23 September 2022

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 2022

Attached is the Elanor Commercial Property Fund (ASX: ECF) Annual Report for the year ended 30 June 2022.

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

Elanor COMMERCIAL PROPERTY FUND

Annual Report

For the year ended 30 June 2022

WorkZone West, Perth (WA)

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.

Contents

Financial Calendar

SEP **September 2022**
Estimated interim distribution announcement and securities trade ex-distribution

NOV **November 2022**
Interim distribution payment

DEC **December 2022**
Estimated interim distribution announcement and securities trade ex-distribution

FEB **February 2023**
Interim results announcement and interim distribution payment

MAR **March 2023**
Estimated final distribution announcement and securities trade ex-distribution

MAY **May 2023**
Interim distribution payment

JUN **June 2023**
Estimated interim distribution announcement and securities trade ex-distribution

AUG **August 2023**
Full-year results announcement and final distribution payment

SEP **September 2023**
Annual tax statements

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

Highlights

Funds From Operations (FFO)[1]
per security

10.94c

Outperformed guidance of **10.8 cents** per security

Distributions
per security

9.40cps

Reflects an **86% payout ratio**

Net Tangible Assets
per security

$1.20

↑ **6.4%** post acquisition of Cavill Avenue

Portfolio WALE[2]
by income

3.4yrs

Secure income with less than **6.5%** of leases (by income) expiring in FY23

Portfolio Value
as at 30 June 2021

$609m

↑ **58%** from 30 June 2021

Occupancy[3]

95.6%

Significantly above market occupancy of **86%**[4]

Balance Sheet Gearing[5]

30.8%

Look-through gearing at **36.3%**

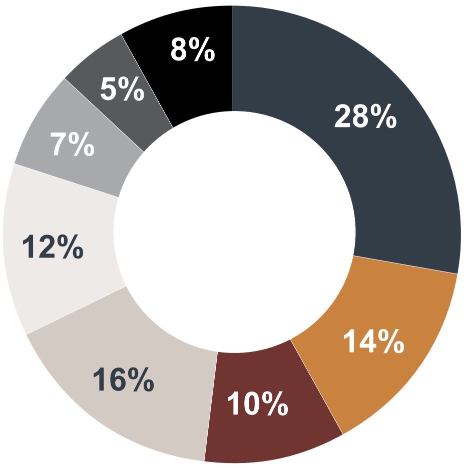
Hedged Interest Rate Exposure[6]

97.3%

Weighted average hedge expiry of **2.2 years**

1. Based on the weighted average number of securities on issue during the period
2. Weighted by income, excluding any rental guarantees and including Heads of Agreements
3. Weighted by area, excluding any rental guarantees and including Heads of Agreements
4. JLL REIS June 2022, national CBD occupancy
5. Debt less cash divided by total assets less cash
6. Look-through hedging at 97.9%; Harris Street asset is hedged to expiry with a commencement date of 31 March 2023

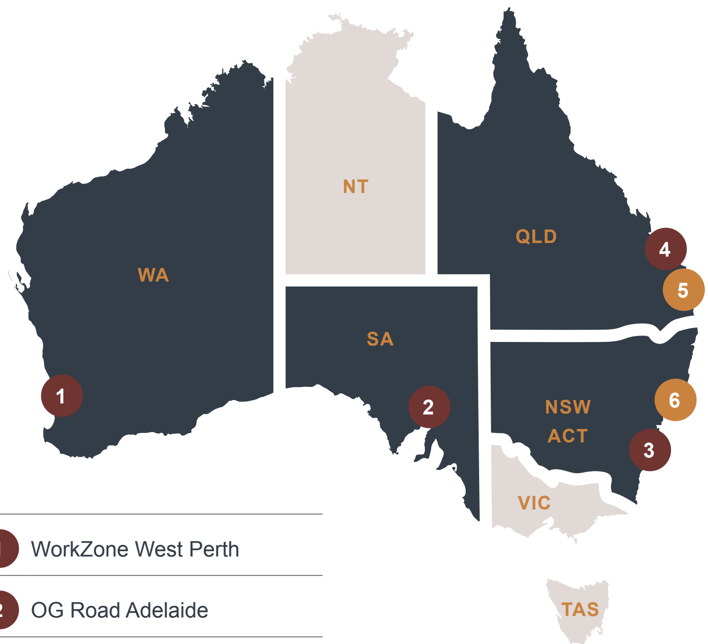
Key Tenants



28%	Engineering and Construction
14%	Government
10%	Services
16%	IT and Media
12%	Real Estate
7%	Retail
5%	Healthcare
8%	Other

Geographic diversification

Existing assets   New assets



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

Key asset management focus: ESG

Environment

Enhancing energy efficiency and working towards a net zero carbon portfolio

36%

carbon neutral with roadmap established to further reduce emissions

27%

of assets 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

Partnering with The Smith Family to support young Australians to overcome educational inequality

Annual calendar of community engagements to support numerous social initiatives

Governance

Best practice governance for all stakeholders

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

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

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 2022.

19 Harris Street, Pyrmont, Sydney (NSW)

Elanor Commercial Property Fund (ASX: ECF) is an externally managed real estate investment trust that invests in Australian commercial office assets. It was listed on the ASX in 2019 and currently owns nine office assets with a portfolio valuation of $609 million, an increase of 58% from 30 June 2021. ECF has performed strongly during the financial year with FY22 Funds from Operations (FFO) per security of 10.94 cents exceeding guidance of 10.80 cents per security.

It has been another successful year for the Fund, both in terms of achieving our financial objectives and executing the Fund's strategy. The Fund delivered FFO of $30.1 million (10.94 cents per security) for the year and distributed $27.3 million or 9.40 cents per security, at a conservative payout ratio of 86%.

Achievements

The key achievements for the Fund over the period include:

- FY22 FFO of $30.1 million or 10.94 cents per security
- FY22 Distributions of 9.40 cents per security (equating to a payout ratio of 86%)
- Portfolio value increased to $609 million following the acquisitions of 50 Cavill Avenue and 19 Harris Street (including $21.6 million valuation uplifts across the portfolio)
- NTA per security of $1.20
- Gearing of 30.8% with debt facilities 97.3% interest rate hedged
- Significant leasing activity across the portfolio; 95.6% occupancy

The value of the portfolio at 30 June 2022 was $609 million, reflecting a weighted average capitalisation rate of 6.1%.

COVID-19

The Fund has performed strongly having been negligibly impacted by the COVID-19 pandemic. At balance date, the Fund had immaterial tenant arrears across the portfolio.

Outlook

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, dedication and enthusiasm.

Finally, I would like to thank all Elanor Commercial Property Fund Securityholders for their continued support.

Yours sincerely,

Paul Bedbrook
Chair

CEO's Message

I am pleased to present Elanor Commercial Property Fund's Annual Report for the financial year ended 30 June 2022.

The management team has continued to successfully execute on the key strategic objective of ECF: to provide strong, risk-adjusted returns by investing in, and managing, commercial office properties. ECF outperformed its market guidance for FY22 by delivering a Funds from Operations (FFO) per security of 10.94 cents (guidance of 10.8 cents per security), and distributions per security of 9.4 cents at a conservative payout ratio of 86%. The Fund's strong investment performance is a direct result of our disciplined, risk-first approach to investing in commercial office assets that deliver strong income and capital growth.

ECF has provided FY23 FFO earnings guidance of 11.0 cents per security and FY23 distribution guidance of 9.4 cents per security. This guidance reflects the security of the Fund's income (with less than 6.5% of leases expiring in FY23), the Fund's strong capital position with gearing of 30.8% (97.3% hedged), and the potential to grow portfolio income from properties 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

During the year ended 30 June 2022 the Fund performed strongly and completed the following key initiatives:

- Funds from Operations (FFO) for the year of $30.1 million or 10.94 cents per security (exceeding guidance of 10.8 cents per security)
- Distributions of $27.3 million or 9.40 cents per security, at a payout ratio of 86% (lower end of the Fund's target payout ratio range of 80% to 100%)
- Completed two acquisitions during the year (both properties are performing ahead of expectations):
  - 50 Cavill Avenue, Surfers Paradise, QLD for $113.5 million in August 2021, funded by a fully underwritten equity raising of $84.7 million and a new debt facility of $39.7 million
  - A 49.9% stake in the Harris Street Fund which owns the $185 million commercial office property located at 19 Harris Street, Pyrmont, NSW, in May 2022. ECF's investment in the Fund represented a proportionate net tangible asset value of $43.5 million at acquisition. This acquisition was funded through an equity raising of $36.6 million, with Elanor Investors Group supporting the acquisition with an $8.4 million manager contribution to the Fund. The contribution resulted in a total net purchase price of $35.1 million reflecting a 15.6% discount to the NTA value of the acquisition
- The valuation of the Fund's properties at 30 June 2022 increased by $21.6 million over the period, with the value of the Fund's portfolio being $609 million at year end
- The Fund's occupancy was 95.6% at 30 June 2022 (significantly above market occupancy of 86%)
- The Fund's gearing was 30.8% at 30 June 2022 (34.5% at 30 June 2021), the lower end of the Fund's target range

Successful Execution of Key Leasing Initiatives

A range of key leasing initiatives have been successfully executed over the period with a total of 16,782m² being leased during the year (excluding short-term lease extensions). The Fund achieved a 70% tenant retention rate for lease expiries during the period.

Key leasing achievements included:

- Execution of 12 leases at 50 Cavill Avenue over a total area of 4,898m² with an average lease term of 5 years. 50 Cavill Avenue is now 100% leased
- The successful repositioning of 34 Corporate Drive as a life sciences hub. The property is now 91% leased with a WALE of 6.9 years. This significant leasing achievement resulted in the property's value increasing

CEO's Message

"The Fund has delivered on its key objective of growing and enhancing the value of the portfolio. In particular, our active asset management approach of the Fund's properties has delivered growth in both the Fund's income and portfolio value over the period."

by $12 million to $33 million. Key leasing achievements at 34 Corporate Drive included:

- 10-year lease to Abacus dx, a multinational medical, pathology and laboratory equipment manufacturer, over 2,250m²
- 7-year lease to Alliance Pharmaceuticals over 2,000m²

- 10-year lease to Hub Australia over 1,300m² at 200 Adelaide Street (the property is now 99% leased)
- A 5-year lease was executed with ITV Studios Australia over approximately 2,000m² at 19 Harris Street. This leasing success was achieved within five weeks of completing the acquisition of the property
- 4-year lease to Coles over 1,000m² at Nexus Centre

Impact of COVID-19

The Fund has performed strongly having been negligibly impacted by the COVID-19 pandemic. At balance date, the Fund had immaterial tenant arrears across the portfolio.

Investment Portfolio

The Fund has delivered on its key objective of growing and enhancing the value of the portfolio. In particular, our active asset management approach of the Fund's properties has delivered growth in both the Fund's income and portfolio value over the period.

The Fund's portfolio of nine high investment quality commercial office properties is valued at $609 million. The Fund has a WALE of 3.4 years, an occupancy level of 95.6% and a weighted average capitalisation rate of 6.1%.

Capital Management

The Fund is focused on maintaining a conservative capital structure with a target gearing range of 30% to 40%. At 30 June 2022, the Fund's gearing was 30.8% The weighted average cost of debt was approximately 2.26% p.a. and the weighted average term to maturity of the Fund's debt was 2.6 years.

The Fund has a low level of exposure to increasing interest rates with the Fund's debt facilities being 97.3% hedged.

Our Approach to Corporate Sustainability

We recognise the importance of managing environmental, social and governance factors in how we deliver value for our investors.

A range of ESG initiatives have been successfully executed across the portfolio during the year, including WorkZone West achieving a Carbon Neutral certification and a 6-Star NABERS energy rating. Garema Court and Cavill Avenue have a 5.5-Star NABERS energy rating while Nexus Centre and 34 Corporate Drive are 5-Star NABERS energy rated. A portfolio and asset specific gap analysis, and roadmap towards achieving net zero carbon, is in progress.

Outlook

The Fund's strong performance is a direct result of our disciplined, risk-first approach to investing in assets 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'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.

ECF is pleased to provide FY23 FFO earnings guidance of 11.0 cents per security and FY23 distribution guidance of 9.4 cents per security. This reflects the security of the Fund's income (with less than 6.5% of leases expiring in FY23), strong capital position (gearing of 30.8% with the Fund's interest rate exposure 97.3% hedged) and opportunities to grow rental income from a portfolio of properties with market rents well below economic rents.

The Fund is well positioned to grow Securityholder value.

Yours sincerely,

Glenn Willis
Managing Director and Chief Executive Officer

Financial Report

for the year ended 30 June 2022

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 (Group, Consolidated Group or Fund) and the financial report of Elanor Commercial Property Fund II (ECPF II) for the year ended 30 June 2022.

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.

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

1. Directors

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

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

2. Principal activities

The principal activity of the Fund is to invest 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 2022

The following table details the Consolidated Group's distributions that were declared and paid before the reporting date for the year ended 30 June 2022 or declared after the reporting date in respect of the year ended 30 June 2022:

Consolidated Group	Distribution Cents per stapled security	30 June 2022 $'000
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**

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

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

During the year ended 30 June 2022, the Fund completed and achieved the following key initiatives and results:

- Statutory profit for the year ended 30 June 2022 was $43.9 million compared to $31.3 million for the prior year. The increase was primarily due to higher rental income and asset acquisitions during the year;
- Funds from Operations (FFO) for the year of $30.1 million or 10.94 cents per security;
- Distributions of $27.3 million or 9.40 cents per security, at a payout ratio of 86% (within the Fund's target payout ratio range of 80% – 100%);
- Strong operational performance during the year, despite the ongoing COVID-19 pandemic, with negligible arrears across the portfolio;
- Acquired the 50 Cavill Avenue, Surfers Paradise property for $113.5 million in August 2021 ($110.6 million net of settlement adjustments for outstanding incentives). The acquisition was partially funded by the Fund's equity raising of $84.7 million;
- Acquired a 49.9% stake in the Harris Property Trust which owns the commercial office property located at 19 Harris Street, Pyrmont, NSW in May 2022. The property is valued at $185 million. ECF's investment in the Trust represents a proportionate net tangible asset value of $43.5 million at acquisition. The equity accounted investment was funded through an equity raising of $36.6 million, with Elanor Investors Group supporting the acquisition with a $8.4 million contribution to the Fund. The contribution resulted in a total net purchase price of $35.1 million reflecting a 15.6% discount to the NTA value of the trust at acquisition.
- Successfully negotiated and executed a range of strategic leasing and other asset management initiatives.

Directors' Report

4. Operating and financial review (continued)

OVERVIEW AND STRATEGY (continued)

The Fund's portfolio of commercial office properties:

- Comprises nine properties located in established commercial office precincts in Brisbane, Gold Coast, Perth, Canberra, Adelaide and Sydney, with a combined value of $560.7 million (including 19 Harris Street);
- Had an occupancy level of 95.6% at balance date;
- Generated approximately 76% of its income from Government (14%), Multinational (33% - including DXC Technology, Clemenger and Panasonic) and ASX Listed tenants (29% - including CIMIC, Bunnings (Wesfarmers), Coles and NAB); and
- Had a gearing ratio of 31% at balance date (36% on a look-through basis).

INVESTMENT PORTFOLIO

The valuation of the Fund's portfolio of investment properties, excluding 50 Cavill Avenue which was acquired during the year, has increased by $13.2 million (3.4%) since 30 June 2021. The valuation of 50 Cavill Avenue at 30 June 2022 increased by $5.5 million (4.85%) since its acquisition in August 2021, or $8.4 million (7.6%) from the purchase price (net of settlement adjustments for vendor funded incentives).

On 25 May 2022, settlement occurred on the acquisition of a 49.9% interest in Harris Property Trust for $ 43.5 million.

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

The resilience of the Fund's investment portfolio, in the current uncertain economic environment, is reflective of its tenant quality and the properties' locations in established commercial precincts. The portfolio has an average WALE of 3.4 years and a weighted average capitalisation rate of 6.09%.

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

INVESTMENT PORTFOLIO Property	Location		Carrying Value 2022 $'m	Carrying Value 2021 $'m
WorkZone West	Perth, WA		125.0	134.0
50 Cavill Avenue	Surfers Paradise QLD		119.0	-
Garema Court	Canberra, ACT		72.0	71.5
200 Adelaide St	Brisbane, QLD		55.5	50.0
Campus DXC	Felixstow, SA		36.0	37.5
Limestone Centre	Ipswich, QLD		37.0	34.0
NEXUS Centre	Mount Gravatt, QLD		39.2	36.5
34 Corporate Drive	Cannon Hill, QLD		33.0	21.0
Total Investment Portfolio			**516.7**	**384.5**
Equity Investment	**Location**	**Ownership %**	**Equity Accounted Value 2022 $'m**	**Equity Accounted Value 2021 $'m**
19 Harris Street*	Pyrmont, NSW	49.9	44.0	-
Total Equity Investment			**44.0**	**-**
Total Investment Portfolio			**560.7**	**384.5**

* The equity investment in 19 Harris Street was valued at 92.3 million on a look-through basis at 30 June 2022. This takes the Fund's investment portfolio to a combined value of $609.0 million.

4. Operating and financial review (continued)

FINANCIAL RESULTS

The Fund recorded a statutory profit of $43.9 million for the year ended 30 June 2022.

Funds from Operations (FFO) for the year was $30.1 million or 10.94 cents per weighted average stapled security. FFO is the Directors' measure of the periodic amount available for distributions and has been determined in accordance with the Property Council Guidelines and adjusted for amortisation of borrowing cost and contribution from manager.

The Fund's balance sheet remains strong at 30 June 2022, with Net Assets of $379.7 million, and cash on hand of approximately $8.2 million. The Fund also has $4.9 million in undrawn debt facilities.

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

Key financial results	Consolidated Group 30 June 2022	ECPF II 30 June 2022
Net profit ($'000)	43,948	4,528
FFO ($'000)	30,120	2,004
Distributions payable to securityholders ($'000)	7,438	485
FFO per stapled security (cents)	9.51	0.63
FFO per weighted average stapled security (cents)	10.94	0.73
Distributions (cents per stapled security)	9.40	0.58
Net tangible assets ($ per stapled security)	1.20	0.08
Gearing (net debt / total assets less cash) (%)	30.79%	32.34%
Gearing (look-through)[1] (%)	36.25%	32.34%

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

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

Funds from Operations (FFO)	Consolidated Group 30 June 2022 $'000	ECPF II 30 June 2022 $'000
Statutory net profit	**43,948**	**4,528**
Adjustments for items included in statutory profit:		
Fair value (gain)/loss included in share of profit from equity accounted investment[2]	(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
Adjustments for non profit / (loss) item:		
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 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.

[2] Fair value (gain)/loss included in share of profit from equity accounted investment includes amortisation of manager contribution of $2.05m.

[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 Statement of Profit or Loss.

Directors' Report

4. Operating and financial review (continued)

SUSTAINABILITY

Sustainability is a key focus of the Group when managing assets or assessing acquisition opportunities. This includes consideration of the asset's energy efficiency, water efficiency, waste management, carbon impact, indoor environment, and proximity to public transport.

The Fund's recent acquisition 19 Harris Street in Pyrmont, has premium ESG credentials, being one of only 55 Australian office buildings with NABERS Climate Active Carbon Neutral certification and one of 20 office buildings in Australia awarded with a WiredScore.

In conjunction with WorkZone West, the Fund's portfolio is now 36% Carbon Neutral with an average NABERS Energy rating of 5.1 Stars (weighted by asset value). The Fund continues to pursue ways to mitigate the environmental impact of its investments. A key focus is improved measurement of environmental impact to inform decision making. Likely initiatives include further investment in renewable energy generation in addition to energy efficiency initiatives across its portfolio.

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

SUMMARY AND OUTLOOK

The Fund's key objective is to actively manage and grow earnings from its investment portfolio of high investment quality office properties, realise value-add opportunities across the portfolio and acquire additional high investment quality commercial real estate assets.

The Manager is committed to growing the value of the Fund's investment portfolio and continues to evaluate further investment opportunities to enhance risk-adjusted returns and improve the diversification, WALE and overall quality of the Fund's portfolio.

The Fund's portfolio of office properties continued to perform strongly over the year. A range of key leasing initiatives were executed over the period, including leases to Abacus dx and Alliance Pharmaceuticals at Cannon Hill and numerous leases at 50 Cavill Avenue. The resilience of the Fund was further demonstrated by the increase in valuations of the Fund's portfolio over the period as a result of the execution of numerous leasing initiatives at the Fund's properties.

Looking ahead, risks to the Fund in the coming year primarily comprise potential earnings variability associated with uncertain economic and market conditions. These risks may relate to increased operating expenses, a softening of rental growth, an increase in required incentives or longer letting up periods. While general market uncertainty may impact the availability of capital for acquisition opportunities, investment demand for quality assets is expected to remain positive. Other risks include potential related movements in interest rates, property valuations and possible weather-related events.

These risks to the Fund are mitigated through the active management of the Fund's portfolio. Regular engagement with tenants across the portfolio and ongoing assessments of tenant rental risks, including relevant scenario analyses, are key contributors to the strong performance of the Fund. Further risk mitigants include the broadening of the Fund's tenant mix, and actively managing the Fund's cash position, interest rate hedging and capital structure.

The Fund is strongly positioned to grow value for Securityholders. The active asset management of the portfolio is generating improved operational performance and returns. Furthermore, targeted strategic initiatives to increase the capital value of the Fund are progressing well.

With regards to climate related risks, the Fund is progressing its alignment with the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations.

5. Interest in the Group

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

	Consolidated Group 30 June 2022 '000	Consolidated Group 30 June 2021 '000	ECPF II 30 June 2022 '000	ECPF II 30 June 2021 '000
Stapled securities on issue at the beginning of the period	204,400	204,400	204,400	204,400
Stapled securities raised through capital raising during the period	112,156	-	112,156	-
Stapled securities on issue at the end of the period	**316,556**	**204,400**	**316,556**	**204,400**

6. Directors

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

Name	Particulars
Paul Bedbrook	Independent Non-Executive Chairman Member, Audit and Risk Committee Member, Remuneration and Nomination Committee Paul was appointed a Director of both Elanor Investors Limited and Elanor Fund Management Limited (Responsible Entity) in June 2014. Paul has had a career of over 30 years in financial services, originally as an analyst, fund manager and then the GM & Chief Investment Officer for Mercantile Mutual Investment Management Ltd (ING owned) from 1987 to 1995. Paul was an executive for 26 years with the Dutch global banking, insurance and investment group, ING, retiring in 2010. Paul's career included the roles of: President and CEO of ING Direct Bank, Canada (2000 – 2003), CEO of the ING Australia/ANZ Bank Wealth JV (2003-2008) and Regional CEO, ING Asia Pacific, Hong Kong (2008 – 2010). Paul is currently the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies, and a non-executive director of Great Southern Bank and the National Blood Authority. Former listed directorships in the last three years: None Interest in stapled securities: 175,000 Qualifications: B.Sc, F FIN, FAICD
Glenn Willis	Managing Director and Chief Executive Officer 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: None Interest in stapled securities: None Qualifications: B.Bus (Econ & Fin)

Directors' Report

6. Directors (continued)

Name	Particulars
Nigel Ampherlaw	Independent Non-Executive Director Chairman, Audit and Risk Committee Nigel was appointed a Director of both Elanor Investors Limited and the Responsible Entity in June 2014. Nigel was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. 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: None Interest in stapled securities: None Qualifications: B.Com, FCA, MAICD
Anthony (Tony) Fehon	Independent Non-Executive Director Chairman, Remuneration and Nominations Committee Member, Audit and Risk Committee Tony was appointed as a Director of both Elanor Investors Limited and the Responsible Entity in August 2019. Tony has more than 30 years' experience working in senior roles with some of Australia's leading financial services and funds management businesses. He has broad experience in operational and leadership roles across many industries. Tony is a director of Elanor Hotel Accommodation Limited and Elanor Hotel Accommodation II Limited, enlighten Australia Pty Limited, Global Bioprotect Pty Limited, Maker Films and Team Mates Pty Limited. He is an Executive Director of Volt Bank Limited and 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. Tony continues to be involved in developing and completing investment structures for real estate investment and development, financial assets and leisure assets. Former listed directorships in the last three years: None Interest in stapled securities: 57,500 Qualifications: B. Com, FCA

6. Directors (continued)

Name	Particulars
Su Kiat Lim (appointed 1 October 2021)	Non-Executive Director Su Kiat was appointed as a Director of both Elanor Investors Limited and the Responsible Entity 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: None Interest in stapled securities: None Qualifications: B.Bus, PhD (Econ)
Karyn Baylis (appointed 1 November 2021)	Independent Non-Executive Director Member, Remuneration and Nominations Committee Karyn was appointed as a Director of both Elanor Investors Limited and the Responsible Entity in November 2021. Karyn was most recently CEO of Jawun, a position she has held since 2009, and joined the Jawun Board in 2017. She retired from Jawun in January 2022. In 2015, Karyn was awarded The Australian Financial Review and Westpac 100 Women of Influence Award in Diversity. In the 2018 Queen's Birthday Honours, Karyn was awarded a Member in the General Division of the Order of Australia (AM) for significant service to the Indigenous community. Karyn is a current member of Chief Executive Woman (CEW) and the 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. Karyn has also held senior roles for multinational businesses such as Group Executive Sales and Marketing (CEO Retail) at Insurance Australia Group (IAG), Director of Organisational Renewal at Optus, and Senior Vice President and Regional General Manager, The Americas at Qantas Airways. Former listed directorships in the last three years: None Interest in stapled securities: 25,000

Directors' Report

7. Directors' relevant interests

	Securities at the date of this report
Paul Bedbrook	175,000
Glenn Willis	-
Nigel Ampherlaw	-
Anthony Fehon	57,500
Su Kiat Lim (appointed 1 October 2021)	-
Karyn Baylis (appointed 1 November 2021)	25,000

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

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

	Elanor Board (Responsible Entity)		Audit and Risk Committee	
	Held[2]	Attended	Held	Attended
Paul Bedbrook	23	23	8	8
Glenn Willis[1]	23	22	4	4
Nigel Ampherlaw[1]	23	20	8	8
Anthony Fehon	23	20	4	4
Su Kiat Lim (appointed 1 October 2021)	14	11	-	-
Karyn Baylis (appointed 1 November 2021)	13	13	-	-

[1] As at 12 November 2021 Anthony (Tony) Fehon was appointed to the ARC to replace Glenn Willis.

[2] During the year, the Board met 23 times including special purpose meetings for various funds management initiatives throughout the year.

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 Elanor Investors 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 Fund 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.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). The Directors are of the opinion that the services as disclosed in Note 17 to the consolidated financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

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

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 ongoing economic and market impacts of the COVID-19 pandemic 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 2022, the Fund has a net current asset position of $1.4 million and net assets of $379.7 million. ECPF II has a net asset deficiency of $0.2 million, the net asset deficiency is attributed to the distribution liability of $0.5 million.

The Fund holds $8.2 million and ECPF II holds $0.4 million respectively in cash at balance date. The Fund (including ECPF II) has access to $4.9 million of undrawn debt facilities.

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

18. Events occurring after reporting date

The Directors are not aware of any other matter since the end of the year 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 2016/191*, 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 23 August 2022.

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, 23 August 2022

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 2022, 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.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
23 August 2022

Consolidated Statements of Profit or Loss

For the year ended 30 June 2022

	Note	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Income					
Rental income	2	39,960	35,256	2,648	3,291
Outgoings reimbursements		6,221	4,024	179	223
Share of profit from equity accounted investments	7	2,823	-	-	-
Net fair value movement of investment properties	6	3,116	5,580	2,292	(2,636)
Net fair value movement of derivatives		10,388	-	579	-
Other income		874	748	260	41
Total income		**63,382**	**45,608**	**5,958**	**919**
Expenses					
Rates, taxes and other outgoings		9,704	7,390	720	766
Borrowing costs		4,177	3,103	316	300
Other expenses		2,287	1,348	157	128
Investment management fees	13	3,266	2,512	237	240
Total expenses		**19,434**	**14,353**	**1,430**	**1,434**
Net profit for the period		**43,948**	**31,255**	**4,528**	**(515)**
Attributable to securityholders of:					
- Elanor Commercial Property Fund I		39,420	31,770	-	-
- Elanor Commercial Property Fund II (Non-controlling interest)		4,528	(515)	4,528	(515)
Net profit for the period		**43,948**	**31,255**	**4,528**	**(515)**
Basic (loss)/earnings per stapled security (cents)	4	15.96	15.29	1.64	(0.25)
Diluted (loss)/earnings per stapled securty (cents)	4	15.96	15.29	1.64	(0.25)

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 2022

	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Net profit for the period	**43,948**	**31,255**	**4,528**	**(515)**
Other comprehensive income				
Items that may be reclassified to profit and loss				
Release of cash flow hedge reserves	825	-	79	-
Gain/(Loss) on revaluation of cash flow hedge	-	1,165	-	112
Other comprehensive income/(loss) for the period	825	1,165	79	112
Total comprehensive income for the period	**44,773**	**32,421**	**4,607**	**(404)**
Attributable to securityholders of:				
- Elanor Commercial Property Fund I	40,166	32,824	-	-
- Elanor Commercial Property Fund II (Non-controlling interest)	4,607	(403)	4,607	(404)
Total comprehensive income for the period	**44,773**	**32,421**	**4,607**	**(404)**

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 2022

	Note	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Current assets					
Cash and cash equivalents		8,189	8,409	434	473
Receivables		654	454	57	15
Prepayments		325	344	18	11
Other current assets		60	458	39	35
Derivative financial instruments	10	3,908	-	274	-
Total current assets		**13,136**	**9,665**	**822**	**534**
Non-current assets					
Investment property	6	516,700	384,500	37,000	34,000
Equity accounted investment	7	44,014	-	-	-
Interest bearing cross staple loan receivable		-	-	2,511	3,527
Derivative financial instruments	10	6,480	-	306	-
Total non-current assets		**567,194**	**384,500**	**39,817**	**37,527**
Total assets		**580,330**	**394,165**	**40,639**	**38,061**
Current liabilities					
Trade and other payables	8	3,786	2,662	357	368
Rent received in advance		503	682	151	229
Distribution payable	3	7,438	5,092	485	529
Derivative financial instruments	10	-	342	-	32
Total current liabilities		**11,727**	**8,778**	**993**	**1,158**
Non-current liabilities					
Interest bearing liabilities	9	184,324	141,441	13,436	13,421
Manager contribution	8	4,545	-	-	-
Derivative financial instruments	10	-	483	-	46
Total non-current liabilities		**188,869**	**141,924**	**13,436**	**13,467**
Total liabilities		**200,596**	**150,702**	**14,429**	**14,625**
Net assets		**379,734**	**243,463**	**26,210**	**23,436**
Equity					
Equity Holders of Parent Entity					
Contributed equity	11	343,518	224,744	25,978	25,978
Reserves		-	(746)	-	(79)
(Accumulated losses)/retained profits		10,006	(3,971)	232	(2,463)
Parent entity interest		**353,524**	**220,027**	**26,210**	**23,436**
Equity Holders of Non-Controlling Interest					
Contributed equity	11	25,978	25,978	-	-
Reserves		-	(79)	-	-
Retained profits		232	(2,463)	-	-
Non-controlling interest		**26,210**	**23,436**	**-**	**-**
Total equity attributable to stapled securityholders:					
- Elanor Commercial Property Fund I		353,524	220,027	-	-
- Elanor Commercial Property Fund II		26,210	23,436	26,210	23,436
Total equity		**379,734**	**243,463**	**26,210**	**23,436**

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 2022

Consolidated Group	Note	Contributed Equity $'000	Cash Flow Hedge Reserves $'000	Accumulated profit/(losses) $'000	ECPF I Total Equity $'000	Non-Controlling Interests $'000	Total Equity $'000
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 or 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**
Balance as at 1 July 2020		**224,744**	**(1,799)**	**(17,314)**	**205,631**	**25,938**	**231,569**
Net profit/(loss) for the period		-	-	31,770	31,770	(516)	31,254
Other comprehensive income for the period		-	1,053	-	1,053	112	1,165
Total comprehensive income / (loss) for the period		**-**	**1,053**	**31,770**	**32,823**	**(404)**	**32,419**
Transactions with securityholders in their capacity as securityholders:							
Contributions of equity, net of issue costs		-	-	-	-	-	-
Distributions paid or payable	3	-	-	(18,427)	(18,427)	(2,098)	(20,525)
Total equity as at 30 June 2021		**224,744**	**(746)**	**(3,971)**	**220,027**	**23,436**	**243,463**

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 2022

Elanor Commercial Property Fund II	Note	Contributed Equity $'000	Cash Flow Hedge Reserves $'000	Accumulated profit/(losses) $'000	Total Equity $'000
Balance as at 1 July 2021		**25,978**	**(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 or payable	3	-	-	(1,833)	(1,833)
Total equity as at 30 June 2022		**25,978**	**-**	**232**	**26,210**
Balance as at 1 July 2020		**25,978**	**(191)**	**151**	**25,938**
Net loss for the period		-	-	(516)	(516)
Other comprehensive income for the period		-	112	-	112
Total comprehensive loss for the period		**-**	**112**	**(516)**	**(404)**
Transactions with securityholders in their capacity as securityholders:					
Distributions paid or payable	3	-	-	(2,098)	(2,098)
Total equity as at 30 June 2021		**25,978**	**(79)**	**(2,463)**	**23,436**

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

Consolidated Statements of Cash Flows

For the year ended 30 June 2022

	Note	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Cash flows from operating activities					
Rental and other property income received		48,584	40,608	3,121	3,868
Manager contribution		6,591	-	-	-
Finance costs paid		(3,983)	(2,950)	(301)	(284)
Payments to suppliers and the Responsible Entity		(17,268)	(15,520)	(1,416)	(1,451)
Net cash inflows from operating activities	5	**33,924**	**22,138**	**1,404**	**2,133**
Cash flows from investing activities					
Payments for capital expenditure and investment properties		(127,213)	(1,950)	(582)	(335)
Payments for transaction costs		-	(25)	-	-
Payments for equity accounted investment		(43,463)	-	-	-
Net cash outflows from investing activities		**(170,676)**	**(1,975)**	**(582)**	**(335)**
Cash flows from financing activities					
Proceeds from interest bearing liabilities	5(b)	42,689	1,716	-	-
Repayments of interest bearing liabilities and borrowing costs	5(b)	-	-	-	(10)
Proceeds from issue of shares		121,262	-	-	-
Transaction costs related to issue of shares		(2,488)	-	-	-
Distributions paid		(24,931)	(20,283)	(1,877)	(2,003)
Proceeds from interest bearing - cross staple loan		-	-	1,016	-
Repayments of interest bearing - cross staple loan		-	-	-	(330)
Net cash inflows/(outflows) from financing activities		**136,532**	**(18,567)**	**(861)**	**(2,343)**
Net (decrease)/increase in cash and cash equivalents		(220)	1,596	(39)	(545)
Cash and cash equivalents at the beginning of the period		8,409	6,813	473	1,018
Cash at the end of the period		**8,189**	**8,409**	**434**	**473**

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 2022

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 2021 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 2022 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 2022. 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 2022.

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

Basis of consolidation (continued)

Going concern

As at 30 June 2022, the Fund has a net current asset position of $1.4 million and net assets of $379.7 million. ECPF II has a net asset deficiency of $0.2 million, the net asset deficiency is attributed to the distribution liability of $0.5 million.

The Fund holds $8.2 million and ECPF II holds $0.4 million respectively in cash at balance date. The Fund (including ECPF II) has access to $4.9 million of undrawn debt facilities.

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 2016/191*, amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgments and key sources of estimation uncertainty

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

In preparing the consolidated financial statements for the year ended 30 June 2022, 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 ongoing COVID-19 pandemic amid changing market conditions (high inflation pressure and expected further cash rate increases 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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

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

Results

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

1. Segment information

OVERVIEW

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

The table below provides a reconciliation from statutory net profit / (loss) to Funds from Operations for the Consolidated Group and ECPFII.

	Consolidated Group	ECPF II
	30 June	30 June
	2022	2022
Funds from Operations (FFO)	**$'000**	**$'000**
Statutory net profit	**43,948**	**4,528**
Adjustments for items included in statutory profit / (loss):		
Fair value (gain)/loss included in share of profit from equity accounted investment[2]	(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
Adjustments for non profit / (loss) item:		
Share of FFO from equity accounted investments	227	-
Funds from Operations (FFO)[1]	**30,120**	**2,004**

	Consolidated Group	ECPF II
	30 June	30 June
	2021	2021
Funds from Operations (FFO)	**$'000**	**$'000**
Statutory net profit / (loss)	**31,255**	**(515)**
Adjustments for items included in statutory profit / (loss):		
Transaction and establishment costs	25	-
Fair value (gain)/loss on investment property	(5,580)	2,636
Straight lining of rental income[3]	(1,661)	121
Amortisation expense[4]	1,610	385
Funds from Operations (FFO)[1]	**25,649**	**2,627**

[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 $2.05m.

[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 Statement of Profit or Loss.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

2. Revenue

OVERVIEW

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

(a) Rental income

	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
WorkZone West	13,539	13,497	-	-
Garema Court	7,293	6,984	-	-
50 Cavill Avenue	6,123	-	-	-
200 Adelaide St	3,224	3,413	-	-
Campus DXC	3,139	3,123	-	-
Limestone Centre	2,648	3,291	2,648	3,291
NEXUS Centre	3,447	3,378	-	-
34 Corporate Drive	547	1,570	-	-
Total revenue from operating activities	**39,960**	**35,256**	**2,648**	**3,291**

ACCOUNTING POLICY

Rental income

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

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

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

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 2022, 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.

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:

Consolidated Group	Distribution FY22 cents per stapled security	Total FY22 amount $'000
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[1]	2.35	7,438
Total distribution relating to the year ended 30 June 2022	**9.40**	**27,276**

[1]The distribution of 2.35 cents per stapled security for the quarter ended 30 June 2022 will be paid on 31 August 2022. Please refer to the Director's Report for the calculation of FFO and the Distribution.

Consolidated Group	Distribution FY21 cents per stapled security	Total FY21 amount $'000
Distribution paid: 1 July - 30 September 2020	2.52	5,156
Distribution paid: 1 October - 31 December 2020	2.54	5,205
Distribution paid: 1 January - 31 March 2021	2.48	5,070
Distribution payable: 1 April - 30 June 2021	2.49	5,092
Total distribution relating to the year ended 30 June 2021	**10.03**	**20,523**

ECPF II

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

	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[1]	0.10	485
Total distribution relating to the year ended 30 June 2022	**0.58**	**1,833**

[1]The distribution of 0.10 cents per stapled security for the quarter ended 30 June 2022 will be paid on 31 August 2022. Please refer to the Director's Report for the calculation of FFO and the Distribution.

	Distribution FY21 cents per stapled security	Total FY21 amount $'000
Distribution paid: 1 July - 30 September 2020	0.27	545
Distribution paid: 1 October - 31 December 2020	0.25	511
Distribution paid: 1 January - 31 March 2021	0.25	513
Distribution payable: 1 April - 30 June 2021	0.26	529
Total distribution relating to the year ended 30 June 2021	**1.03**	**2,098**

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For the year ended 30 June 2022

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 / (losses) 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 2022	Consolidated Group 30 June 2021	ECPF II 30 June 2022	ECPF II 30 June 2021
The earnings / (losses) per stapled security measure shown below is based upon the profit / (loss) attributable to securityholders:				
Basic earnings per stapled security (cents)	15.96	15.29	1.64	(0.25)
Diluted earnings per stapled security (cents)	15.96	15.29	1.64	(0.25)
(Loss) / profit attributable to securityholders used in calculating basic and diluted earnings per stapled security ($'000)	43,948	31,255	4,528	(515)
Weighted average number of stapled securities used as denominator in calculating basic earnings per stapled security	275,438,512	204,400,000	275,438,512	204,400,000
Weighted average number of stapled securities used as denominator in calculating diluted earnings per stapled security	275,438,512	204,400,000	275,438,512	204,400,000

5. Cash flow information

OVERVIEW

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

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

	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Profit / (Loss) for the period	**43,948**	**31,254**	**4,528**	**(515)**
Net unrealised gain on revaluation of derivatives	(10,388)	-	(579)	-
Fair value adjustment on revaluation of investment property	(3,116)	(5,580)	(2,292)	2,635
Net unrealised revenue from equity accounted investment	(2,823)	-	-	-
Amortisation	1,058	153	15	16
Lease incentive	(1,251)	(1,808)	(91)	(122)
Transaction and IPO costs through profit and loss	-	25	-	-
Straight-lining of rental income and rental guarantee	(1,484)	(1,662)	(35)	121
Net cash provided by operating activities before changes in working capital	**25,944**	**22,382**	**1,546**	**2,135**
Movement in working capital				
Decrease / (increase) in trade and other receivables	27	516	(46)	19
Decrease / (increase) in other current assets	398	(34)	-	-
Decrease / (increase) in prepayments	19	(32)	(7)	(1)
Increase / (decrease) in trade and other payables	1,124	(539)	(11)	35
Increase / (decrease) in amounts received in advance	(179)	(155)	(78)	(55)
Increase / (decrease) in manager contribution	6,591	-	-	-
Net cash from operating activities	**33,924**	**22,138**	**1,404**	**2,133**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

5. Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

Consolidated Group

	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**

	30 June 2020 $'000	*Cash flows* Debt drawdowns/ (paydowns) $'000	*Non-cash items* Amortisation of borrowing costs $'000	30 June 2021 $'000
Interest bearing loans	139,572	1,716	153	141,441
Total liabilities from financing activities	**139,572**	**1,716**	**153**	**141,441**

ECPF II

	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**

	30 June 2020 $'000	*Cash flows* Debt drawdowns/ (paydowns) $'000	*Non-cash items* Amortisation of borrowing costs $'000	30 June 2021 $'000
Interest bearing loans	13,415	(10)	16	13,421
Cross-staple loan / (receivable)	(3,197)	(330)	-	(3,527)
Total liabilities from financing activities	**10,218**	**(340)**	**16**	**9,894**

ACCOUNTING POLICY

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

Operating Assets and Liabilities

This section includes information about the assets used by the Fund to generate profits and revenue, specifically information relating to its investment properties and 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 2022.

(a) Carrying values of investment properties

	Valuation	Date	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
WorkZone West	External	Jun-22	125,000	134,000	-	-
50 Cavill Avenue	External	Jun-22	119,000	-	-	-
Garema Court	Internal	Jun-22	72,000	71,500	-	-
200 Adelaide St	Internal	Jun-22	55,500	50,000	-	-
Campus DXC	Internal	Jun-22	36,000	37,500	-	-
Limestone Centre	Internal	Jun-22	37,000	34,000	37,000	34,000
NEXUS Centre	Internal	Jun-22	39,200	36,500	-	-
34 Corporate Drive	External	Jun-22	33,000	21,000	-	-
Total Investment properties held at fair value			**516,700**	**384,500**	**37,000**	**34,000**

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

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

(b) Movement in investment properties

	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Opening Balance	384,500	373,500	34,000	36,300
Acquisitions	118,298	-	-	-
Capital expenditure	8,915	1,950	582	335
Straightlining of rental income	1,484	1,661	35	(121)
Amortisation	(864)	-	-	-
Movement in lease incentives and rental guarantee	1,251	1,809	91	122
Net fair value adjustments	3,116	5,580	2,292	(2,636)
Total investment properties	**516,700**	**384,500**	**37,000**	**34,000**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

6. Investment properties (continued)

(b) Movement in 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 FY22	Range FY21	Weighted average FY22	Weighted average FY21
Discounted cash flows – involves the projection of a series of inflows and outflows to which a market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property.	Adopted discount rate[1]	5.75% - 7.00%	6.50% - 7.75%	6.75%	6.99%
	Adopted terminal yield[2]	5.63% - 7.25%	6.00% - 7.75%	6.58%	6.79%
	Net property income (per sqm)[3]	\$360 - \$865	\$261 - \$831	\$580	\$595
Capitalisation method – involves determining the net market income of the investment property. This net market income is then capitalised at the adopted capitalisation rate to derive a core value.	Adopted capitalisation rate[4]	5.13% - 7.00%	5.75% - 7.50%	6.24%	6.59%

[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.

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.

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

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.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

6. Investment properties (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 incease 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%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
	$'000	$'000	%	%
Discount rate (%)	(9,600)	9,800	(1.9%)	1.9%
Terminal yield (%)	(13,040)	13,590	(2.5%)	2.6%
Capitalisation rate (%)	(21,150)	22,970	(4.1%)	4.4%

7. Equity accounted investment

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

		Consolidated Group 30 June 2022
	%	$'000
Harris Property Trust	49.90	44,014
Total equity accounted investment		**44,014**

On 25 May 2022, the Fund acquired 49.9% of the Harris Property Trust, which holds a commercial property located at 19 Harris Street, Pyrmont, NSW, for $ 43.5 million.

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

	Consolidated Group 30 June 2022 $'000
Carrying amount at the beginning of the period	-
Initial investment in equity accounted investment	43,463
Share of profit from equity accounted investment[1]	778
Distribution receivable	(227)
Total carrying value at the end of the period	**44,014**

[1] Share of profit from equity accounted investment of $2.82 million on the face of the Consolidated Statement of Profit or Loss includes amortisation from manager contribution of $2.05 million in addition to the figure above.

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For the year ended 30 June 2022

(b) Summarised financial information for individually material associate

Financial position	Harris Property Trust 30 June 2022 $'000
Current assets	2,981
Non-current assets	185,000
Total assets	**187,981**
Current liabilities	1,478
Non-current liabilities	98,300
Total liabilities	**99,778**
Contributed equity	87,100
Retained profits(Accumulated losses)	1,103
Total equity	**88,203**

Financial performace	Harris Property Trust 30 June 2022 $'000
Revenue	951
Net profit for the period since acquisition	**1,559**
Other comprehensive income/(loss) for the period	-
Total comprehensive income for the period since acquisition	**1,559**

There are no commitments or contingent liabilities at 30 June 2022 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 2022 $'000
Net assets of the associate	88,203
Proportion of the Group's ownership interest	49.90%
Group's share of net assets of the associates	44,014
Carrying amount of the Group's interest	**44,014**

7. Equity accounted investment (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 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Trade creditors	606	303	324	175
Accrued expenses	2,583	1,422	12	107
GST payable	596	937	21	87
Total payables	**3,786**	**2,662**	**357**	**368**

(b) Non-current other liabilities

	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Non-current liabilities				
Contribution from manager[1]	4,545	-	-	-
Total other non-current liability	**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.

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 a total of $189.7 million of debt facilities. The total drawn amount at 30 June 2022 is $184.8 million. The weighted average debt facility maturity at year end is 2.58 years with an average all-in cost of debt of 2.25% p.a. At 30 June 2022, the interest rate risk of drawn facilities is hedged to 97.3%. The fair value of the debt facilities is $169.0 million which is calculated by discounted cash flows using each facility's current borrowing rate.

	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Non-current - secured				
Bank loan - term debt	184,780	141,788	13,456	13,456
Borrowing costs less amortisation	(456)	(347)	(20)	(35)
Total non-current interest bearing liabilities	**184,324**	**141,441**	**13,436**	**13,421**
Total interest bearing liabilities	**184,324**	**141,441**	**13,436**	**13,421**

The Fund has not required any covenant support from its financier during the year.

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 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Current assets				
Interest rate swaps	3,908	-	274	-
Non-current assets				
Interest rate swaps	6,480	-	306	-
Current liabilities				
Interest rate swaps	-	342	-	32
Non-current liabilities				
Interest rate swaps	-	483	-	46
Total derivative financial instruments	**10,388**	**825**	**580**	**78**

(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 97.3% of the variable loan principal outstanding. The fixed interest rate of the swaps range between 0.66% to 0.87% (2021: 0.66% to 0.67%) and variable rates of the loans range between 1.22% and 1.24% (90-day bank bill rate and excluding Capex facility) (2021: 1.20%) 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 settlements dates coincide with the dates on which interest is payable on the underlying debt.

10. Derivative financial instruments (continued)

(b) Hedging (continued)

In prior year the Fund applied cash flow hedge accounting, which has been discontinued effective 30 June 2022 as hedge accounting did not longer meet the risk management objectives of the Fund.

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

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 2022 '000	No. of securities 30 June 2021 '000	Parent Entity 30 June 2022 $'000	Parent Entity 30 June 2021 $'000
Opening balance	204,400	204,400	224,744	224,744
Capital raised	112,156	-	121,262	-
Capital raising cost	-	-	(2,488)	-
Total contributed equity	**316,556**	**204,400**	**343,518**	**224,744**

(b) ECPF II

	No. of securities 30 June 2022 '000	No. of securities 30 June 2021 '000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Opening balance	204,400	204,400	25,978	25,978
Capital raised (net of capital raise costs)[1]	112,156	-	-	-
Total contributed equity	**316,556**	**204,400**	**25,978**	**25,978**

[1] During the year, the Fund had 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 on ECPF II.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

12. Financial risk management

OVERVIEW

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

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

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

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:

12. Financial risk management (continued)

(b) Interest rate risk (continued)

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%**

Consolidated Group 30 June 2021	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	8,409	-	-	8,409
Total assets	**8,409**	**-**	**-**	**8,409**
Weighted average interest rate				**0.00%**
Liabilities				
Interest bearing loans	2,945	146,823	-	149,768
Derivative financial instruments	342	483	-	825
Total liabilities	**3,287**	**147,306**	**-**	**150,593**
Weighted average interest rate				**2.07%**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

12. Financial risk management (continued)

(b) Interest rate risk (continued)

ECPF II 30 June 2022	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'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%**

ECPF II 30 June 2021	Maturity < 1 yr $'000	Maturity 1 - 5 yrs $'000	Maturity > 5 yrs $'000	Total $'000
Assets				
Cash and cash equivalents	473	-	-	473
Total assets	**473**	**-**	**-**	**473**
Weighted average interest rate				**0.00%**
Liabilities				
Interest bearing loans	279	13,934	-	14,213
Derivative financial instruments	32	46	-	78
Total liabilities	**312**	**13,980**	**-**	**14,292**
Weighted average interest rate				**2.07%**

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:

		Increase by 1%		Decrease by 1%	
Consolidated Group	**Amount**	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'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)**	**-**

		Increase by 1%		Decrease by 1%	
Consolidated Group	**Amount**	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	8,409	84	-	(84)	-
Derivative financial instruments	825	-	1,400	-	(1,400)
Interest bearing loans	141,441	(1,418)	-	1,418	-
Total increase / (decrease)		**(1,334)**	**1,400**	**1,334**	**(1,400)**

Of the $184.3 million floating rate interest bearing loans, $179.7 million or 97.3% 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.

		Increase by 1%		Decrease by 1%	
ECPF II	**Amount**	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'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**	**-**

		Increase by 1%		Decrease by 1%	
ECPF II	**Amount**	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	473	5	-	(5)	-
Derivative financial instruments	78	-	133	-	(133)
Interest bearing loans	13,421	(135)	-	135	-
Total increase / (decrease)		**(130)**	**133**	**130**	**(133)**

Of the $13.4 million floating rate interest bearing loans, the entire amount has been 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, impacts of COVID-19 rent relief arrangements, 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 related to COVID-19 rental relief of $0.02 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 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Cash and other cash equivalents	8,189	8,409	434	473
Trade and other receivables	654	454	57	15
Total	**8,843**	**8,863**	**491**	**489**

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.

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 2022 is as follows:

	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Current	525	471	22	16
Past due 31-60 days	91	74	27	41
Past due 61+ days	55	113	8	-
Total	**671**	**658**	**57**	**57**
Provision for expected credit losses	(17)	(204)	-	(42)
Net Trade and other receivables	**654**	**454**	**57**	**15**

(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.

(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).

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

12. Financial risk management (continued)

(f) Liquidity risk (continued)

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**	**-**	**-**	**206,744**

Consolidated Group 30 June 2021	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 Years $'000	Contractual cash flows $'000	Carrying amount $'000
Derivative financial liabilities						
Derivatives	342	483	-	-	-	825
Non derivative financial liabilities						
Payables	2,662	-	-	-	-	2,662
Distribution payable	5,092					5,092
Interest bearing loans	2,945	74,242	72,577	-	-	149,764
Total	**11,041**	**74,725**	**72,577**	**-**	**-**	**158,343**

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**

ECPF II 30 June 2021	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 Years $'000	Contractual cash flows $'000	Carrying amount $'000
Derivative financial liabilities						
Derivatives	32	46	-	-	-	78
Non derivative financial liabilities						
Payables	368	-	-	-	-	368
Distribution payable	529					529
Interest bearing loans	279	7,046	6,888	-	-	14,213
Total	**1,209**	**7,092**	**6,888**	**-**	**-**	**15,188**

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 (appointed 1 October 2021)
Karyn Baylis (appointed 1 November 2021)

Key Management Personnel

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

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

Remuneration of Management Personnel

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

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

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

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, acquisition related fees and cost recoveries.

Fees paid to Elanor Investors Group and its controlled entities:	Consolidated Group 30 June 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Management fees	3,266	2,512	237	240
Acquisition related fees	425	-	-	-
Cost recoveries	660	600	84	86
Other	445	-	12	-
Total	**4,796**	**3,112**	**333**	**325**

Related party holdings

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

	30 June 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**

	30 June 2021 No. of fully paid units
Investment held by Elanor Investment Trust	30,664,771
Investment held by Directors and Other Management Personnel	396,288
Total	**31,095,459**

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.

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 2022 $'000	Consolidated Group 30 June 2021 $'000	ECPF II 30 June 2022 $'000	ECPF II 30 June 2021 $'000
Within 1 year	39,441	30,363	2,575	2,127
Between 1 and 2 years	34,456	29,796	1,866	1,579
Between 2 and 3 years	26,643	27,966	1,015	1,080
Between 3 and 4 years	9,846	22,061	500	635
Later than 5 years	28,027	17,888	1,069	1,127
Total	**138,413**	**128,074**	**7,025**	**6,548**

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 2022 (30 June 2021: nil).

(b) Commitments

The Fund has no commitments as at 30 June 2022 (30 June 2021: nil).

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

16. Parent entity disclosure

OVERVIEW

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

(a) Summarised financial information

Financial Position	ECPF I 30 June 2022 $'000	ECPF I 30 June 2021 $'000
Current assets	72,260	63,008
Non-current assets	363,984	235,839
Total Assets	**436,244**	**298,847**
Current liabilities	7,541	5,147
Non-current liabilities	165,625	128,766
Total Liabilities	**173,166**	**133,913**
Contributed equity	344,198	225,424
Reserves	-	(746)
(Accumulated losses)/ retained profits	(81,120)	(59,744)
Total Equity	**263,078**	**164,934**
Financial performance		
Profit/(loss) for the period	3,530	(6,046)
Other comprehensive income for the period	746	1,053
Total comprehensive profit/(loss) for the period	**4,276**	**(4,993)**

(b) Commitments

ECPF I has no commitments as at 30 June 2022 (2021: 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 2022 (2021: none).

(d) Contingent liabilities

ECPF I has no contingent liabilities as at 30 June 2022 (2021: 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.

17. Auditors' 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 2022 $	Consolidated Group 30 June 2021 $
Audit services:		
Audit and review of financial reports	185,000	90,000
Other services:		
Consulting services	50,000	-
	-	-
Total	**235,000**	**90,000**

18. Subsequent events

The Directors are not aware of any other matter since the end of the year 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. 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 22 to 59 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 2022 and of its performance for the year ended 30 June 2022; 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 comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

(d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001* (Cth).

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

Glenn Willis
CEO and Managing Director

Sydney, 23 August 2022

Independent auditor's report

To the stapled securityholders of Elanor Commercial Property Fund (comprising Elanor Commercial Property Fund I and Elanor Commercial Property Fund II)

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of:

- Elanor Commercial Property Fund I (the Registered Scheme) and its controlled entities (together the Group), and
- Elanor Commercial Property Fund II (ECPF II)

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

(a) giving a true and fair view of the financial positions of the Group and ECPF II as at 30 June 2022 and of their financial performance for the year then ended

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

What we have audited

The financial reports of the Group and ECPF II (the financial report) comprise:

- the consolidated statements of financial position as at 30 June 2022
- 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.

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Independence

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

Our audit approach

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

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

Materiality	Audit scope	Key audit matters
• **For t**he purpose of our audit of the Group and the ECPF II, we used overall materiality of $1.5 million and $0.1 million, respectively, which represents approximately 5% of Funds from Operations. The metric is defined in note 1 of the financial report. • We applied these thresholds, together with qualitative considerations,	• Our audit focused on where the Group and ECPF II 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 audit.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: ○ Valuation of Investment Property • These are further described in the *Key audit matters* section of our report.

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 Funds from Operations because, in our view, it is the primary metric against which the performance of the Group and ECPF II are most commonly measured in the industry.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period and were determined separately for the Group and ECPF II. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties ***Refer to note 6*** The Group's and ECPF II's property portfolios consist of office investment properties at 30 June 2022. This was a key audit matter because of the: • relative size of the investment property portfolio to net assets and related valuation movements, and	Our procedures included, amongst others: • Obtaining an understanding of the Group's and ECPF II's process for determining the valuation of the investment properties; • Assessing the scope, competence and objectivity of the external valuation firms engaged by the Group and ECPF II to provide external valuations at reporting date; • Assessing the appropriateness of the valuation methodologies utilised;

Key audit matter	How our audit addressed the key audit matter
• inherent subjectivity of the key assumptions that underpin the valuations.	• Assessing the appropriateness of significant assumptions with reference to evidence in independent valuations and external market data where available. For a sample of external 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; • Considering 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 Elanor Funds Management Limited, the Responsible Entity of the Registered Scheme and ECPF II (the Directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' 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 report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 appropriate action to take.

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

N R McConnell

N R McConnell — Sydney

Partner — 23 August 2022

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 2022. 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.

Securityholder Analysis

As at 16 August 2022

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 Limited <Elanor Investment A/C>	39,755,650	12.56
2	J P Morgan Nominees Australia Pty Limited	26,117,599	8.25
3	Rockworth Investment Holdings Pte Ltd	19,230,769	6.08
4	HSBC Custody Nominees (Australia) Limited	17,075,225	5.39
5	Kenxue Pty Ltd <Susan Investment A/C>	17,000,000	5.37
6	Perpetual Corporate Trust Ltd <ACF QCAX Aust Property Fund>	14,800,000	4.68
7	Perpetual Corporate Trust Ltd <QCAXSIVECF A/C>	10,194,717	3.22
8	National Nominees Limited	10,044,397	3.17
9	Citicorp Nominees Pty Limited	7,716,815	2.44
10	Netwealth Investments Limited <Wrap Services A/C>	6,616,789	2.09
11	BNP Paribas Noms Pty Ltd <DRP>	6,324,030	2.00
12	Kenxue Pty Ltd <Susan Investment A/C>	3,874,324	1.22
13	Park Hill Management Limited	2,809,531	0.89
14	J B Holdings (Victoria) Pty Ltd	1,262,732	0.40
15	Mrs Chunying Xiao	1,124,978	0.36
16	Aloron Pty Ltd <Campbell Super Fund A/C>	1,107,196	0.35
17	John Edward Duruz	1,040,000	0.33
18	Croesus Mining Pty Ltd <Steinepreis Super Fund A/C>	1,000,000	0.32
19	Neweconomy Com Au Nominees Pty Limited <900 Account>	956,365	0.30
20	Certane CT Pty Ltd <ECT CAP STBL FND>	912,929	0.29
Total		188,964,046	59.69
Balance of Register		127,592,307	40.31
Grand Total		316,556,353	100.00

Securityholder Analysis
As at 16 August 2022

Range Report

Range	No. of Securities	%	No. of Holders	%
100,001 and over	252,972,396	79.91	301	9.18
10,001 to 100,000	57,811,249	18.26	1,681	51.27
5,001 to 10,000	3,715,836	1.17	492	15.00
1,001 to 5,000	2,015,583	0.64	708	21.59
1 to 1,000	41,289	0.01	97	2.96
Total	316,556,353	100.00	3,279	100.00

The total number of Securityholders with an unmarketable parcel of securities was 55.

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> (Ken Campbell)	21,981,520	6.94
Rockworth Investment Holdings Holding Pte Ltd	19,230,769	6.08

Voting rights

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

On-Market Buy-back

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

Corporate Directory

Elanor Investors Group (ASX Code: 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

Level 38
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Sydney NSW 2000
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Directors of the Responsible Entity

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

Company Secretary of the Responsible Entity

Symon Simmons

Security Registry

BoardRoom Pty Ltd
Level 12
225 George St
Sydney NSW 2000

Auditors

PricewaterhouseCoopers
One International Towers
Watermans Quay
Barangaroo NSW 2000

Custodian

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

Website

www.elanorinvestors.com/ECF

Elanor COMMERCIAL PROPERTY FUND

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