am pleased to present Elanor Commercial Property Fund's Annual Report for the financial year ended 30 June 2023.



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ECF continues to achieve its key strategic objective: to provide strong, risk-adjusted returns by investing in, and managing, a portfolio of high investment quality commercial office properties. As a result, ECF achieved its market guidance for FY23 by delivering a Funds from Operations (FFO) per security of 11.01 cents and distributions per security of 9.4 cents per security at a conservative payout ratio of 85%. The Fund's strong investment performance is a direct result of our disciplined, risk-first approach to investing in commercial office assets that have clear competitive advantages in their respective markets.

ECF has provided FY24 distribution guidance of 8.5 cents per security. This guidance reflects the security of the Fund's income (with less than 6% of leases expiring in FY24), its interest rate risk position (78.9% hedged), and its proforma gearing post the proposed sale of Nexus Centre and Limestone Street (26.2%¹). The Fund's properties have significant potential for income growth with market rents well below economic rents.

Strategy

The Fund's key strategic objective is to provide strong risk-adjusted returns by:

- investing in commercial office properties with strong competitive advantages; and

- actively managing the Fund's assets to grow the income and capital value of the properties.

Key Results

As noted above, the Fund performed strongly during the year, achieving FY23 Earnings Guidance.

A range of key leasing initiatives were successfully executed over the period with a total of 25,429m² being leased during the year (excluding short-term lease extensions). The Fund has achieved a 92% tenant retention rate from lease expiries during the period. ECF's portfolio occupancy was 98.4%² at 30 June 2023 (significantly above the average market occupancy of 85.1%), with a WALE of 3.1 years.

Despite the strong operating performance of ECF's investments, the valuation of the Fund's portfolio decreased by 8.5% over the year. This decline in valuation was the result of softening capitalisation rates in the commercial office sector due to the prevailing rising interest rate environment and broader market conditions.

The Fund's gearing was 35.1% at 30 June 2023 (26.2%¹ on a proforma basis post the proposed sale of Nexus Centre and Limestone Street).

Sustainability

We recognise the importance of managing environmental, social and governance factors in delivering value for our investors. A range of ESG initiatives have been successfully executed across the portfolio during the year, including the renewal of Carbon Neutral certifications at the 19 Harris St and WorkZone West properties.

All properties in the ECF portfolio have a targeted Sustainability Improvement Plan with comprehensive Net Zero roadmaps for Cavill Avenue, Garema Court and Mount Gravatt. 35% of ECF's portfolio is carbon neutral with a roadmap established to further reduce emissions. 47% of the portfolio has on-site solar power, enhancing property efficiency and reducing reliance on the electricity grid.

The ECF portfolio has a 5.1-Star NABERS energy rating, with WorkZone West maintaining its 6-Star NABERS energy rating. Garema Court and Cavill Avenue have a 5.5-Star NABERS energy rating while Nexus Centre and 19 Harris Street have a 5-Star NABERS energy rating.

1. Assumes net proceeds from the sale of Nexus and Limestone is applied to reduce debt (refer ASX Announcement on 17 August 2023)

2. Weighted by area, including Heads of Agreements

CEO's Message

Outlook

The Fund's strong earnings performance is a direct result of our disciplined, risk-first approach to investing in properties that deliver strong, sustainable income. With the Fund's properties invested in favourably positioned markets, there are significant opportunities to further enhance value for Securityholders.

ECF has provided FY24 distribution guidance of 8.5 cents per security. This guidance reflects the security of the Fund's income (with less than 6% of leases expiring in FY24), its interest rate risk position (78.9% hedged), and its proforma gearing post the proposed sale of Nexus Centre and Limestone Street (26.2%¹). The Fund's properties have significant potential for income growth with market rents well below economic rents.

Yours sincerely,



Glenn Willis
Managing Director and
Chief Executive Officer



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Financial Report

For the year ended
30 June 2023

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Directors' Report

The Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Commercial Property Fund, present their report together with the consolidated financial report of Elanor Commercial Property Fund (ECF, Group, Consolidated Group or Fund) and the consolidated financial report of the Elanor Commercial Property Fund II (ECPF II) for the year ended 30 June 2023 (period).

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

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

ECPF I and ECPF II were registered as managed investment schemes on 18 October 2019. The units of ECPF I and the units of ECPF II are combined and issued as stapled securities in the Group. The Group's securities are traded on the Australian Securities Exchange (ASX: ECF). The units of each scheme cannot be traded separately and can only be traded as stapled securities. Although there is no ownership interest between ECPF I and ECPF II, ECPF I is deemed to be the parent entity of the Group in accordance with the Australian Accounting Standards.

Elanor Asset Services Pty Limited (ABN 83 614 679 622), a wholly owned subsidiary of Elanor Investors Group, is the Manager of the Fund, providing services in accordance with the Investment Management Agreement. The Trust Company (Australia) Limited is the Custodian of the Fund, pursuant to the Custody Deed.

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 (Chairman)
- Glenn Willis (Managing Director and Chief Executive Officer)
- Nigel Ampherlaw
- Anthony Fehon
- Su Kiat Lim
- Karyn Baylis
- Victor Rodriguez (appointed 7 July 2023)

2. Principal activities

The principal activity of the Fund is the investment in Australian commercial office properties, located in major metropolitan areas or established commercial precincts.

3. Distributions

Distributions in respect of the year ended 30 June 2023

The following table details the Consolidated Group's distributions that were declared and / or paid in respect of the year ended 30 June 2023:

	Distribution Cents per stapled security	30 June 2023 \$'000
Consolidated Group		
Distribution paid: 1 July - 30 September 2022	2.35	7,439
Distribution paid: 1 October - 31 December 2022	2.35	7,439
Distribution paid: 1 January - 31 March 2023	2.35	7,439
Distribution payable: 1 April - 30 June 2023	2.35	7,439
Total distribution relating to the year ended 30 June 2023	9.40	29,756

4. Operating and financial review

OVERVIEW AND STRATEGY

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

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

- Invest in commercial office properties with differentiated competitive market positions that are located in major metropolitan areas or established commercial precincts;
- Execute leasing strategies and actively manage the properties to grow the income and capital value of the assets;
- Acquire additional high investment quality commercial office properties in line with the Fund's investment criteria; and
- Maintain a conservative capital structure with a target Gearing range between 30% and 40%.

Directors' Report

4. Operating and financial review

OVERVIEW AND STRATEGY (CONTINUED)

During the year ended 30 June 2023, the Fund completed and achieved the following key initiatives and results:

- Funds from Operations (FFO) for the period of \$34.9 million or 11.01 cents per security
- Distributions of \$29.8 million or 9.40 cents per security, at a payout ratio of 85%, the low end of the Fund's target payout ratio range (80% – 100%);
- Successfully executed a range of new leases and renewals over 25,429 m2, further enhancing the Fund's income security and tenant quality (FY24 lease expiries reduced to 6% of gross income). Key leasing initiatives included:
 - Renewal by the Commonwealth Government over 10,873 m2 at Garema Court, Canberra, through to June 2026 (representing 13% of the portfolio's gross annual income)
 - Accor renewing its lease over 2,792 m2 at 50 Cavill Avenue, Gold Coast, through to July 2028
 - Multiple leases totalling 4,394 m2 at Limestone Centre, Ipswich, including 2,707 m2 to the Queensland State Government through to April 2028
 - A new 2,000 m2 lease with ITV Studios Australia at 19 Harris Street, Pyrmont until August 2027
- Maintained strong occupancy levels at 98%, consistent with 30 June 2022 and significantly above national office occupancy levels.
- Achieved a 5.5 NABERS rating at 50 Cavill Avenue and achieved a NABERS Climate Active Carbon Neutral certification at the Fund's WorkZone West and 19 Harris Street properties.

The Fund's portfolio of commercial office assets:

- Comprises nine high investment quality properties located in established commercial office precincts in Brisbane, Gold Coast, Perth, Canberra, Adelaide and Sydney, with a combined value of \$507.2 million (including 19 Harris Street);
- Generates approximately 73% of its income from Federal and State Governments (17%), Multinationals (44%, including ITV, Abacus dx, Accor) and ASX-listed tenants (12%, including CIMIC, NAB, Coles and Wesfarmers).
- Had a gearing ratio of 35.1% at balance date (40.7% on a look through basis).

4. Operating and financial review (continued)

INVESTMENT PORTFOLIO

The valuation of the Fund's portfolio of investment properties at 30 June 2023 has decreased by \$41.1 million (7.95%) since 30 June 2022 (a \$0.2 million or 4.16% decrease since 31 December 2022). The valuation of the equity accounted investment in the 19 Harris Street property at 30 June 2023 decreased by \$12.4 million (28.17%) since 30 June 2022.

This decrease in portfolio valuation is primarily due to rising capitalisation and discount rates driven by the prevailing interest rate environment and broader market conditions. These impacts have been partially offset by increasing portfolio rents for the Fund. The Fund's portfolio valuation decrease is consistent with reduced asset valuations across the Australian commercial office market. The Sydney City commercial office market has been more severely impacted by rising capitalisation rates based on recent commercial property transactions, and this is reflected in the Fund's 49.9% interest in the 19 Harris Street property.

The resilience of the Fund's property portfolio is a result of its tenant quality, occupancy of 98%, and WALE of 3.1 years. Strong tenant demand has driven 11% positive leasing spreads and 6.8% like-for-like income growth, reflecting the strength of the leasing outcomes achieved during the year. This is a direct result of the Fund's strategy to invest in commercial office properties with differentiated competitive market positions.

The following table shows a summary of ECF's investment portfolio as at balance date:

Property	Location	Carrying Value	Carrying Value
		30 June 2023	30 June 2022
		\$'m	\$'m
50 Cavill Avenue	Surfers Paradise QLD	120.0	119.0
WorkZone West	Perth, WA	118.0	125.0
Garema Court	Canberra, ACT	66.0	72.0
200 Adelaide St	Brisbane, QLD	50.0	55.5
NEXUS Centre	Mount Gravatt, QLD	35.0	39.2
Limestone Centre	Ipswich, QLD	29.6	37.0
Campus DXC	Felixstow, SA	28.5	36.0
34 Corporate Drive	Cannon Hill, QLD	28.5	33.0
Total Investment Properties		475.6	516.7

Equity Investment	Location	Ownership %	Equity Accounted Value	Equity Accounted Value
			30 June 2023	30 June 2022
			\$'m	\$'m
19 Harris Street	Pymont, NSW	49.9	31.6	44.0
Total Equity Investment			31.6	44.0

Total Investment Portfolio		507.2	560.7
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Directors' Report

4. Operating and financial review (continued)

FINANCIAL RESULTS

The Fund recorded a statutory loss after tax of \$32.2 million for the year ended 30 June 2023 (2022: profit after tax of \$43.9 million).

Funds from Operations (FFO) were \$34.9 million (2022: \$30.1 million) or 11.01 cents (2022: 10.94 cents) per weighted average security. FFO is the Directors' measure of the periodic amount available for distributions and has been determined in accordance with the definition outlined in the Property Council of Australia's white paper "Voluntary best practice guidelines for disclosing FFO and AFFO" and adjusted for amortisation amounts relating to borrowing costs and the manager contribution.

The Fund's balance sheet remains strong at 30 June 2023, with Net Assets of \$317.8 million, and cash on hand of \$8.0 million. The Fund also has \$9.8 million in undrawn debt facilities.

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

	Consolidated Group 30 June 2023	ECPF II 30 June 2023
Key financial results		
Net statutory loss (\$'000)	(32,176)	(7,102)
Funds from Operations (FFO) (\$'000)	34,858	1,744
Distributions payable to security holders (\$'000)	7,439	453
FFO per stapled security (cents)	11.01	0.55
FFO per weighted average stapled security (cents)	11.01	0.55
Distributions (cents per stapled security)	9.40	0.46
Net tangible assets (\$ per stapled security)	1.00	0.06
Gearing (net debt / total assets less cash) (%)	35.1%	42.5%
Gearing (look-through) ¹ (%)	40.7%	42.5%

¹ Adjusted for equity accounted investment of 19 Harris Street, Pyrmont, NSW.

The table below provides a reconciliation from statutory net loss to Funds from Operations:

	Consolidated Group 30 June 2023 \$'000	ECPF II 30 June 2023 \$'000
Funds from Operations (FFO)¹		
Statutory net loss	(32,176)	(7,102)
<i>Adjustments for items included in statutory loss:</i>		
Fair value (gain)/loss included in share of profit from equity accounted investment ²	10,031	—
Fair value (gain)/loss on investment property	48,202	7,993
Fair value (gain)/loss on derivatives	1,842	151
Straight lining of rental income ³	(245)	31
Amortisation expense ⁴	5,135	671
<i>Adjustments for non profit / (loss) item:</i>		
Share of FFO from equity accounted investments	2,069	—
Funds from Operations (FFO)¹	34,858	1,744

Note 1: Funds from Operations (FFO) has been determined in accordance with the Property Council Guidelines and adjusted for amortisation of borrowing cost and manager contribution which is excluded from FFO and represents the Directors' view of underlying earnings from ongoing operating activities, being statutory profit / (loss) (under IFRS), adjusted for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gains/losses on sale of investment properties, straight-line rental adjustments, non-FFO tax expenses/benefits and other unrealised one-off items. This includes the group's proportional ownership of 19 Harris Street's FFO, which is held as an equity accounted investment.

Note 2: Includes amortisation of the manager contribution of \$0.93m.

Note 3: Straight lining of rental income is a non-cash accounting adjustment recognised in rental income in the Consolidated Statement of Profit or Loss.

Note 4: Amortisation expense includes the amortisation of capitalised leasing costs and rental abatements, and debt establishment costs recognised in the Consolidated Statement of Profit or Loss.

4. Operating and financial review (continued)

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Elanor, as the Manager of a portfolio of commercial office properties across Australia, recognises the impact that climate change is having on the environment and the importance of its contribution to climate change mitigation initiatives.

As part of Elanor’s commitment to sustainability and responsible business practices, it continues to progress disclosure on monitoring, measuring and reporting of climate related risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and in anticipation of an Australian equivalent of the recently released International Sustainability Standards.

Set out below is an outline of the measures undertaken on climate change initiatives in line with the TCFD framework covering governance, strategy, risk management and targets and metrics.

Governance

The Board takes responsibility for overseeing the sustainability strategy and policies, which includes managing climate change risks. Elanor Investors Group’s ESG Committee plays a pivotal role in assessing and overseeing the implementation of impactful ESG initiatives, with a particular focus on sustainability matters, including climate-related risks and opportunities.

Chaired by Elanor’s CEO, the ESG Committee ensures the Fund identifies, assesses, and manages material risks, including those related to climate change and sustainability, following Elanor’s Risk Management Framework.

Strategy

The Manager has identified short, medium and long-term goals against 5 key areas of focus in the environmental space, including energy and carbon management, ecological impacts, water management, waste impacts, climate change vulnerability. Currently, for ECF portfolio-wide energy and water usage data capture, carbon emission measurement are the priorities of focus.

Risk management

To ensure that climate risks are managed in a coordinated manner, sustainability and climate related risks are integrated into Elanor’s Risk Management Framework and Risk Appetite Statement along with broader ESG, business-related and macro-economic matters. The Elanor Board and ESG Committee are responsible for monitoring and managing climate-related risk.

This year, to address climate-related issues more effectively, the Manager has integrated a climate change vulnerability assessment into due diligence procedures for all new asset acquisitions. This process includes scenario analysis to identify and assess climate-related risks and opportunities.

In the coming year, the Manager will extend this analysis to evaluate climate-related risks and opportunities thoroughly from both a physical risk and transition risk perspective.

Directors' Report

4. Operating and financial review (continued)

Metrics and targets

In the last year, the Manager has collected energy usage data and scope 1 and 2 carbon emissions for all ECF assets for financial years 2022 and 2023. This data will help establish energy consumption and carbon emission targets for the Fund's portfolio.

The Manager is evaluating the impact of its business operations on the environment and exploring ways to minimise its carbon footprint. These efforts include:

- Energy efficiency improvements across the portfolio
- On-site renewable energy generation
- Power purchase agreements for renewable energy

By adhering to the TCFD recommendations and enhancing ECF's focus on climate-related risks and opportunities. The Manager aims to foster sustainable and responsible business practices that benefit both ECF stakeholders and the environment.

Elanor Investors Group's ESG report, scheduled to be available later in 2023, will provide comprehensive details on energy and carbon management initiatives, achievements and future plans across its managed fund portfolio.

RISK MANAGEMENT

Earnings variability and potential capital value impacts due to the prevailing interest rate environment and economic conditions are the primary risk to the fund in the coming period. Potential capital value movements are related to higher return hurdles for real estate investments as interest rates rise, driven by volatility and uncertainty in respect of short- and long-term interest rates.

Further, risks may also relate to increased operating expenses, a softening of rental growth, an increase in required incentives or longer letting up periods and possible weather-related events. While general market uncertainty may impact the availability of capital for acquisition opportunities, demand for quality assets is expected to remain positive.

These risks to the Fund are mitigated through hedging of interest rates and active management of the Fund's portfolio. Regular and active engagement with tenants across the portfolio and ongoing assessments of tenant rental risks contribute strongly to the 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.

4. Operating and financial review (continued)

SUMMARY AND OUTLOOK

The Fund's core strategy will remain focused on actively managing and growing earnings from its investment portfolio, realising value-add opportunities across the existing portfolio, and acquiring additional high investment quality commercial office properties.

The resilience of the Fund's property portfolio in the current economic environment reflects its tenant quality, occupancy of 98%, and WALE of 3.0 years. Strong tenant demand has driven 16% positive leasing spreads and 6.8% like-for-like income growth, reflecting the strength of the leasing outcomes achieved during the year. This is a direct result of the Fund's strategy to invest in commercial office properties with differentiated competitive market positions.

Looking ahead, risks to the Fund in the coming year include demand variability associated with uncertain economic market conditions. This has been mitigated by management by successfully renewing and extending leasing agreements with existing tenants and actively marketing any remaining vacant space to secure the portfolio's future income.

The Fund is well positioned to grow value for Securityholders. The active asset management of the Fund's portfolio is generating improved operational performance.

The Manager continues to progress strategic initiatives to grow and realise the capital value of the Fund.

5. Interests in the Group

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

	Consolidated Group 30 June 2023 '000	Consolidated Group 30 June 2022 '000	ECPF II 30 June 2023 '000	ECPF II 30 June 2022 '000
Stapled securities on issue at the beginning of the period	316,556	316,556	316,556	316,556
Stapled securities issued during the period	–	–	–	–
Stapled securities on issue at the end of the period	316,556	316,556	316,556	316,556

Directors' Report

6. Directors

Name	Particulars
Paul Bedbrook	Independent Non-Executive Chairman Member, Audit and Risk Committee Member, Transaction Approval Committee Paul was appointed as a Director of both Elanor Investors Limited and Elanor Funds Management Limited (the Responsible Entity of ECF) 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. 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 was previously the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies. Paul is currently a non-executive director of the National Blood Authority. Former listed directorships in the last three years: Nil Interest in stapled securities: 200,000 Qualifications: B.Sc, F FIN, FAICD
Glenn Willis	Managing Director and Chief Executive Officer Member, Transaction Approval Committee 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. 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. Glenn is a Director of FSHD Global Research Foundation. Former listed directorships in the last three years: Nil Interest in stapled securities: Nil Qualifications: B.Bus (Econ & Fin)

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6. Directors (continued)

Name	Particulars
Nigel Ampherlaw	Independent Non-Executive Director Chairman, Audit and Risk Committee Nigel was appointed as a Director of both the Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of ECF) 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. 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. Nigel is the chairman and independent Non-Executive Director of Great Southern Bank. Former listed directorships in the last three years: Nil Interest in stapled securities: Nil Qualifications: B.Com, FCA, MAICD
Anthony (Tony) Fehon	Independent Non-Executive Director Member, Audit and Risk Committee Chairman, Transaction Approval Committee Tony was appointed as a Director of both the Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of ECF) 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. Tony is a director of Elanor Hotel Accommodation Limited and Elanor Hotel Accommodation II Limited, enlighten Australia Pty Limited, BaaS Technology Limited, and numerous small companies. He was previously 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. Former listed directorships in the last three years: Nil Interest in stapled securities: 67,500 Qualifications: B. Com, FCA

Directors' Report

6. Directors (continued)

Name	Particulars
Su Kiat Lim	Non-Executive Director Su Kiat was appointed as a Director of both Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of ECF) in October 2021. Su Kiat is currently CEO of Firmus Capital Pte Ltd, a Singapore based private equity real estate investment management firm founded in 2017. Su Kiat has been in the property industry for over 20 years with extensive direct real investment experience, executing strategies across direct real estate portfolios in Asia Pacific including Australia. In 2011 Su Kiat co-founded Rockworth Capital Partners, with direct real estate AUM of circa \$1bn by 2017. Prior to that, Su Kiat held key roles in investments management and investment origination at Frasers Commercial Trust and ALLCO REIT. Su Kiat started his career in real estate as a Consultant in Retail Economics at Urbis. Su Kiat is a current non-executive Director of Aspen Group Holdings Ltd a diversified group listed on the SGX. Former listed directorships in the last three years: Nil Interest in stapled securities: Nil Qualifications: B.Bus, PhD (Econ)
Karyn Baylis	Independent Non-Executive Director Member, Environmental, Social & Governance Management Committee Member, Work, Health & Safety Committee Karyn was appointed a Director of both the Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of ECF) in November 2021. Karyn has led a distinguished business career in Australia and internationally, having held a range of senior management and C-suite executive roles in multinational businesses including at Optus, Insurance Australia Group and Senior Vice President The Americas at Qantas Airways. In 2009 she was appointed CEO of Jawun and spent 12 years working with some of the leading indigenous reform voices in the country along with outstanding organisations. She retired from Jawun in January 2022. Karyn has received a number of awards, notably a Member in the General Division of the Order of Australia (AM) for significant service to the Indigenous community in the 2018 Queen's Birthday Honours and The Australian Financial Review and Westpac 100 Women of Influence Award in Diversity in 2015. Karyn is also a current member of Chief Executive Women (CEW) and Australian Institute of Company Directors (AICD). Previous Board positions include CARE Australia, Cure Cancer, Grocon Holdings Pty Ltd and NRMA Financial Management and Life Nominees. Former listed directorships in the last three years: Nil Interest in stapled securities: 25,000

6. Directors (continued)

Name	Particulars
Victor Rodriguez (appointed 7 July 2023)	Non-Executive Director Victor was appointed a Director of both the Elanor Investors Limited and the Responsible Entity (also the Responsible Entity of ECF) on 7 July 2023. Victor is currently Chief Executive, Funds Management of Challenger Limited (ASX:CFG) (Challenger), having been appointed to that role in August 2022, following five years as Head of Fixed Income within the Challenger Investment Management business. Victor has over 30 years' investment management experience. Prior to joining Challenger, Victor was head of Asia Pacific Fixed Income at Aberdeen Asset Management based in Singapore between 2014 to 2017. There he led a team of more than 30 investment professionals across the region. He was also a Regional Director overseeing the wider Aberdeen business. Prior to relocating to Singapore, Victor led Aberdeen's Australian Fixed Income business. Victor also held various roles over 13 years at Credit Suisse Asset Management in Australia, including Deputy Head of Fixed Income for three years up to 2009. Former listed directorships in the last three years: Nil Interest in stapled securities: Nil Qualifications: B. Econ, GDip FINSIA

Directors' Report

7. Directors' relevant interests

	Stapled securities at the date of this report
Paul Bedbrook	200,000
Glenn Willis	–
Nigel Ampherlaw	–
Anthony Fehon	67,500
Su Kiat Lim	–
Karyn Baylis	25,000
Victor Rodriguez (appointed 7 July 2023)	–

Other than as disclosed in Note 13 of the financial statements, no contracts exist where a director is entitled to a benefit.

8. 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.

9. Meetings of Directors

	Board (Responsible Entity)		Audit & Risk Committee	
	Eligible to attend ¹	Attended	Eligible to attend	Attended
Paul Bedbrook	12	12	6	6
Glenn Willis	12	11	-	-
Nigel Ampherlaw	12	11	6	6
Anthony (Tony) Fehon	12	11	6	4
Su Kiat Lim	12	10	-	-
Karyn Baylis	12	12	-	-

Note 1: During the year, the Board met 12 times including special purpose meetings for various funds management initiatives throughout the year. Victor Rodriguez was appointed on 7 July 2023.

10. Company Secretary

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

11. 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 Group indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Group of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001* (Cth).

12. Environmental regulation

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

13. Significant changes in state of affairs

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

14. 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.

15. 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 17 to the consolidated financial statements.

Directors' Report

16. 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.

The economic and market uncertainty are difficult to forecast. The Fund will continue to engage regularly with all tenants across the Fund's portfolio.

At the date of this report and to the best of the Directors' knowledge and belief, other than matters disclosed under Events occurring after reporting date, 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.

17. Going concern

As at 30 June 2023, the Fund has a net current asset deficiency of \$82.0 million and net assets of \$317.8 million. ECPF II has a net current asset deficiency of \$7.2 million and net assets of \$17.6 million.

The net current asset deficiency for the Fund and ECPF II is attributable to two debt facilities totalling \$80.2 million (ECPF II: \$7.4 million) maturing on 28 February 2024 and a current payable of \$7.4 million (ECPF II: \$0.6 million) in relation to the Fund's June quarter distribution. Subsequent to balance date, the Fund has executed a credit approved term sheet for the extension of the debt facilities, with a maturity date of 31 August 2026.

Accordingly, as of the date of this report, the Directors believe the Fund will be able to continue to successfully meet its covenant obligations and to refinance its facilities to ensure the Fund's ability to realise its assets and discharge its liabilities in the ordinary course of business.

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

18. Events occurring after reporting date

Subsequent to balance date, on 17 August 2023, the Fund entered into conditional put and call option arrangements for the sale of Nexus Centre and Limestone Street. The expected net sale price under the contract for Nexus Centre is \$35.0 million and for Limestone Street is \$29.6 million. The values under the put and call arrangement for the sale of the two assets are considered to be an indicator of fair value of these assets and entry into these arrangements post balance date is considered an adjusting subsequent event under Accounting Standard AASB 110 *Events after the Reporting Period*. Therefore, the adopted 30 June 2023 valuations for Nexus Centre and Limestone Street reflect the net sales proceeds under the contractual arrangements.

Subsequent to balance date, the Fund has executed a credit approved term sheet for the extension of the debt facilities, with a maturity date of 31 August 2026.

In addition, on 16 August 2023, the Fund entered into a new hedge arrangement which terminates the current \$70 million interest rate swap arrangement with a maturity date of 28 Feb 2025 and replaces this with a \$110 million interest rate swap maturing in August 2026. The new hedge arrangement will be effective from 31/8/23 with a fixed rate of 3.04%.

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

19. Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2022/519*, amounts in the financial statements have been rounded to the nearest thousand dollar, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of the Responsible Entity. The Financial Statements were authorised for issue by the Directors on 22 August 2023.

Signed in accordance with a resolution of the Directors pursuant to section 298(2) of the *Corporations Act 2001 (Cth)*. The Directors have the power to amend and re-issue the Financial Statements.



Paul Bedbrook
Chairman



Glenn Willis
CEO and Managing Director

Sydney, 22 August 2023



Auditor's Independence Declaration

As lead auditor for the audit of Elanor Commercial Property Fund I and Elanor Commercial Property Fund II for the year ended 30 June 2023, 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 Commercial Property Fund I and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'N R McConnell'.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
22 August 2023

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Consolidated Statements of Profit or Loss

For the year ended 30 June 2023

		Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
	Note				
Income					
Rental income	2	42,318	39,960	2,525	2,648
Outgoings reimbursements		8,245	6,221	161	179
Share of profit from equity accounted investments	7	–	2,823	–	–
Fair value gain on investment properties	6	–	3,116	–	2,292
Fair value gain on derivatives		–	10,388	–	579
Other income		70	874	61	260
Total income		50,633	63,382	2,747	5,958
Expenses					
Rates, taxes and other outgoings		10,778	9,704	729	720
Share of loss from equity accounted investments	7	10,031	–	–	–
Borrowing costs		5,283	4,177	385	316
Other expenses		3,268	2,287	358	157
Investment management fees		3,405	3,266	233	237
Fair value loss on investment properties	6	48,202	–	7,993	–
Fair value loss on derivatives		1,842	–	151	–
Total expenses		82,809	19,434	9,849	1,430
Net (loss) / profit for the period		(32,176)	43,948	(7,102)	4,528
Attributable to security holders of:					
- Elanor Commercial Property Fund I		(25,074)	39,420	–	–
- Elanor Commercial Property Fund II (Non-controlling interest)		(7,102)	4,528	(7,102)	4,528
Net (loss) / profit attributable to security holders for the period		(32,176)	43,948	(7,102)	4,528
Basic (loss) / earnings per stapled security (cents)	4	(10.16)	15.96	(2.24)	1.64
Diluted (loss) / earnings per stapled security (cents)	4	(10.16)	15.96	(2.24)	1.64

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 2023

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Net (loss) / profit for the period	(32,176)	43,948	(7,102)	4,528
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit and loss</i>				
Release of cash flow hedge reserves	–	825	–	79
Other comprehensive income for the period	–	825	–	79
Total comprehensive (loss) / income for the period	(32,176)	44,773	(7,102)	4,607
Attributable to security holders of:				
- Elanor Commercial Property Fund I	(25,074)	40,166	–	–
- Elanor Commercial Property Fund II (Non-controlling interest)	(7,102)	4,607	(7,102)	4,607
Total comprehensive (loss) / income for the period	(32,176)	44,773	(7,102)	4,607

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

Consolidated Statements of Financial Position

For the year ended 30 June 2023

		Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
	Note				
Current assets					
Cash and cash equivalents		7,988	8,189	590	434
Receivables		647	654	68	57
Prepayments		306	325	19	18
Other current assets		39	60	5	39
Derivative financial instruments	10	3,984	3,908	257	274
Total current assets		12,964	13,136	939	822
Non-current assets					
Investment property	6	475,617	516,700	29,595	37,000
Equity accounted investments	7	31,614	44,014	—	—
Interest bearing cross staple loan receivable		—	—	1,737	2,511
Derivative financial instruments	10	4,562	6,480	172	306
Total non-current assets		511,793	567,194	31,504	39,817
Total assets		524,757	580,330	32,443	40,639
Current liabilities					
Trade and other payables	8	5,000	3,786	164	357
Interest bearing liabilities	9	80,159	—	7,402	—
Manager contribution	8	929	—	—	—
Rent received in advance		1,468	503	102	151
Distribution payable	3	7,439	7,438	453	485
Total current liabilities		94,995	11,727	8,121	993
Non-current liabilities					
Interest bearing liabilities	9	109,274	184,324	6,710	13,436
Manager contribution	8	2,689	4,545	—	—
Total non-current liabilities		111,963	188,869	6,710	13,436
Total liabilities		206,958	200,596	14,831	14,429
Net assets		317,799	379,734	17,612	26,210
Equity					
<i>Equity Holders of Parent Entity</i>					
Contributed equity	11	343,515	343,518	25,978	25,978
Retained accumulated (losses) / profits		(43,328)	10,006	(8,366)	232
Parent entity interest		300,187	353,524	17,612	26,210
<i>Equity Holders of Non-Controlling Interest</i>					
Contributed equity	11	25,978	25,978	—	—
Retained accumulated (losses) / profits		(8,366)	232	—	—
Non-controlling interest		17,612	26,210	—	—
Total equity attributable to stapled security holders:					
- Elanor Commercial Property Fund I		300,187	353,524	—	—
- Elanor Commercial Property Fund II		17,612	26,210	17,612	26,210
Total equity attributable to stapled security holders		317,799	379,734	17,612	26,210

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 2023

	Note	Contributed equity \$'000	Cash flow Hedge Reserve \$'000	Retained profits/ losses/ (accumulated losses) \$'000	Parent Entity Total Equity \$'000	Non- controlling interest \$'000	Total Equity \$'000
Consolidated Group							
Balance as at 1 July 2022		343,518	–	10,006	353,524	26,210	379,734
Net (loss) for the period		–	–	(25,074)	(25,074)	(7,102)	(32,176)
Total comprehensive (expense) for the period		–	–	(25,074)	(25,074)	(7,102)	(32,176)
Transactions with securityholders in their capacity as securityholders:							
Contributions of equity, net of issue costs	3	(3)	–	–	(3)	–	(3)
Distributions paid and payable		–	–	(28,260)	(28,260)	(1,496)	(29,756)
Total equity as at 30 June 2023		343,515	–	(43,328)	300,187	17,612	317,799
	Note	Contributed equity \$'000	Cash flow Hedge Reserve \$'000	Retained profits/ losses/ (accumulated losses) \$'000	Parent Entity Total Equity \$'000	Non- controlling interest \$'000	Total Equity \$'000
Consolidated Group							
Balance as at 1 July 2021		224,744	(746)	(3,971)	220,027	23,436	243,463
Net profit for the period		–	–	39,420	39,420	4,528	43,948
Other comprehensive income for the period		–	746	–	746	79	825
Total comprehensive income for the period		–	746	39,420	40,166	4,607	44,773
Transactions with securityholders in their capacity as securityholders:							
Contributions of equity, net of issue costs		118,774	–	–	118,774	–	118,774
Distributions paid and payable	3	–	–	(25,443)	(25,443)	(1,833)	(27,276)
Total equity as at 30 June 2022		343,518	–	10,006	353,524	26,210	379,734

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 2023

	Note	Contributed equity \$'000	Cash flow Hedge Reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total Equity \$'000
Elanor Commercial Property Fund II					
Balance as at 1 July 2022		25,978	–	232	26,210
Net (loss) for the period		–	–	(7,102)	(7,102)
Total comprehensive (expense) for the period		–	–	(7,102)	(7,102)
Transactions with securityholders in their capacity as securityholders:					
Distributions paid and payable	3	–	–	(1,496)	(1,496)
Total equity as at 30 June 2023		25,978	–	(8,366)	17,612
Elanor Commercial Property Fund II					
Balance as at 1 July 2021		25,978	(79)	(2,463)	23,436
Net profit for the period		–	–	4,528	4,528
Other comprehensive income for the period		–	79	–	79
Total comprehensive income for the period		–	79	4,528	4,607
Transactions with securityholders in their capacity as securityholders:					
Distributions paid and payable	3	–	–	(1,833)	(1,833)
Total equity as at 30 June 2022		25,978	–	232	26,210

Consolidated Statements of Cash Flows

For the year ended 30 June 2023

		Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
	Note				
Cash flows from operating activities					
Rental and other property income received		55,257	48,584	3,049	3,121
Manager contribution		–	6,591	–	–
Finance costs paid		(4,776)	(3,983)	(370)	(301)
Payments to suppliers and the Responsible Entity		(19,412)	(17,268)	(1,595)	(1,416)
Net cash flows from operating activities	5(a)	31,069	33,924	1,084	1,404
Cash flows from investing activities					
Payments for capital expenditure and investment properties		(8,072)	(127,213)	(835)	(582)
Payments for equity accounted investment		–	(43,463)	–	–
Distributions received from equity accounted investments		1,669	–	–	–
Net cash flows from investing activities		(6,403)	(170,676)	(835)	(582)
Cash flows from financing activities					
Proceeds from interest bearing liabilities	5(b)	4,891	42,689	661	–
Proceeds from issue of shares		–	121,262	–	–
Transaction costs related to issue of shares		(3)	(2,488)	–	–
Distributions paid		(29,755)	(24,931)	(1,528)	(1,877)
Distributions received from equity accounted investments		–	–	–	–
Proceeds from interest bearing - cross staple loan	5(b)	–	–	774	1,016
Net cash flows from financing activities		(24,867)	136,532	(93)	(861)
Net (decrease) / increase in cash and cash equivalents		(201)	(220)	156	(39)
Cash and cash equivalents at the beginning of the period		8,189	8,409	434	473
Cash at the end of the period		7,988	8,189	590	434

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 2023

About this Report

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

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

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').

Comparative figures have been restated where appropriate to ensure consistency of presentation throughout the financial report.

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.

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 2022 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(b) New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 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 to the Fund.

Basis of Consolidation

The consolidated financial report of the Fund incorporates the assets and liabilities of ECPF I (the Parent) and all of its subsidiaries, including ECPF II as at 30 June 2023. ECPF I is the parent entity in relation to the stapling. The results and equity of ECPF II (which is not directly owned by ECPF I) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of ECPF II are disclosed as a non-controlling interest, the stapled securityholders of ECPF II are the same as the stapled securityholders of ECPF I.

This consolidated financial report also includes a separate column representing the financial report of ECPF II, incorporating the assets and liabilities of ECPF II as at 30 June 2023.

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

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

Basis of Consolidation (continued)

Going concern

As at 30 June 2023, the Fund has a net current asset deficiency of \$82.0 million and net assets of \$317.8 million. ECPF II has a net current asset deficiency of \$7.2 million.

The net current asset deficiency for the Fund and ECPF II is attributable to two debt facilities totalling \$80.2 million (ECPF II: \$7.4 million) maturing on 28 February 2024 and a current payable of \$7.4 million (ECPF II: \$0.6 million) in relation to the Fund's June quarter distribution. Subsequent to balance date, the Fund has executed a credit approved term sheet for the extension of the debt facilities, with a maturity date of 31 August 2026.

Accordingly, as of the date of this report, the Directors believe the Fund will be able to continue to successfully meet its covenant obligations and to refinance its facilities to ensure the Fund's ability to realise its assets and discharge its liabilities in the ordinary course of business.

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties, investment properties within the equity accounted investments, derivative financial instruments, and other financial assets or liabilities which are stated at their fair value.

Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2022/519*, amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgements 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 2023, 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.

The changing market conditions (high inflation pressure and increased cash rate by the Reserve Bank of Australia) result in a higher than usual degree of uncertainty associated with the preparation of the financial statements.

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 10

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

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Results

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

1. Segment information

OVERVIEW

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

The table below provides a reconciliation from statutory net loss to Funds from Operations for the Consolidated Group and ECPF II.

	Consolidated Group 30 June 2023 \$'000	ECPF II 30 June 2023 \$'000
Funds from Operations (FFO)¹		
Statutory net loss	(32,176)	(7,102)
<i>Adjustments for items included in statutory loss:</i>		
Fair value (gain)/loss included in share of profit from equity accounted investment ²	10,031	–
Fair value (gain)/loss on investment property	48,202	7,993
Fair value (gain)/loss on derivatives	1,842	151
Straight lining of rental income ³	(245)	31
Amortisation expense ⁴	5,135	671
<i>Adjustments for non profit / (loss) item:</i>		
Share of FFO from equity accounted investments	2,069	–
Funds from Operations (FFO)¹	34,858	1,744
	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2022 \$'000
Funds from Operations (FFO)¹		
Statutory net profit	43,948	4,528
<i>Adjustments for items included in statutory profit:</i>		
Fair value (gain)/loss included in share of profit from equity accounted investment	(2,823)	–
Fair value (gain)/loss on investment property	(3,116)	(2,292)
Fair value (gain)/loss on derivatives	(10,388)	(579)
Straight lining of rental income ³	(1,484)	(35)
Amortisation expense ⁴	3,756	382
<i>Adjustments for non profit / (loss) item:</i>		
Share of FFO from equity accounted investments	227	–
Funds from Operations (FFO)¹	30,120	2,004

¹ Funds from Operations (FFO) has been determined in accordance with the Property Council Guidelines and adjusted for amortisation of borrowing cost and contribution from manager which is excluded from FFO 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 and contribution from manager, gains/losses on sale of investment properties, straight-line rental adjustments, non-FFO tax expenses/benefits and other unrealised one-off items. This includes the group's proportional ownership of 19 Harris Street's FFO, which is held as an equity accounted investment.

² Fair value (gain)/loss included in share of profit from equity accounted investment includes amortisation of manager contribution of \$0.93m.

³ Straight lining of rental income is a non-cash accounting adjustment recognised in rental income in the Consolidated Statement of Profit or Loss.

⁴ Amortisation expense includes the amortisation of capitalised leasing costs and rental abatements, and debt establishment costs recognised in the Consolidated Statement of Profit or Loss.

2. Revenue

OVERVIEW

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

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
WorkZone West	13,734	13,539	—	—
50 Cavill Avenue	8,083	6,123	—	—
Garema Court	7,187	7,293	—	—
Campus DXC	3,161	3,139	—	—
NEXUS Centre	2,902	3,447	—	—
200 Adelaide St	2,881	3,224	—	—
Limestone Centre	2,525	2,648	2,525	2,648
34 Corporate Drive	1,845	547	—	—
Total revenue from operating activities	42,318	39,960	2,525	2,648

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.

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 2023, 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.

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 commencement date of the lease, it is reasonably certain that the tenant will exercise that option.

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

3. Distributions

OVERVIEW

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

The following distributions were declared and paid by the Consolidated Group during the year or post balance date:

	Distribution FY23 cents per stapled security	Total FY23 amount \$'000
Consolidated Group		
Distribution paid: 1 July - 30 September 2022	2.35	7,439
Distribution paid: 1 October - 31 December 2022	2.35	7,439
Distribution paid: 1 January - 31 March 2023	2.35	7,439
Distribution payable: 1 April - 30 June 2023 ¹	2.35	7,439
Total distribution relating to the year ended 30 June 2023	9.40	29,756

¹ The distribution of 2.35 cents per stapled security for the quarter ended 30 June 2023 will be paid on 31 August 2023. Please refer to the Director's Report for the calculation of FFO and the Distribution.

	Distribution FY22 cents per stapled security	Total FY22 amount \$'000
Consolidated Group		
Distribution paid: 1 July - 30 September 2021	2.35	6,612
Distribution paid: 1 October - 31 December 2021	2.35	6,613
Distribution paid: 1 January - 31 March 2022	2.35	6,613
Distribution payable: 1 April - 30 June 2022	2.35	7,438
Total distribution relating to the year ended 30 June 2022	9.40	27,276

ECPF II

The following distributions were declared and paid by ECPF II during the year or post balance date:

	Distribution FY23 cents per stapled security	Total FY23 amount \$'000
Distribution paid: 1 July - 30 September 2022	0.10	330
Distribution paid: 1 October - 31 December 2022	0.12	386
Distribution paid: 1 January - 31 March 2023	0.10	327
Distribution payable: 1 April - 30 June 2023 ¹	0.14	453
Total distribution relating to the year ended 30 June 2023	0.46	1,496

¹ The distribution of 0.14 cents per stapled security for the quarter ended 30 June 2023 will be paid on 31 August 2023. Please refer to the Director's Report for the calculation of FFO and the Distribution.

	Distribution FY22 cents per stapled security	Total FY22 amount \$'000
Distribution paid: 1 July - 30 September 2021	0.21	582
Distribution paid: 1 October - 31 December 2021	0.15	427
Distribution paid: 1 January - 31 March 2022	0.12	339
Distribution payable: 1 April - 30 June 2022	0.10	485
Total distribution relating to the year ended 30 June 2022	0.58	1,833

3. Distributions (continued)

ACCOUNTING POLICY

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

4. Earnings per stapled security

OVERVIEW

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

Diluted earnings per stapled security is calculated as profit or loss attributable to securityholders adjusted for any profit or loss recognised in the year 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 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
The earnings per stapled security measures shown below is based upon the profit / (loss) attributable to securityholders:				
Basic earnings per stapled security (cents)	(10.16)	15.96	(2.24)	1.64
Diluted earnings per stapled security (cents)	(10.16)	15.96	(2.24)	1.64
(Loss) / profit attributable to securityholders used in calculating basic and diluted earnings per stapled security (\$'000)	(32,176)	43,948	(7,102)	4,528
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	316,556,353	275,438,512	316,556,353	275,438,512
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security	316,556,353	275,438,512	316,556,353	275,438,512

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

5. Cash flow information

OVERVIEW

This note provides further information on the consolidated cash flow statements of the Group. It reconciles (loss) / 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 flows from operating activities

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
(Loss) / Profit for the year	(32,176)	43,948	(7,102)	4,528
Fair value adjustment on revaluation of derivatives	1,842	(10,388)	151	(579)
Fair value adjustment on revaluation of investment property	48,202	(3,116)	7,993	(2,292)
Share of loss / (profit) from equity accounted investment	10,031	(2,823)	–	–
Amortisation	5,722	1,058	758	15
Lease incentive	(4,306)	(1,251)	(528)	(91)
Straight-lining of rental income and rental guarantee	(245)	(1,484)	31	(35)
Net cash provided by operating activities before changes in working capital	29,070	25,944	1,303	1,546
Movement in working capital:				
Decrease / (increase) in trade and other receivables	(220)	27	(11)	(46)
Decrease / (increase) in other current assets	21	398	34	–
Decrease / (increase) in prepayments	19	19	(1)	(7)
Increase / (decrease) in trade and other payables	1,214	1,124	(192)	(11)
Increase / (decrease) in amounts received in advance	965	(179)	(49)	(78)
Increase / (decrease) in manager contribution	–	6,591	–	–
Net cash from operating activities	31,069	33,924	1,084	1,404

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5. Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

Consolidated Group

	30 June 2022 \$'000	Cash flows Debt drawdowns/ (paydowns) \$'000	Non-cash items Amortisation of borrowing costs \$'000	30 June 2023 \$'000
Interest bearing loans	184,324	4,891	218	189,433
Total liabilities from financing activities	184,324	4,891	218	189,433

	30 June 2021 \$'000	Cash flows Debt drawdowns/ (paydowns) \$'000	Non-cash items Amortisation of borrowing costs \$'000	30 June 2022 \$'000
Interest bearing loans	141,441	42,689	194	184,324
Total liabilities from financing activities	141,441	42,689	194	184,324

ECPF II

	30 June 2022 \$'000	Cash flows Debt drawdowns/ (paydowns) \$'000	Non-cash items Amortisation of borrowing costs \$'000	30 June 2023 \$'000
Interest bearing loans	13,436	661	15	14,112
Cross-staple loan / (receivable)	(2,511)	774	–	(1,737)
Total liabilities from financing activities	10,925	1,435	15	12,375

	30 June 2021 \$'000	Cash flows Debt drawdowns/ (paydowns) \$'000	Non-cash items Amortisation of borrowing costs \$'000	30 June 2022 \$'000
Interest bearing loans	13,421	–	15	13,436
Cross-staple loan / (receivable)	(3,527)	1,016	–	(2,511)
Total liabilities from financing activities	9,894	1,016	15	10,925

ACCOUNTING POLICY

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash balances.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 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 comprised eight commercial properties in Australia. A range of independent and internal valuations were performed as at 30 June 2023.

(a) Carrying values of investment properties

Property	Valuation	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPFII 30 June 2023 \$'000	ECPFII 30 June 2022 \$'000
50 Cavill Avenue	External	120,000	119,000	—	—
WorkZone West	External	118,000	125,000	—	—
Garema Court	External	66,000	72,000	—	—
200 Adelaide St	External	50,000	55,500	—	—
NEXUS Centre	External	35,022	39,200	—	—
Limestone Centre	External	29,595	37,000	29,595	37,000
Campus DXC	External	28,500	36,000	—	—
34 Corporate Drive	Internal	28,500	33,000	—	—
Total		475,617	516,700	29,595	37,000

¹ Subsequent to balance date, on 16 August 2023, the Fund entered into conditional put and call option arrangements for the sale of Nexus Centre and Limestone Street. The adopted 30 June 2023 valuations for Nexus Centre and Limestone Street reflect the net sales proceeds under the contractual arrangements.

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

(b) Movement in investment properties

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPFII 30 June 2023 \$'000	ECPFII 30 June 2022 \$'000
Opening Balance	516,700	384,500	37,000	34,000
Acquisitions	3	118,298	—	—
Capital expenditure	8,069	8,915	835	582
Straightlining of rental income	245	1,484	(31)	35
Amortisation	(5,504)	(864)	(744)	—
Movement in lease incentives and rental guarantee	4,306	1,251	528	91
Net fair value adjustments	(48,202)	3,116	(7,993)	2,292
Total investment properties	475,617	516,700	29,595	37,000

6. Investment properties (continued)

Highest and best use

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

Fair value hierarchy and valuation techniques

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

Valuation Techniques	Significant unobservable inputs	Range FY23	Range FY22	Weighted average FY23	Weighted average FY22
<i>Discounted cash flows</i> – involves the projection of a series of inflows and outflows to which a market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property.	Adopted discount rate ¹	6.25% - 8.25%	5.75% - 7.00%	7.23%	6.75%
	Adopted terminal yield ²	6.50% - 8.00%	5.63% - 7.25%	7.22%	6.58%
	Net property income (per sqm) ³	\$434 - \$860	\$360 - \$865	\$629	\$580
<i>Capitalisation method</i> – involves determining the net market income of the investment property. This net market income is then capitalised at the adopted capitalisation rate to derive a core value.	Adopted capitalisation rate ⁴	5.75% - 7.75%	5.13% - 7.00%	6.90%	6.24%

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.

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 asset. 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.

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

6. Investment properties (continued)

ACCOUNTING POLICY (continued)

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. 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. 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.

Valuation technique

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 based on market evidence.

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

6. Investment properties (continued)

ACCOUNTING POLICY (continued)

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.

	Fair value measurement sensitivity			
	Increase by 0.25% \$'000	Decrease by 0.25% \$'000	Increase by 0.25% %	Decrease by 0.25% %
Discount rate (%)	(9,295)	9,668	(1.9)	2.0
Terminal yield (%)	(9,903)	10,758	(2.0)	2.2
Capitalisation rate (%)	(17,387)	19,540	(3.5)	3.9

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

7. Equity accounted investments

OVERVIEW

This note provides an overview and detailed financial information of the Group's investments that are accounted for using the equity method of accounting.

(a) Interest in associate

	Principal activity	Percentage Ownership	Consolidated Group 30 June 2023 \$'000
Harris Property Trust	Commercial office building	49.90%	31,614
Total equity accounted investment			31,614

	Principal activity	Percentage Ownership	Consolidated Group 30 June 2022 \$'000
Harris Property Trust	Commercial office building	49.90%	44,014
Total equity accounted investment			44,014

The carrying amount of equity investments at the beginning and end of the current year is set out below:

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000
Carrying amount at the beginning of the period	44,014	–
Initial investment in equity accounted investment	–	43,463
Share of (loss) / profit from equity accounted investment ¹	(10,958)	778
Distribution received	(1,442)	–
Distribution receivable	–	(227)
Total carrying value at the end of the period	31,614	44,014

¹ Share of loss from equity accounted investment of nil on the face of the Consolidated Statement of Profit or Loss includes amortisation from the Manager Contribution of \$0.93 million in addition to the figure above.

7. Equity accounted investments (continued)

(b) Summarised financial information for individually material associate

	Harris Property Trust	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Financial position		
Current assets	6,634	2,981
Non-current assets	165,606	185,000
Total Assets	172,240	187,981
Current liabilities	4,824	1,478
Non-current liabilities	104,060	98,300
Total Liabilities	108,884	99,778
Contributed equity	87,100	87,100
(Accumulated losses) / Retained profits	(23,744)	1,103
Total Equity	63,356	88,203

	Harris Property Trust	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Financial performance		
Revenue	9,924	951
(Loss) / Profit for the period	(21,959)	1,559
Other comprehensive income for the period	—	—
Total comprehensive (loss) / income for the period	(21,959)	1,559

There are no capital commitments (30 June 2022: nil) at 30 June 2023 for Harris Property Trust.

There are no contingent liabilities (30 June 2022: nil) at 30 June 2023 for Harris Property Trust.

Reconciliation of the above summarised financial information to carrying amount of the interest in the material associate recognised in the consolidated financial statements:

	Harris Property Trust	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Net assets of the associate	63,356	88,203
Proportion of the Group's ownership interest	49.90%	49.90%
Group's share of net assets of the associates	31,614	44,014
Carrying amount of the Group's interest	31,614	44,014

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

7. Equity accounted investments (continued)

ACCOUNTING POLICY

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Management of the Group reviewed and assessed the classification of the Group's investment in the associated entities in accordance with AASB 128 on the basis that the Group has significant influence over the financial and operating policy decisions of the investee.

The results, and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Investments in associates and joint ventures are assessed for impairment when indicators of impairment are present. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

An assessment has been performed for Harris Property Trust to ensure the underlying property asset has been recognised at fair value, in accordance with the Group's accounting policy and methodology for fair value measurement of Investment Properties as described in Note 6 above.

Furthermore, the forecast cash flows of the underlying asset have been assessed. The recoverability risks have been assessed through detailed tenant specific reviews of the financial position of certain tenants in addition to maintaining active tenant engagement and observation of relevant market conditions and factored into the cash flow forecast of this associate.

At balance date, no impairment loss has been recognised with respect to the Group's associate.

When an entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

8. Trade and other payables

OVERVIEW

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

(a) Trade and other payables

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Trade creditors	601	606	67	324
Accrued expenses	3,727	2,583	61	12
GST payable	672	597	36	21
Total payables	5,000	3,786	164	357

(b) Non-current other liabilities

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Current liabilities				
Contribution from manager ¹	929	–	–	–
Total other current liability	929	–	–	–
Non-current liabilities				
Contribution from manager ¹	2,689	4,545	–	–
Total other non-current liability	2,689	4,545	–	–

¹ On 24 May 2022, the Elanor Investors Group made an \$8.4m contribution to the Fund as part of the 19 Harris Street acquisition. Under the Australian Accounting Standards, this contribution was recognised as a contract liability upon initial recognition and \$3.8m of the liability was utilised to offset transaction costs. The remaining balance is released to Consolidated Statement of Profit or Loss over a 5-year period.

ACCOUNTING POLICY

Trade and other 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. Trade and other payables are recognised at amortised cost and normal commercial terms and conditions apply to payables.

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

Finance and Capital Structure

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

9. Interest bearing liabilities

OVERVIEW

The Fund has access to debt facilities totalling \$199.7 million, which comprise of three secured debt facilities of \$80.0 million, \$70.0 million and \$39.7 million which will mature on 28 February 2024, 28 February 2025 and 31 August 2026 respectively, and also a \$10.0 million capex facility which will mature on 28 February 2024.

The total drawn amount at 30 June 2023 is \$189.9 million. The weighted average debt facility maturity at year end is 1.56 years with an average all-in cost of debt of 3.63% p.a. At 30 June 2023, the interest rate risk of drawn facilities is hedged to 57.8%. The fair value of the debt facilities is \$189.8 million which is calculated by discounted cash flows using each facility's current borrowing rate.

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Current				
Bank loan - term debt	80,159	–	7,402	–
Total current	80,159	–	7,402	–
Non-current				
Bank loan - term debt	109,725	184,780	6,729	13,456
Bank loan - borrowing costs less amortisation	(451)	(456)	(19)	(20)
Total non-current	109,274	184,324	6,710	13,436
Total interest bearing liabilities	189,433	184,324	14,112	13,436

During the year, the Fund has complied with all debt covenants as required by its loan agreements.

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 where the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

10. 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 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Current assets				
Interest rate swaps	3,984	3,908	257	274
Non-current assets				
Interest rate swaps	4,562	6,480	172	306
Total derivative financial instruments	8,546	10,388	429	580

(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 interest rate swap hedges interest rate risk on the Fund's debt facilities.

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 Group

Interest rate swaps are currently in place to hedge 57.8% of the variable loan principal outstanding. The fixed interest rate of the swaps range between 0.76% to 0.87% (2022: 0.66% to 0.87%) and variable rates of the loans range between 4.00% and 4.01% (90-day bank bill rate and excluding unhedged facility 1 and Capex facility) (2022: 1.22% to 1.24%) in addition to a fixed line fee of 1.45%.

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

In prior year the Fund applied cash flow hedge accounting, which has been discontinued effective 30 June 2022 as hedge accounting no longer meet the risk management objective of the Fund.

As result any fair value movement of the interest rate swaps are recognised in the profit and loss.

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

10. Derivative financial instruments (continued)

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.

11. Contributed equity

OVERVIEW

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

(a) Parent entity

	No. of securities 30 June 2023 '000	No. of securities 30 June 2022 '000	Parent Entity 30 June 2023 \$'000	Parent Entity 30 June 2022 \$'000
Opening balance	316,556	204,400	343,518	224,744
Capital raised	–	112,156	–	121,262
Capital raising cost	–	–	(3)	(2,488)
Total contributed equity	316,556	316,556	343,515	343,518

(b) ECPF II

	No. of securities 30 June 2023 '000	No. of securities 30 June 2022 '000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Opening balance	316,556	204,400	25,978	25,978
Capital raised (net of capital raise costs) ¹	–	112,156	–	–
Total contributed equity	316,556	316,556	25,978	25,978

¹ In prior year, the Fund has two capital raisings for Cavill Avenue acquisition and Harris Property Trust Investment. Both transactions are acquired and owned by the parent entity. Therefore, there is no impact to ECPF II.

12. Financial Risk Management

OVERVIEW

The Fund's principal financial instruments comprise cash, receivables, interest bearing loans, derivatives, payables and distribution payables. 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 consolidated 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.

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:

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

12. Financial Risk Management (continued)

(b) Interest rate risk (continued)

Consolidated Group 30 June 2023	Maturity < 1 yr \$'000	Maturity 1 - 5 yrs \$'000	Maturity > 5 yrs \$'000	Total \$'000
Assets				
Cash and cash equivalents	7,988	–	–	7,988
Derivative financial instruments	3,984	4,562	–	8,546
Total assets	11,972	4,562	–	16,534
Weighted average interest rate				3.21%
Liabilities				
Interest bearing loans	85,565	112,748	–	198,313
Derivative financial instruments	–	–	–	–
Total liabilities	85,565	112,748	–	198,313
Weighted average interest rate				5.49%
Consolidated Group 30 June 2022	Maturity < 1 yr \$'000	Maturity 1 - 5 yrs \$'000	Maturity > 5 yrs \$'000	Total \$'000
Assets				
Cash and cash equivalents	8,189	–	–	8,189
Derivative financial instruments	3,908	6,480	–	10,388
Total assets	12,097	6,480	–	18,577
Weighted average interest rate				0.48%
Liabilities				
Interest bearing loans	4,131	191,388	–	195,519
Derivative financial instruments	–	–	–	–
Total liabilities	4,131	191,388	–	195,519
Weighted average interest rate				2.73%

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12. Financial Risk Management (continued)

(b) Interest rate risk (continued)

ECPF II	Maturity	Maturity	Maturity	
30 June 2023	< 1 yr	1 - 5 yrs	> 5 yrs	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	590	–	–	590
Derivative financial instruments	257	172	–	429
Total assets	847	172	–	1,019
Weighted average interest rate				3.24%
Liabilities				
Interest bearing loans	7,821	6,826	–	14,647
Derivative financial instruments	–	–	–	–
Total liabilities	7,821	6,826	–	14,647
Weighted average interest rate				5.46%
ECPF II	Maturity	Maturity	Maturity	
30 June 2022	< 1 yr	1 - 5 yrs	> 5 yrs	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	434	–	–	434
Derivative financial instruments	274	306	–	580
Total assets	708	306	–	1,014
Weighted average interest rate				0.51%
Liabilities				
Interest bearing loans	296	13,802	–	14,098
Derivative financial instruments	–	–	–	–
Total liabilities	296	13,802	–	14,098
Weighted average interest rate				2.69%

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

12. Financial Risk Management (continued)

(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 Group in relation to cash and cash equivalents, derivatives, interest bearing loans and the Fund's profit and equity would be:

Consolidated Group 30 June 2023	Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit/ (loss) \$'000	Equity \$'000	Profit/ (loss) \$'000	Equity \$'000
Cash and cash equivalents	7,988	80	—	(80)	—
Derivative financial instruments	8,546	1,097	—	(1,097)	—
Interest bearing loans	189,433	(1,898)	—	1,898	—
Total increase / (decrease)		(721)	—	721	—

Consolidated Group 30 June 2022	Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit/ (loss) \$'000	Equity \$'000	Profit/ (loss) \$'000	Equity \$'000
Cash and cash equivalents	8,189	82	—	(82)	—
Derivative financial instruments	10,388	1,797	—	(1,797)	—
Interest bearing loans	184,324	(1,848)	—	1,848	—
Total increase / (decrease)		31	—	(31)	—

Of the \$189.9 million floating rate interest bearing loans, \$109.7 million or 57.8% of this amount was hedged using interest rate swap agreements. These agreements are in place to swap the floating interest rate payable to a fixed rate to minimise the interest rate risk.

ECPF II 30 June 2023	Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit/ (loss) \$'000	Equity \$'000	Profit/ (loss) \$'000	Equity \$'000
Cash and cash equivalents	590	6	—	(6)	—
Derivative financial instruments	429	67	—	(67)	—
Interest bearing loans	14,112	(141)	—	141	—
Total increase / (decrease)		(68)	—	68	—

ECPF II 30 June 2022	Amount \$'000	Increase by 1%		Decrease by 1%	
		Profit/ (loss) \$'000	Equity \$'000	Profit/ (loss) \$'000	Equity \$'000
Cash and cash equivalents	434	4	—	(4)	—
Derivative financial instruments	580	173	—	(173)	—
Interest bearing loans	13,436	(178)	—	178	—
Total increase / (decrease)		(1)	—	1	—

Of the \$14.1 million floating rate interest bearing loans, \$0.7 million or 47.7% of this amount was hedged using interest rate swap agreements. These agreements are in place to swap the floating interest rate payable to a fixed rate to minimise the interest rate risk.

12. Financial Risk Management (continued)

(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 group applied the AASB9 *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 group has considered the following in assessing the expected credit loss: ageing of the debtor's balances, tenant payment history, assessment of the tenant's financial position, existing market conditions and forward-looking estimates.

At balance date, the Fund has recognised a provision for expected credit losses of \$0.12 million. This provision reflects the amount of tenant rental arrears at balance date that is likely to be waived in respect of past occupancy and also includes any additional amount relating to arrears at balance date that has been assessed to have credit risk in respect of the financial position of the tenant.

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 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Cash and cash equivalents	7,988	8,189	590	434
Trade and other receivables	647	654	68	57
Total	8,635	8,843	658	491

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 Note 15.

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

12. Financial Risk Management (continued)

(d) Credit risk (continued)

At balance date there were no other significant concentrations of credit risk. No allowance has been recognised for the GST from the taxation authorities. Based on historical experience, there is no evidence of default from these counterparties which would indicate that an allowance was necessary.

Impairment losses

The ageing profile of the trade and other receivables balance as at 30 June 2023 is as follows:

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Current	512	525	60	22
Past due 31-61 days	108	91	7	27
Past due 61+ days	149	55	1	8
Total	769	671	68	57
Provision for expected credit losses	(122)	(17)	–	–
Net trade and other receivables	647	654	68	57

(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 securityholders and to maintain an optimal capital structure. The capital structure of the Fund consists of equity as listed in Note 11.

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.

12. Financial Risk Management (continued)

(f) Liquidity risk

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

The following are the undiscounted contractual cash flows of derivatives and non-derivative financial liabilities shown at their nominal amount (including future interest payable).

Consolidated Group 30 June 2023	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
Non derivative financial liabilities						
Payables	5,000	–	–	–	–	5,000
Distribution payable	7,439	–	–	–	–	7,439
Interest bearing loans	85,565	71,947	40,801	–	–	198,313
Total	98,004	71,947	40,801	–	–	210,752

Consolidated Group 30 June 2022	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
Non derivative financial liabilities						
Payables	3,786	–	–	–	–	3,786
Distribution payable	7,438	–	–	–	–	7,438
Interest bearing loans	4,131	150,586	40,802	–	–	195,519
Total	15,355	150,586	40,802	–	–	206,743

ECPF II 30 June 2023	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
Non derivative financial liabilities						
Payables	164	–	–	–	–	164
Distribution payable	453	–	–	–	–	453
Interest bearing loans	7,821	6,826	–	–	–	14,647
Total	8,438	6,826	–	–	–	15,264

ECPF II 30 June 2022	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
Non derivative financial liabilities						
Payables	357	–	–	–	–	357
Distribution payable	485	–	–	–	–	485
Interest bearing loans	296	13,802	–	–	–	14,098
Total	1,138	13,802	–	–	–	14,940

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

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 year, remuneration of auditors and changes in accounting policies and disclosures.

13. Related parties

OVERVIEW

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

(a) Key management personnel

Responsible Entity

Elanor Funds Management Limited is the Responsible Entity of the Fund and is the Key Management Personnel (KMP) of the Fund.

Directors of the Responsible Entity

The Directors of Elanor Funds Management Limited are:

- Paul Bedbrook (Chair)
- Glenn Willis (Managing Director and Chief Executive Officer)
- Nigel Ampherlaw
- Anthony Fehon
- Su Kiat Lim
- Karyn Baylis

Key Management Personnel

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

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

Remuneration of Management Personnel

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

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

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

13. 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 and cost recoveries.

	Consolidated Group 30 June 2023	Consolidated Group 30 June 2022	ECPF II 30 June 2023	ECPF II 30 June 2022
Fees paid to Elanor Investors Group and its controlled entities:	\$	\$	\$	\$
Group management fees	3,899,203	3,513,338	233,195	237,080
Acquisition related fees	–	425,000	–	–
Cost recoveries ¹	977,000	660,000	97,125	84,320
Other	472,530	445,363	48,464	11,768
Total	5,348,733	5,043,701	378,784	333,168

Outstanding balances arising from Fees paid to Elanor Investors Group and its controlled entities:

Accounts payable	303,158	–	8,936	–
Total	303,158	–	8,936	–

¹ Includes \$0.2 million one-off cost recovery for the management of current year debt facility renewals.

Related party holdings

Directors and other Key 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 Directors and other Key Management Personnel are as follows:

	30 June 2023 No. of fully paid units
Investment held by Elanor Investment Trust	39,755,650
Investment held by Directors and Other Management Personnel	605,711
Total	40,361,361

	30 June 2022 No. of fully paid units
Investment held by Elanor Investment Trust	39,755,650
Investment held by Directors and Other Management Personnel	570,711
Total	40,326,361

Cross-Staple Loan

The Fund has applied the ECL model under AASB 9 *Financial Instruments* to its unsecured intercompany loan receivable with ECPF II. 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 as ECPR I. ECPF I maintains a strong capital position and forecasts sufficient cash flows to repay the loan to ECPF II on expiry. There is no impact on the Fund as this loan eliminates on consolidation.

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

14. Non-cancellable operating lease receivables

OVERVIEW

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

	Consolidated Group 30 June 2023 \$'000	Consolidated Group 30 June 2022 \$'000	ECPF II 30 June 2023 \$'000	ECPF II 30 June 2022 \$'000
Within 1 year	40,152	39,441	2,834	2,575
Between 1 and 2 years	36,917	34,456	1,764	1,866
Between 2 and 3 years	20,146	26,643	1,232	1,015
Between 3 and 4 years	8,766	9,846	1,107	500
Later than 5 years	26,662	28,027	1,362	1,069
Total	132,643	138,413	8,299	7,025

15. 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 2023 (30 June 2022: nil).

(b) Commitments

The Fund has no capital commitments (30 June 2022: nil) in respect of capital expenditures contracted as of 30 June 2023.

16. Parent entity

OVERVIEW

The financial information below reflects Elanor Commercial Property Fund's parent entity, ECPF I, as a stand-alone entity.

(a) Summarised financial information

	ECPF I	ECPF I
	30 June	30 June
	2023	2022
	\$'000	\$'000
Financial position		
Current assets	43,679	72,260
Non-current assets	367,712	363,984
Total Assets	411,391	436,244
Current liabilities	81,540	7,541
Non-current liabilities	105,253	165,625
Total Liabilities	186,793	173,166
Contributed equity	344,195	344,198
Retained profits / (accumulated losses)	(119,597)	(81,120)
Total Equity	224,598	263,078
	ECPF I	ECPF I
	30 June	30 June
	2023	2022
	\$'000	\$'000
Financial performance		
(Loss) / profit for the period	(10,217)	3,530
Other comprehensive income for the period	–	746
Total comprehensive (loss) / income for the period	(10,217)	4,276

(b) Commitments

ECPF I has no commitments as at 30 June 2023 (2022: none) in relation to capital expenditure contracted for but not recognised as liabilities.

(c) Guarantees provided

ECPF I has no outstanding guarantees as at 30 June 2023 (2022: none).

(d) Contingent liabilities

ECPF I has no contingent liabilities as at 30 June 2023 (2022: none).

ACCOUNTING POLICY

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

Notes to the Consolidated Financial Statements For the year ended 30 June 2023

17. Auditor's remuneration

OVERVIEW

PricewaterhouseCoopers are the independent auditors of the Fund and have provided audit and other assurance related services as well as other non-assurance related services to the 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 2023 \$	Consolidated Group 30 June 2022 \$
Audit services		
Audit and review of financial reports	226,800	185,000
Other services		
Consulting services	–	50,000
Total services provided by PwC	226,800	235,000

18. Subsequent events

Subsequent to balance date, on 17 August 2023, the Fund entered into conditional put and call option arrangements for the sale of Nexus Centre and Limestone Street. The expected net sale price under the contract for Nexus Centre is \$35.0 million and for Limestone Street is \$29.6 million. The values under the put and call arrangement for the sale of the two assets are considered to be an indicator of fair value of these assets and entry into these arrangements post balance date is considered an adjusting subsequent event under Accounting Standard AASB 110 *Events after the Reporting Period*. Therefore, the adopted 30 June 2023 valuations for Nexus Centre and Limestone Street reflect the net sales proceeds under the contractual arrangements.

Subsequent to balance date, the Fund has executed a credit approved term sheet for the extension of the debt facilities, with a maturity date of 31 August 2026.

In addition, on 16 August 2023, the Fund entered into a new hedge arrangement which terminates the current \$70 million interest rate swap arrangement with a maturity date of 28 Feb 2025 and replaces this with a \$110 million interest rate swap maturing in August 2026. The new hedge arrangement will be effective from 31/8/23 with a fixed rate of 3.04%.

Other than the events disclosed above, the directors are not aware of any other matters or circumstances 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 the financial year subsequent to the year ended 30 June 2023.

19. 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 securityholders are presently entitled to the income of the Fund.

Directors' Declaration to Stapled Securityholders

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

- a) the financial statements and notes set out on pages 27 to 65 are in accordance with the *Corporations Act 2001* (Cth) including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the entity's financial position as at 30 June 2023 and of its performance, for the year ended 30 June 2023; and
- b) there are reasonable grounds to believe that the Consolidated Group and the ECPF II will be able to pay their debts as and when they become due and payable.
- c) the financial statements also 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 Boards of Directors in accordance with Section 295(5) of the *Corporations Act 2001* (Cth).



Glenn Willis
CEO and Managing Director

Sydney
22 August 2023

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Independent auditor's report

To the stapled securityholders of Elanor Commercial Property Fund

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Elanor Commercial Property Fund and its controlled entities (the Group) and Elanor Commercial Property Fund II and its controlled entities (ECPF II Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's and ECPF II Group's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group and ECPF II Group financial reports comprise:

- the consolidated statements of financial position as at 30 June 2023
- 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 flows 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 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.

Independence

We are independent of the Group and ECPF II 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.

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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 reports as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
- For the purpose of our audit we used overall materiality of \$1,742,900 for the Consolidated Group and \$87,200 for ECPF II Group which represents approximately 5% of their respective Funds from Operations (FFO). FFO is defined in Note 1 to the financial statements. - 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. - We chose FFO because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. - We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	- Our audit focused on where the Group and ECPF II Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. - The audit team consisted of individuals with the appropriate skills and competencies needed for the audits.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period. The key audit matters were addressed in the context of our audit of the financial reports 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. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property (Refer to Note 6) \$475,617,000 The Group's property portfolio consists of commercial office investment properties at 30 June 2023. This was a key audit matter because of the: - relative size of the investment property portfolio to net assets and related valuation movements, and - inherent subjectivity of the key assumptions that underpin the valuations.	We assessed the design and implementation relevant controls over the investment property valuation process. We evaluated the appropriateness of the valuation methodologies used against the requirements of Australian Accounting Standards. We agreed the adopted fair values of all properties to the independent valuation report or internal valuation model (together, the 'valuations') and assessed the competency, capability and objectivity of the relevant independent or internal valuer. We met with management to discuss the specifics of the property portfolio including, amongst other things, any significant leasing activity, capital expenditure and vacancies impacting the portfolio. We assessed the appropriateness of significant assumptions used in the valuations with reference to evidence in independent valuation reports and external market data where available. For a sample of valuations, we traced the rental income used in the valuation to the tenancy schedule and in turn agreed the tenancy schedule to the underlying lease agreements. We considered the reasonableness of the disclosures made in relation to the significant assumptions in light of the requirements of Australian Accounting Standards.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial reports and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the director's report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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



In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the action to take.

Responsibilities of the directors of the Responsible Entity for the financial reports

The directors of the Responsible Entity are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors of the Responsible Entity are responsible for assessing the ability of the Group and ECPF II 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 of the Responsible Entity either intends to liquidate the Group and ECPF II Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are 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 reports.

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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'N R McConnell'.

N R McConnell
Partner

Sydney
22 August 2023

Corporate Governance

The Board of Directors of Elanor Funds Management Limited as responsible entity of the Elanor Commercial Property Fund I and Elanor Commercial Property Fund II (Fund) have approved the Fund's Corporate Governance Statement as at 30 June 2023. 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/ECF/governance

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.

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Securityholder Analysis

As at 18 August 2023

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: ECF), having listed on 6 December 2019. 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	Elanor Investment Nominees Pty Ltd <Elanor Investment A/C>	39,755,650	12.56
2	HSBC Custody Nominees (Australia) Limited	27,275,899	8.62
3	Rockworth Investment Holdings Pte Ltd	19,230,769	6.07
4	Kenxue Pty Ltd <Susan Investment A/C>	17,000,000	5.37
5	Perpetual Corporate Trust Ltd <ACF QCAX Aust Property Fund>	14,800,000	4.68
6	J P Morgan Nominees Australia Pty Limited	10,995,527	3.47
7	Perpetual Corporate Trust Ltd <QCAXSIVECF A/C>	10,194,717	3.22
8	Kenxue Pty Ltd <Susan Investment A/C>	9,348,492	2.95
9	National Nominees Limited	7,908,904	2.50
10	Netwealth Investments Limited <Wrap Services A/C>	7,703,937	2.43
11	BNP Paribas Noms Pty Ltd <DRP>	5,326,797	1.68
12	Citicorp Nominees Pty Limited	5,040,597	1.59
13	Park Hill Management Limited	2,809,531	0.89
14	Elanor Investment Nominees Pty Limited <EPIF Investment A/C>	1,562,829	0.49
15	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	1,511,925	0.48
16	Ms Wenyan Zhuang	1,471,846	0.46
17	J B Holdings (Victoria) Pty Ltd	1,262,732	0.40
18	Netwealth Investments Limited <Super Services A/C>	1,221,577	0.39
19	Mrs Chunying Xiao	1,124,978	0.36
20	Aloron Pty Ltd <Campbell Super Fund A/C>	1,107,196	0.35
Total		186,653,903	58.96
Balance of Register		129,902,450	41.04
Grand Total		316,556,353	100.00

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Range Report

Range	No. of Securities	%	No. of Holders	%
100,001 and over	254,140,260	80.28	310	9.69
10,001 to 100,000	56,608,272	17.88	1,665	52.05
5,001 to 10,000	3,938,353	1.24	524	16.38
1,001 to 5,000	1,828,425	0.58	602	18.82
1 to 1,000	41,043	0.01	98	3.06
Total	316,556,353	100.00	3,199	100.00

The total number of Securityholders with an unmarketable parcel of securities was 68.

Substantial Securityholders

Securityholder	No. of Securities	%
Elanor Investment Nominees Pty Ltd <Elanor Investment A/C>	39,755,650	12.56%
Kenxue Pty Ltd <Susan Investment Trust> and Aloron Pty Ltd <The Campbell Super Fund>	27,455,688	8.67%
Rockworth Investment Holdings Pte Ltd	19,230,769	6.07%

Voting rights

On a poll, each Securityholder has, in relation to resolutions of the Trusts, one vote for each unit 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: ECF)

Elanor Funds Management Limited (ACN 125 903 031) is the Responsible Entity of Elanor Commercial Property Fund I (ARSN 636 623 099) (ECPF I) and Elanor Commercial Property Fund II (ARSN 636 623 517) (ECPF II) each a Trust and together the Elanor Commercial Property Fund

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Directors of the Responsible Entity

Paul Bedbrook (Chair)
Glenn Willis (Managing Director and CEO)
Nigel Ampherlaw
Anthony (Tony) Fehon
Lim Su Kiat
Karyn Baylis
Victor Rodriguez
Ian Mackie

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

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