

Appendix 4D

Half year report for the period ended 31 December 2016

Name of entity	Elanor Retail Property Fund (ERF), a stapled entity comprising Elanor Funds Management Limited as Responsible Entity of Elanor Retail Property Fund I (ERPF I), and Elanor Funds Management Limited as Responsible Entity of Elanor Retail Property Fund II (ERPF II).
ARSN	Elanor Retail Property Fund I 615 291 220
ARSN	Elanor Retail Property Fund II 615 291 284
ABN	Elanor Funds Management Limited 39 125 903 031
Reporting period	Six month period ended 31 December 2016
Previous corresponding period	Six month period ended 31 December 2015 ¹

This Half Year Report is given to the ASX in accordance with Listing Rule 4.2A. The Report should be read in conjunction with the attached Interim Financial Report for the half year ended 31 December 2016.

Results for announcement to the market

Financial Performance

A \$'000

Revenue from ordinary activities	Up 70.4% to	6,657
Profit/(loss) from ordinary activities attributable to security holders	Down \$12.2m to	(10,612)
Net profit/(loss) for the period attributable to security holders	Down \$12.2m to	(10,612)
Core Earnings ²	Up \$0.33m to	1,892

Distribution

<i>Current Period</i>	<i>Amount per unit</i>	<i>Tax Deferred</i>
Interim Distribution ³	1.40 cents	100%
<i>Previous Corresponding Period:</i>		
Interim Distribution	N/A	N/A

Record date for determining entitlement to the Interim Distribution	30 December 2016
Date the Interim Distribution is payable:	3 March 2017
Tax advantaged component of the Interim Distribution*:	100%
The taxable component of the interim distribution comprises:	Tax Deferred: 1.40 cents

* Further information on tax components of the distribution will be provided to security holders with their half yearly distribution statement for the period ending 31 December 2016.

Net Tangible Assets

<i>Current Period</i>	<i>Current Period</i>
Net tangible asset backing per security	\$1.26

Notes:

- ERPF I and ERPF II were registered as managed investment schemes on 13 October 2016. Units in ERPF I and units in ERPF II were stapled together and listed on the Australian Securities Exchange on 9 November 2016. The results of the previous corresponding period includes only the results of ERPF II, as the deemed parent of the stapled entity.
- Core Earnings represents the Directors view of underlying earnings from ongoing operating activities for the period, being net profit/(loss) after tax, adjusting for one-off realised items (being formation or other transaction costs that occur infrequently or are outside the course of ongoing business activities), non-cash items (being fair value movements, lease straight-lining and amortisation), determined in accordance with ASIC RG230.
- The Interim Distribution is based on a payout ratio of 95% of Core Earnings.

Control Gained over Entities during the Period

Name of entity (or group of entities) over which control was gained:	<ul style="list-style-type: none">• Glenorchy Plaza Property Trust• Tweed Heads Property Trust• Northway Plaza Property Trust
Date control was gained	<ul style="list-style-type: none">• Glenorchy Plaza Property Trust – 9 November 2016• Tweed Heads Property Trust – 9 November 2016• Northway Plaza Property Trust – 9 November 2016

Control Lost over Entities during the Period.

None.

Details of any associates and Joint Venture entities required to be disclosed:

None.

Accounting standards used by foreign entities

International Financial Reporting Standards.

Audit

The accounts have been subject to a review, with an unqualified opinion. Refer attached Interim Financial Report.

Distribution Reinvestment Plan (DRP)

There is no DRP in operation for the interim distribution for the half year ended 31 December 2016.

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

- Directors' Report
- Interim Financial Report



Elanor Retail Property Fund
elanorinvestors.com/ERF

Elanor Retail Property Fund

(Comprising the stapling of units in Elanor Retail Property Fund I (ARSN 615 291 220) and units in Elanor Retail Property Fund II (ARSN 615 291 284))

Interim Financial Report for the half year ended 31 December 2016

ELANOR RETAIL PROPERTY FUND

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ELANOR RETAIL PROPERTY FUND

DIRECTORS' REPORT TO STAPLED SECURITY HOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Directors' Report

The Directors of Elanor Funds Management Limited (Responsible Entity or Manager), as responsible entity of the Elanor Retail Property Fund I and Elanor Retail Property Fund II, present their report together with the consolidated interim financial report of Elanor Retail Property Fund (Group, Consolidated Group or Fund) and the consolidated interim financial report of the Elanor Retail Property Fund I (ERPF I Group) for the half year ended 31 December 2016 (period).

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

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

ERPF I and ERPF II were registered as managed investments schemes on 13 October 2016.

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

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

1. Directors

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

Paul Bedbrook (Chair)
Glenn Willis (Managing Director and Chief Executive Officer)
Nigel Ampherlaw
William (Bill) Moss AO

2. Principal activities

The principal activities of the Fund are the investment in Australian retail properties, with the focus predominantly on quality, high yielding neighbourhood and sub-regional shopping centres.

3. Distributions

Distributions relating to the half year ended 31 December 2016 comprise:

Distribution	Half Year Ended 31 December 2016
Interim Distribution	
Amount payable (cents per stapled security)	1.40
Payment Date	3 March 2017

3. Distributions (continued)

A provision for the Interim Distribution has not been recognised in the consolidated financial statements for the period as the distribution had not been declared at the reporting date. The Interim Distribution of 1.40 cents is in line with the forecast Interim Distribution of 1.4 cents per stapled security as set out in the Product Disclosure Statement of the Group dated 14 October 2016.

4. Operating and financial review

Overview and strategy

The Fund is an externally managed real estate investment fund investing in Australian retail property, focusing on high investment quality neighbourhood and sub-regional shopping centres.

The Fund's objective is to provide investors with strong, stable and growing income returns and capital growth in the asset portfolio, and in other retail properties that may be acquired in the future. To achieve this objective, the Fund's strategy is to:

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

Investment portfolio

The following table shows the Group's investment portfolio:

<u>Investment Portfolio</u>			Valuation
Property	Location	Type	\$'m
Auburn Central	Auburn, NSW	Sub-regional shopping centre	86.2
Tweed Mall	Tweed Heads, NSW	Sub-regional shopping centre	80.4
Manning Mall	Taree, NSW	Sub-regional shopping centre	43.0
Glenorchy Plaza	Glenorchy, TAS	Sub-regional shopping centre	19.8
Northway Plaza	Bundaberg, QLD	Neighbourhood shopping centre	14.0
Total Investment Portfolio			243.4

4. Operating and financial review (continued)

Review of financial results

The Group recorded a statutory loss of \$10.6 million for the half year ended 31 December 2016, including the financial results of both ERPF I and ERPF II prior to the IPO on 9 November 2016, and after \$10.3 million of transaction and establishment costs associated with the set up and listing of the Fund.

The consolidated loss of the Group since its IPO, from 9 November 2016 to 31 December 2016, was \$8.5 million after transaction and establishment costs.

Core or Distributable earnings post IPO were \$1.9 million or 1.47 cents per stapled security. An Interim Distribution of 1.40 cents per stapled security has been declared for the period ended 31 December 2016 (95% pay-out ratio on Core Earnings). This is in line with the Fund's forecast included in the PDS. Core Earnings is considered more relevant than statutory profit as it represents an estimate of the underlying recurring cash earnings of the Fund, and has been determined in accordance with ASIC Regulatory Guide 230.

A summary of the Group and ERPF I Group's results for the post IPO period to 31 December 2016 is set out below:

Key financial results	Group 31 December 2016	ERPF I Group 31 December 2016
Net profit / (loss) (\$'000)	(8,525)	(7,643)
Core Earnings (\$'000)	1,892	1,056
Distributions payable to security holders (\$'000)	1,797	1,003
Core Earnings per stapled security (cents)	1.47	0.82
Core Earnings per weighted average stapled security (cents)	1.47	0.82
Distributions (cents per stapled security / unit)	1.40	0.78
Net tangible assets (\$ per stapled security)	1.26	0.50
Gearing (net debt / total assets less cash) (%)	31.85	23.64

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

	Group 31 December 2016 \$'000	ERPF I Group 31 December 2016 \$'000
Statutory net profit / (loss)	(10,612)	(7,241)
Adjustment to remove pre IPO financial results	2,087	(402)
Adjusted net profit / (loss)	(8,525)	(7,643)
<i>Adjustments for items included in statutory profit/(loss):</i>		
Transaction and establishment costs	2	10,285
Fair value adjustments on investment property		38
Straight lining of rental income		(45)
Amortisation expense		139
Core Earnings	1	1,056

Note 1: Core Earnings has been determined in accordance with ASIC RG 230 and represents the Directors view of underlying earnings from ongoing operating activities for the period, being net profit / (loss), adjusting for one-off realised items (being formation or other transaction costs that occur infrequently or are outside the course of ongoing business activities), non-cash items (being fair value movements, amortisation and lease straight-lining).

4. Operating and financial review (continued)

Review of financial results (continued)

Note 2: Transaction and establishment costs incurred by the Group through profit and loss relate to the establishment and listing of the Group in November 2016. These costs are:

	Group 31 December 2016 \$'000	ERPF I Group 31 December 2016 \$'000
Stamp duty and registration costs	5,286	5,286
Acquisition costs including advisers and consultants fees	4,387	3,073
Listing related costs	612	261
Total transaction and establishment costs	10,285	8,620

Summary and Outlook

The Fund's core strategy will remain focussed on actively managing and growing earnings from its investment portfolio, and acquiring additional high investment quality retail properties.

Risks to the Fund in the coming year primarily comprise potential earnings variability associated with general economic and market conditions, including retailer demand, domestic retail spending, the availability of capital for acquisition opportunities and any movement in property valuations. The Fund manages these risks through its active asset management approach across its investment portfolio, continuing to focus on broadening the Group's tenant mix and the active management of the Fund's capital structure.

Based on the current operating performance of the investment portfolio for the period from listing in November 2016, the Group anticipates achieving forecast Core Earnings for the period ending 30 June 2017 as disclosed in the PDS dated 14 October 2016.

5. Value of assets

	Group 31 December 2016 \$'000	ERPF I Group 31 December 2016 \$'000
Value of total assets	248,544	161,266
Value of net assets	162,835	64,911

6. Interests in the Group

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

	Group 31 December 2016 '000
Stapled securities from existing ERPF I and ERPF II funds prior to the IPO transaction	47,777
Stapled securities issued as part of the IPO transaction	80,953
Stapled securities on issue at the end of the period	128,730

7. Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001 (Cth), is included on the page following the Directors' Report.

8. Events occurring after reporting date

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

9. Rounding of amounts to the nearest thousand dollars

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

This report is made in accordance with a resolution of the Board of Directors of Elanor Funds Management Limited.

Signed in accordance with a resolution of the Directors pursuant to section 298(2) of the Corporations Act 2001 (Cth).



Paul Bedbrook
Chairman



Glenn Willis
CEO and Managing Director

Sydney, 22 February 2017

The Directors
Elanor Funds Management Limited
(as responsible entity for Elanor Retail Property
Fund I and Elanor Retail Property Fund II)
Level 38, 259 George Street
Sydney NSW 2000

22 February 2017

Dear Directors,

Elanor Retail Property Fund I and Elanor Retail Property Fund II

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Elanor Funds Management Limited in its capacity as responsible entity for Elanor Retail Property Fund I and Elanor Retail Property Fund II.

As lead audit partner for the review of the half year financial statements of Elanor Retail Property Fund I and Elanor Retail Property Fund II for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU



AG Collinson
Partner
Chartered Accountants

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group 31 December 2016 \$'000	Consolidated Group 31 December 2015 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 31 December 2015 \$'000
Income					
Rental income	4	6,649	3,897	4,744	2,280
Interest income		8	9	2	2
Net gain on change in fair value of investment properties		-	-	-	6,080
Unrealised gain on revaluation of derivatives		-	-	-	81
Total income		6,657	3,906	4,746	8,443
Expenses					
Rates, taxes and other outgoing		1,903	1,056	1,278	416
Borrowing costs		1,191	881	1,132	530
Investment management fees	13	2,812	376	374	1,420
Other expenses		208	28	216	591
Net fair value decrement and transaction costs	3	11,155	-	8,987	-
Total expenses		17,269	2,342	11,987	2,957
Net profit/(loss) for the half year		(10,612)	1,565	(7,241)	5,486
Attributable to security holders of:					
- Elanor Retail Property Fund II		(2,968)	1,565	-	-
- Elanor Retail Property Fund I (Non-controlling interest)		(7,644)	-	(7,241)	5,486
Net profit/(loss) for the half year		(10,612)	1,565	(7,241)	5,486
Basic earnings per stapled security (cents)		(17.6)	4.7	(13.5)	27.9
Diluted earnings per stapled security (cents)		(17.6)	4.7	(13.5)	27.9

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

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Consolidated Group 31 December 2016 \$'000	Consolidated Group 31 December 2015 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 31 December 2015 \$'000
Net profit/(loss) for the half year	(10,612)	1,565	(7,241)	5,486
Other comprehensive income				
<i>Items that may be reclassified to profit and loss</i>				
Gain/(loss) on revaluation of cash flow hedge	1,197	(180)	799	(272)
Other comprehensive income/(loss) for the half year	1,197	(180)	799	(272)
Total comprehensive income/(loss) for the half year	(9,415)	1,385	(6,442)	5,214
Attributable to security holders of:				
- Elanor Retail Property Fund II	(2,570)	1,385	-	-
- Elanor Retail Property Fund I (Non-controlling interest)	(6,845)	-	(6,442)	5,214
Total comprehensive income/(loss) for the half year	(9,415)	1,385	(6,442)	5,214

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

ELANOR RETAIL PROPERTY FUND

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

		Consolidated Group 31 December 2016 \$'000	Consolidated Group 30 June 2016 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 30 June 2016 \$'000
	Note				
Current assets					
Cash and cash equivalents		3,409	774	3,226	520
Receivables		1,102	452	539	288
Work in progress		172	57	116	95
Prepayments		270	72	230	-
Total current assets		4,953	1,355	4,111	903
Non-current assets					
Investment properties	6	243,442	85,190	157,155	63,116
Derivative financial instruments	11	149	-	-	-
Total non-current assets		243,591	85,190	157,155	63,116
Total assets		248,544	86,545	161,266	64,019
Current liabilities					
Payables	7	4,109	840	3,336	497
Rent received in advance		114	91	20	21
Derivative financial instruments	11	-	-	-	338
Distribution payable		-	725	-	576
Total current liabilities		4,223	1,656	3,356	1,432
Non-current liabilities					
Interest bearing liabilities	8	81,486	40,357	40,589	33,757
Interest bearing cross-staple loan	8	-	-	52,058	-
Derivative financial instruments	11	-	818	352	813
Total non-current liabilities		81,486	41,175	92,999	34,570
Total liabilities		85,709	42,831	96,355	36,002
Net assets		162,835	43,714	64,911	28,017
Equity					
<i>Equity Holders of Parent Entity</i>					
Contributed equity	9	90,421	32,819	66,146	22,000
Reserves		(284)	(818)	(351)	(1,152)
Retained profits/(accumulated losses)		7,787	11,713	(884)	7,169
Parent entity interest		97,924	43,714	64,911	28,017
<i>Equity Holders of Non Controlling Interest</i>					
Contributed equity	9	66,146	-	-	-
Reserves		(452)	-	-	-
Retained profits/(accumulated losses)		(783)	-	-	-
Non-controlling interest		64,911	-	-	-
Total equity attributable to stapled security holders:					
- Elanor Retail Property Fund II		97,924	43,714	-	-
- Elanor Retail Property Fund I		64,911	-	64,911	28,017
Total equity		162,835	43,714	64,911	28,017

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

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Contributed equity	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained profits/ losses (accumulated)	Parent Entity Total Equity	Non-controlling interests	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated Group								
Total equity at 1 July 2016		32,819	(818)	-	11,713	43,714	-	43,714
Profit / (loss) for the period		-	-	-	(2,968)	(2,968)	(7,644)	(10,612)
Other comprehensive income / (expense) for the period		-	501	-	-	501	696	1,197
Total comprehensive income / (expense) for the period		-	501	-	(2,968)	(2,467)	(6,948)	(9,415)
Transactions with owners in their capacity as owners:								
Acquisition from business combination	3	-	-	-	-	-	25,998	25,998
Redemptions	9	(3,738)	-	-	-	(3,738)	-	(3,738)
Contributions of equity, net of issue costs	9	61,340	-	-	-	61,340	45,859	107,199
Security-based payments		-	-	2	-	2	2	4
Reversal of cash flow hedge reserve to income statement		-	31	-	-	31	-	31
Distributions paid and payable		-	-	-	(958)	(958)	-	(958)
Total equity at 31 December 2016		90,421	(286)	2	7,787	97,924	64,911	162,835
Consolidated Group								
Total equity at 1 July 2015		32,819	-	-	330	33,149	-	33,149
Profit / (loss) for the period		-	-	-	1,565	1,565	-	1,565
Other comprehensive income / (expense) for the period		-	(180)	-	-	(180)	-	(180)
Total comprehensive income / (expense) for the period		-	(180)	-	1,565	1,385	-	1,385
Transactions with owners in their capacity as owners:								
Distributions paid and payable		-	-	-	(1,450)	(1,450)	-	(1,450)
Total equity at 31 December 2015		32,819	(180)	-	445	33,084	-	33,084

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

ELANOR RETAIL PROPERTY FUND

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Contributed equity	Cash flow Hedge Reserve	Security Based Payment Reserve	Retained profits/ (accumulated losses)	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
ERPF I Group						
Total equity at 1 July 2016		22,000	(1,152)	-	7,169	28,017
Profit / (loss) for the period		-	-	-	(7,241)	(7,241)
Other comprehensive income / (expense) for the period		-	799	-	-	799
Total comprehensive income / (expense) for the period		-	799	-	(7,241)	(6,442)
Transactions with owners in their capacity as owners:						
Redemptions	9	(1,713)	-	-	-	(1,713)
Contributions of equity, net of issue costs	9	45,859	-	-	-	45,859
Security-based payments		-	-	2	-	2
Distributions paid and payable		-	-	-	(812)	(812)
Total equity at 31 December 2016		66,146	(353)	2	(884)	64,911
ERPF I Group						
Total equity at 1 July 2015		14,921	-	-	2,548	17,469
Profit / (loss) for the period		-	-	-	5,486	5,486
Other comprehensive income / (expense) for the period		-	(272)	-	-	(272)
Total comprehensive income / (expense) for the period		-	(272)	-	5,486	5,214
Transactions with owners in their capacity as owners:						
Contributions of equity, net of issue costs		7,079	-	-	-	7,079
Distributions paid and payable		-	-	-	(911)	(911)
Total equity at 31 December 2015		22,000	(272)	-	7,123	28,851

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

ELANOR RETAIL PROPERTY FUND

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Consolidated Group 31 December 2016 \$'000	Consolidated Group 31 December 2015 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 31 December 2015 \$'000
Cash flows from operating activities				
Receipts from customers	6,451	4,270	4,789	2,780
Payments to suppliers and employees	(4,086)	(1,389)	(1,070)	(2,837)
Interest received	8	9	2	2
Finance costs paid	(1,073)	(863)	(1,064)	(530)
Net cash flows from operating activities	1,300	2,027	2,657	(585)
Cash flows from investing activities				
Payments for investment properties	(93,842)	(248)	(92,928)	(19,884)
Payment for transaction costs	(11,275)	-	(9,482)	-
Net cash flows from investing activities	(105,117)	(248)	(102,410)	(19,884)
Cash flows from financing activities				
Net proceeds from interest bearing liabilities	6,471	-	59,124	14,293
Net proceeds from equity raising	107,199	-	45,859	7,215
Redemptions paid	(5,450)	-	(1,713)	-
Distributions paid	(1,769)	(1,043)	(811)	(951)
Net cash flows from financing activities	106,451	(1,043)	102,459	20,557
Net increase/(decrease) in cash and cash equivalents	2,635	736	2,706	89
Cash and cash equivalents at the beginning of the period	774	688	520	789
Cash at the end of the period	3,409	1,425	3,226	878

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

ELANOR RETAIL PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies

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

(a) Basis of preparation

For the purposes of the consolidated financial report, ERPF II has been deemed the parent entity of ERPF I in the stapled entity. The financial report of the Group comprises the consolidated financial report of Elanor Retail Property Fund II and its controlled entities, including Elanor Retail Property Fund I and its controlled entities (ERPF I Group). As permitted by Class Order 05/642 issued by the Australian Securities and Investments Commission (ASIC), this report is a combined report that presents the consolidated financial statements and accompanying notes of both the Group and ERPF I Group.

These interim financial reports do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of ERPF II for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Statement of Compliance

The interim financial report has been prepared in accordance with the Corporations Act 2001, the Scheme Constitutions and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The interim report does not include notes of the type normally included in an annual financial report.

(b) Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in ERPF II's last annual financial statements for the year ended 30 June 2016. Significant accounting policies have been presented below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised. Where amounts do not meet the recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

Revenues are recognised at the fair value of the consideration received for the sale of goods and services, net of the amount of goods and services tax, rebates and discounts.

i.i) Rental Revenue

Rental income is the income from the Group's investment properties. Rental income is recognised as revenue on a straight-line basis over the lease term.

ii) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at its 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 statement of profit or loss in the year in which they arise.

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

ELANOR RETAIL PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

(b) Significant accounting policies (continued)

ii) Investment property (continued)

Investment properties are carried at fair value with changes in fair value recognised in the statement of profit or loss. 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.

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

iii) Derivatives

The Group enters into derivative financial instruments to manage its exposure to interest rate risk.

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

Hedge accounting

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

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

Cash flow hedges

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

(iv) Interest bearing liabilities

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 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.

(v) Business combination

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

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

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

ELANOR RETAIL PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

2. Segment information

Business segments

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

3. Business combination

The Group listed on the Australian Securities Exchange ("ASX") on 9 November 2016. The Group was formed with the stapling of the units of two existing funds, ERPF I and ERPF II. This transaction represented a business combination by contract alone under the accounting standards, with ERPF II the deemed parent and acquirer of ERPF I (i.e. no cash consideration paid). No goodwill or bargain purchase was recognised as a result of the business combination. Immediately after this business combination, the Group raised total equity of \$109.3m through its listing on the ASX, and using a combination of new equity and new debt of \$7.7m, ERPF I acquired Northway Plaza and Tweed Mall. The details of the business combination and subsequent asset acquisitions are detailed below.

(a) Balance sheet acquired on business combination

	ERPF I \$'000
Investment properties	62,750
Interest bearing liabilities	(34,920)
Other assets	1,005
Other liabilities	(2,837)
Total net assets	25,998

(b) New equity raised

	Total \$'000	Parent Entity \$'000	ERPF I \$'000
New equity raised from IPO (net of capital raise costs)	107,199	61,340	45,859

(c) Assets and liabilities acquired

	Northway Plaza \$'000	Tweed Mall \$'000
Investment properties	14,000	80,074
Other assets	98	2,364
Other liabilities	(185)	(1,557)
Total net assets acquired	13,913	80,881

(d) Net fair value decrement and transaction costs related to the IPO

	Consolidated Group \$'000	ERPF I Group \$'000
Stamp duty and registration costs	5,286	5,286
Acquisition costs including advisers and consultants fees	4,387	3,073
Listing related costs	612	261
Total fair value decrement and transaction costs related to the IPO	10,285	8,620
Fair value decrements prior to IPO	870	367
Total net fair value decrement and transaction costs	11,155	8,987

4. Rental income

	Consolidated Group 31 December 2016 \$'000	Consolidated Group 31 December 2015 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 31 December 2015 \$'000
Auburn Central	4,122	3,897	-	-
Tweed Heads	1,412	-	1,412	-
Manning Mall	624	-	2,136	2,236
Glenorchy Plaza	286	-	991	44
Northway Plaza	205	-	205	-
Total revenue from operating activities	6,649	3,897	4,744	2,280

5. Distributions

(a) Consolidated Group

The following distribution was declared by the Consolidated Group post balance date:

	Distribution cents per stapled security	Total amount \$'000
Distribution for the period ended 31 December 2016*	1.40	1,797

* The distribution of 1.4 cents per stapled security for the period ended 31 December 2016 was not declared prior to 31 December 2016. The Distribution was declared on 21 February 2017. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

5. Distributions (continued)

(b) ERPF I Group

The following distribution was declared by the ERPF I Group post balance date:

	Distribution cents per unit	Total amount \$'000
Distribution for the period ended 31 December 2016*	0.78	1,003

* The distribution of 0.78 cents per stapled security for the period ended 31 December 2016 was not declared prior to 31 December 2016. The Distribution was declared on 21 February 2017. Please refer to the Director's Report for the calculation of Core Earnings and the Distribution.

6. Investment Properties

	Consolidated Group 31 December 2016 \$'000	Consolidated Group 30 June 2016 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 30 June 2016 \$'000
Auburn Central	86,287	85,190	-	-
Tweed Mall	80,405	-	80,405	-
Manning Mall	43,000	-	43,000	43,321
Glenorchy Plaza	19,750	-	19,750	19,795
Northway Plaza	14,000	-	14,000	-
Total investment properties	243,442	85,190	157,155	63,116

(1) At 31 December 2016, the fair value of Auburn Central is supported by an independent valuation, performed by Knight Frank on 5 September 2016.

(2) At 31 December 2016, the fair value of Manning Mall is supported by an independent valuation, performed by Knight Frank on 15 August 2016.

(3) At 31 December 2016, the fair value of Glenorchy Plaza is supported by an independent valuation, performed by Knight Frank on 11 August 2016.

(4) At 31 December 2016, the fair value of Tweed Mall is supported by an independent valuation, performed by Knight Frank on 8 August 2016.

(5) At 31 December 2016, the fair value of Northway Plaza is supported by an independent valuation, performed by CBRE on 20 August 2016.

Refer to Note 1(b)(ii) for the accounting policy adopted by the Group for investment properties.

7. Payables

	Consolidated Group 31 December 2016 \$'000	Consolidated Group 30 June 2016 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 30 June 2016 \$'000
Trade creditors	2,950	-	2,697	144
Related party payables	264	-	176	-
Accrued expenses	895	507	463	345
GST payable	-	333	-	8
Total payables	4,109	840	3,336	497

8. Interest bearing liabilities

	Consolidated Group 31 December 2016 \$'000	Consolidated Group 30 June 2016 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 30 June 2016 \$'000
Non-current				
Bank loan - term debt	82,547	40,500	41,525	33,825
Borrowing costs less amortisation	(1,061)	(143)	(936)	(68)
Cross-staple loan	-	-	52,058	-
Total interest bearing liabilities	81,486	40,357	92,647	33,757

The Group has access to a combined \$90 million facility. The drawn amount at 31 December 2016 is \$82.6 million, of which the ERPF I drawn amount of \$41.5 million will mature on 22 December 2018, and the balance of \$41.1 million will mature on 12 May 2020. At 31 December 2016, the amount of drawn facilities is hedged to 92%.

During the period, as part of the IPO transaction (discussed in Note 3), an amount of \$7.7 million was drawn by the ERPF I Group for the acquisition of Northway Plaza.

ELANOR RETAIL PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

9. Contributed equity

(a) Parent Entity

	No. of securities 31 December 2016 '000	No. of securities 30 June 2016 '000	Parent Entity 31 December 2016 \$'000	Parent Entity 30 June 2016 \$'000
Note				
Opening balance	33,150	-	32,819	32,819
Redemptions	(3,039)	-	(3,738)	-
Capital restructure	17,666	-	-	-
Capital raised (net of capital raise costs)	(1) 80,953	33,150	61,340	-
Total Contributed equity	128,730	33,150	90,421	32,819

(1) Refer to Note 3 for discussion on the IPO transaction

(b) ERPF I Group

	No. of securities 31 December 2016 '000	No. of securities 30 June 2016 '000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 30 June 2016 \$'000
Note				
Opening balance	23,914	18,000	22,000	14,921
Redemptions	(1,404)	(4,375)	(1,713)	(5,337)
Capital restructure	25,267	-	-	-
Capital raised (net of capital raise costs)	(1) 80,953	10,289	45,859	12,416
Total Contributed equity	128,730	23,914	66,146	22,000

(1) Refer to Note 3 for discussion on the IPO transaction

10. Net tangible assets

	Consolidated Group 31 December 2016 \$'000	Consolidated Group 30 June 2016 \$'000	ERPF I Group 31 December 2016 \$'000	ERPF I Group 30 June 2016 \$'000
Net tangible assets are calculated as follows:				
Total assets	248,544	86,545	161,266	64,019
Less: Total liabilities	(85,709)	(42,831)	(96,355)	(36,002)
Net tangible assets	162,835	43,714	64,911	28,017

Total number of stapled securities on issue	128,729,755	128,729,755
Net tangible asset backing per stapled security / unit (\$)	1.26	0.50

ELANOR RETAIL PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

11. Fair value measurement of financial and non-financial instruments

The Group recognises the following assets and liabilities at fair value on a recurring basis:

- Investment Properties
- Financial assets and liabilities carried at fair value through profit and loss or reserves

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Group has entered into interest rate swap agreements with a notional principal amount totalling \$74.8 million that entitles it to receive interest, at quarterly intervals, at a floating rate on the notional principal and oblige it to pay interest at a fixed rate. The interest rate swap agreements allow the Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

The following table presents the Consolidated Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 on a recurring basis:

Consolidated Group 31 December 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivatives at fair value through reserves	-	149	-	149
Total assets	-	149	-	149
Financial liabilities				
Derivatives at fair value through reserves	-	-	-	-
Total liabilities	-	-	-	-
<hr/>				
Consolidated Group 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivatives at fair value through reserves	-	-	-	-
Total assets	-	-	-	-
Financial liabilities				
Derivatives at fair value through reserves	-	818	-	818
Total liabilities	-	818	-	818

The following table presents the ERPF I Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 on a recurring basis:

ERPF I Group 31 December 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivatives at fair value through reserves	-	-	-	-
Total assets	-	-	-	-
Financial liabilities				
Derivatives at fair value through reserves	-	352	-	352
Total liabilities	-	352	-	352

ELANOR RETAIL PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

11. Fair value measurement of financial and non-financial instruments (continued)

ERPF I Group 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivatives at fair value through reserves	-	338	-	338
Total assets	-	338	-	338
Financial liabilities				
Derivatives at fair value through reserves	-	813	-	813
Total liabilities	-	813	-	813

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

All of the resulting fair value estimates are included in level 2. There are no level 3 financial instruments in either the Group or the ERPF I Group.

12. Contingent liabilities and commitments

Unless otherwise disclosed in the financial statements, there are no material contingent liabilities.

13. Related party disclosures

Other than as disclosed elsewhere, the Group discloses the following related party transactions for the period to 31 December 2016.

Fees paid to Elanor Investors Group and its controlled entities

During the period, fees were paid by the Group to Elanor Investors Group and its controlled entities, in accordance with the Constitution of each Scheme, including investment management fees (management and performance fees), acquisition fees, equity raise fees and cost recoveries. The table below details the fees paid prior to the IPO of the Group on 9 November 2016, and the fees paid subsequent to the IPO, including IPO transaction costs.

	Consolidated Group 31 December 2016 \$'000	ERPF I Group 31 December 2016 \$'000
Fees paid to Elanor Investors Group and its controlled entities:		
<u>Pre-IPO</u>		
Investment management fees	2,590	230
<u>Post-IPO</u>		
Investment management fees	222	144
Other fees including IPO transaction costs	2,141	2,023
Total	4,953	2,397

14. Events occurring after reporting date

Subsequent to the period end, a distribution of 1.4 cents per stapled security has been declared by the Board of Directors.

Other than the above, since the end of the period, the Directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial periods subsequent to the half year ended 31 December 2016.

ELANOR RETAIL PROPERTY FUND

DIRECTORS' DECLARATION TO STAPLED SECURITY HOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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

- (a) the financial statements and notes set out on pages 9 to 21 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 Group's and ERPF I Group's financial position as at 31 December 2016 and of their performance, for the financial half year ended on that date; and
- (b) there are reasonable grounds to believe that the Group and ERPF I Group will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Boards of Directors in accordance with Section 303(5) of the *Corporations Act 2001 (Cth)*.



Glenn Willis
CEO and Managing Director

Sydney
22 February 2017

Independent Auditor's Review Report to the Stapled Security Holders of Elanor Retail Property Fund and the Unitholders of Elanor Retail Property Fund I Group

We have reviewed the accompanying half-year financial report of:

- The condensed consolidated balance sheet as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Elanor Retail Property Fund, being the consolidated stapled entity ("Elanor Retail Property Fund"). The consolidated stapled entity, as disclosed in Note 1 to the financial report, comprises Elanor Retail Property Fund II ("ERPF II") and the entities it controlled at the half-year's end or from time to time during the half-year, including Elanor Retail Property Fund I ("ERPF I") and the entities it controlled at the half-year's end or from time to time during the half year as set out on pages 9 to 22; and
- The condensed consolidated balance sheet as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity ERPF I, being the consolidated entity ("ERPF I Group"). The consolidated entity comprises ERPF I and the entities it controlled at the half-year's end or from time to time during the half-year as set out on pages 9 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of Elanor Funds Management Limited, as responsible entity of ERPF I and ERPF II, are responsible for the preparation of the half-year financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial reports that give a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entities' financial position as at 31 December 2016 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations*

Regulations 2001. As the auditor of ERPF I and ERPF II, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elanor Funds Management Limited, as responsible entity of ERPF I and ERPF II, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elanor Retail Property Fund and ERPF I Group are not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Elanor Retail Property Fund and ERPF I Group's financial positions as at 31 December 2016 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU



AG Collinson
Partner
Chartered Accountants
Sydney, 22 February 2017