

L1 Capital UK Residential Property Fund IV

ARSN 639 045 408

Annual report

For the year ended 30 June 2024

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Independent auditor's report to the unit holders of L1 Capital UK Residential Property Fund IV

This annual report covers L1 Capital UK Residential Property Fund IV as an individual entity.

The Responsible Entity of L1 Capital UK Residential Property Fund IV is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The Directors of Equity Trustees Limited, the Responsible Entity of L1 Capital UK Residential Property Fund IV (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2024.

Principal activities

The Fund invests in residential property in the United Kingdom and in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	L1 UK Property Investments Pty Ltd
Administrator	Apex Fund Services (Australia) Pty Ltd
Custodians	Equity Trustees Limited L1 UK Property Nominee 4A1 Ltd L1 UK Property Nominee 4A2 Ltd L1 UK Property Nominee 4B1 Ltd L1 UK Property Nominee 4B2 Ltd L1 UK Property Nominee 4C1 Ltd L1 UK Property Nominee 4C2 Ltd
Statutory Auditor	Ernst & Young

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)

Review and results of operations

During the year, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. The Fund's strategy is to invest in UK residential property in Tier 1 UK cities (excluding London) that deliver high rental yields.

The Fund's performance was 10.65% (2023: (0.80%)) for the year ended 30 June 2024. The Fund does not operate against a benchmark. The Fund's performance is based on the net asset value (before distributions) movement of the Fund which is denominated in Pound sterling.

Directors' report (continued)

Review and results of operations (continued)

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2024	30 June 2023
Profit/(loss) before finance costs attributable to unit holders for the year (£'000)	3,454	(262)
AUD Class		
Distributions paid and payable (£'000)	555	-
Distributions (pence per unit)	1.59	-
GBP Class		
Distributions paid and payable (£'000)	121	-
Distributions (pence per unit)	3.00	-
S Class		
Distributions paid and payable (£'000)	137	-
Distributions (pence per unit)	3.00	-

Significant changes in the state of affairs

On 16 August 2023, the Fund completed the acquisitions of two properties in Sheffield and one in Droylsden (Greater Manchester) with purchase price of £17,357,000.

Andrew P Godfrey was appointed as a director of Equity Trustees Limited on 1 May 2024.

Philip D Gentry resigned as director of Equity Trustees Limited on 6 June 2024.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may have a significant effect on:

- i. the operations of the Fund in future financial years; or
- ii. the results of those operations in future financial years; or
- iii. the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Directors' report (continued)

Indemnification of auditor

The Responsible Entity has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

Fees paid to and interests held in the Fund by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 15 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

No interests in the Fund were held by the Responsible Entity or its associates as at the end of the financial year.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand Pound sterling

Amounts in the Directors' report have been rounded to the nearest thousand Pound sterling in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Andrew P Godfrey
Director

Melbourne
30 September 2024



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Auditor's Independence Declaration to the Directors of Equity Trustees Limited as Responsible Entity for L1 Capital UK Residential Property Fund IV

As lead auditor for the audit of the financial report of L1 Capital UK Residential Property Fund IV for the financial year ended 30 June 2024, I declare 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;
- b) no contraventions of any applicable code of professional conduct in relation to the audit; and
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Emma Reekie
Partner
Melbourne
30 September 2024

Statement of comprehensive income

		Year ended	
	Notes	30 June 2024 £'000	30 June 2023 £'000
Income			
Net gains/(losses) on investment properties at fair value	5	7,017	118
Rental income		3,960	2,582
Net foreign exchange gain/(loss)		14	-
Interest income from financial assets at amortised cost		3	1
Other income		8	-
Total income/(loss)		11,002	2,701
Expenses			
Interest expense		1,567	476
Management fees and costs		593	447
Performance fees	15(g)	1,116	8
Professional fees		47	50
Property related expenses and outgoings		2,037	1,252
Other expenses		167	275
Borrowing costs		570	80
Income tax expense	13	1,530	260
Foreign tax (refund)/expenses		(79)	115
Total expenses		7,548	2,963
Profit/(loss) before finance costs attributable to unit holders for the year		3,454	(262)
Finance costs attributable to unit holders			
Distributions to unit holders	8	(813)	-
(Increase)/decrease in net assets attributable to unit holders	7	(2,641)	262
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		As at	
	Notes	30 June 2024 £'000	30 June 2023 £'000
Assets			
Current assets			
Cash and cash equivalents	9	432	6,680
Prepayments and other receivables	11	2,543	627
Prepaid foreign taxes		18	-
Total current assets		<u>2,993</u>	<u>7,307</u>
Non-current assets			
Investment properties	5	66,201	41,290
Total non-current assets		<u>66,201</u>	<u>41,290</u>
Total assets		<u>69,194</u>	<u>48,597</u>
Liabilities			
Current liabilities			
Foreign taxes payable		-	51
Payables	12	498	302
Distributions payable	8	405	-
Deferred settlement payment	12(a)	1,900	-
Borrowings	6	(77)	(69)
Total current liabilities		<u>2,726</u>	<u>284</u>
Non-current liabilities			
Performance fees payable	15(g)	2,141	1,025
Borrowings	6	26,227	13,359
Deferred tax liabilities	13	3,009	1,479
Total non-current liabilities		<u>31,377</u>	<u>15,863</u>
Total liabilities (excluding net assets attributable to unit holders)		<u>34,103</u>	<u>16,147</u>
Net assets attributable to unit holders - liability	7	<u>35,091</u>	<u>32,450</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Year ended	
	30 June 2024 £'000	30 June 2023 £'000
Total equity at the beginning of the financial year	-	-
Comprehensive income for the financial year		
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income/(loss)	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year*	-	-

*Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

The above statement of changes in equity should be read in conjunction with the accompanying notes with reference to Notes 2 and 7.

Statement of cash flows

		Year ended	
		30 June 2024	30 June 2023
	Notes	£'000	£'000
Cash flows from operating activities			
Rental income received		3,906	2,695
Other income received		8	-
Interest expense paid		(1,578)	(487)
Management fees and costs paid		(452)	(366)
Property related expenses and outgoings		(2,037)	(1,252)
Other expenses paid		(24)	(837)
Net cash inflow/(outflow) from operating activities	10	<u>(177)</u>	<u>(247)</u>
Cash flows from investing activities			
Proceeds from sale of investment properties		620	-
Payments for the purchase of investment properties		<u>(16,614)</u>	<u>(609)</u>
Net cash inflow/(outflow) from investing activities		<u>(15,994)</u>	<u>(609)</u>
Cash flows from financing activities			
Distributions paid to unit holders		(408)	-
Net proceeds from sale of other assets		13,100	-
Payment of restricted cash held in trust		(1,900)	-
Net proceeds from/(repayment of) borrowings		<u>(883)</u>	<u>(17)</u>
Net cash inflow/(outflow) from financing activities		<u>9,909</u>	<u>(17)</u>
Net increase/(decrease) in cash and cash equivalents		(6,262)	(873)
Cash and cash equivalents at the beginning of the year		6,680	7,553
Effect of foreign currency exchange rate changes on cash and cash equivalents		14	-
Cash and cash equivalents at the end of the year	9	<u>432</u>	<u>6,680</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

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1 General information

These financial statements cover L1 Capital UK Residential Property Fund IV (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 11 February 2020 and registered with the Australian Securities and Investments Commission on 24 February 2020. The Fund commenced operations on 16 September 2020 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Pound sterling (GBP) currency unless otherwise noted.

The Fund invests in residential property in the United Kingdom in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a current and non-current basis. All balances are expected to be recovered or settled within 12 months, except for investment properties, performance fees payable, borrowings, deferred tax liabilities and net assets attributable to unit holders.

The Responsible Entity is satisfied that the Fund has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

i. Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

ii. New and amended standards adopted by the Fund

The Fund has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2].

The amendments have had an impact on the Fund's disclosures of accounting policies, including the requirement to disclose 'material' rather than 'significant' accounting policies, but not on the measurement, recognition or presentation of any items in the Fund's financial statements.

2 Summary of material accounting policies (continued)

a. Basis of preparation (continued)

ii. *New and amended standards adopted by the Fund (continued)*

None of the other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 have a significant impact on the amounts recognised in the prior periods or will affect the current or future periods.

iii. *New standards and interpretations not yet adopted*

None of the other standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024 and have not been early adopted in preparing these financial statements.

None of these are expected to have a significant effect on the financial statements of the Fund.

b. Financial instruments

i. *Classification*

The Fund classifies its investment assets based on its business model for managing those financial assets. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

The Fund classifies its financial instruments in the following measurement categories:

- *Financial assets to be measured at fair value through profit or loss*

Financial assets and liabilities at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the documented investment strategy as outlined in the Product Disclosure Statement of L1 Capital UK Residential Property Fund IV ("the Fund"). The Fund's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

- *Financial assets to be measured at amortised cost*

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- *Financial liabilities to be measured at amortised cost*

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable, management fees and costs payable and other professional fees payable).

ii. *Recognition and derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2 Summary of material accounting policies (continued)

b. Financial instruments (continued)

iii. Measurement

- *Financial instruments at fair value through profit or loss*

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of all financial assets and liabilities are measured at fair value through profit or loss. Gains and losses arising from changes in their value are presented in the statement of comprehensive income in the period in which they arise.

For further details on how the fair value of financial instruments is determined see Note 4 to the financial statements.

- *Financial instruments at amortised costs*

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents and receivables are carried at amortised cost.

iv. Impairment

At each reporting date, the Fund shall estimate the loss allowance on each of the financial assets carried at amortised cost (receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited against other expenses in the statement of comprehensive income.

v. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting year, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

c. Investment properties

Investment properties typically comprise of a broad spectrum of residential property in the UK including apartments, semi-detached houses and student property.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value and are recognised on settlement date, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise.

2 Summary of material accounting policies (continued)

c. Investment properties (continued)

The Fund makes estimates and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Refer to Note 2(q).

Investment properties are derecognised either when they have been disposed of (i.e. at the date a purchaser obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in AASB 15, *Revenue from contracts with customers*.

Transfers are made from investment property when, and only when, there is a change in use. This is evidenced by an availability and high probability of sale in the investment property's present condition or commencement of development with a view to sale. These properties are reclassified to non-current assets held for sale and are measured at fair value through profit or loss based on offers received or agreed sale amounts.

Investment properties fair value is determined by using the capitalisation rate method. For the Fund's detailed valuation policy, refer to Note 4(d).

The fair value of investment properties recorded in the statement of financial position may include the cost of acquisition, additions, refurbishments, improvements, lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account. For the Fund's detailed valuation policy, refer to Note 4(d).

Under AASB 140 *Investment Property*, investment properties, including any plant and equipment, are not subject to depreciation. However, depreciation allowances in respect of certain buildings, plant and equipment are currently available to investors for taxation purposes.

d. Net assets attributable to unit holders

The Fund is an illiquid close-ended unlisted Australian registered managed investment scheme and is not subject to redemptions and further applications, unless otherwise approved by the Responsible Entity in accordance with the terms of the constitution. The units are classified as financial liabilities.

e. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

f. Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Rental income

Rental income is earned from the leases of the investment properties in the United Kingdom to third parties. Rental income is recognised in the statement of comprehensive income on a straight line basis in accordance with AASB 16 *Leases*.

2 Summary of material accounting policies (continued)

f. Revenue recognition (continued)

ii. *Interest Income*

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

g. Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

i. *Management fees and costs*

Management fees and costs cover certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, and administration and audit fees and other operating expenses.

ii. *Property related expenses*

Property expenses include rates, taxes, repairs and other property outgoings incurred in relation to investment properties. Property expenses are recorded on an accrual basis.

iii. *Borrowing costs*

Borrowing costs include interest and the amortisation of other costs incurred in respect of obtaining finance.

Borrowing costs associated with the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset during the year that is required to complete and prepare the asset for its intended use.

Borrowing costs not associated with qualifying assets are recognised as an expense when incurred. None of the Fund's assets are considered qualifying assets for the capitalisation of finance costs.

Other costs incurred in respect of obtaining finance, including loan establishment fees, are deferred and expensed over the term of the respective loan facility.

iv. *Other expenses*

All other expenses are recognised in the statement of comprehensive income on an accrual basis.

h. Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders. However, the Fund is responsible for preparing and filing a UK tax return as a transparent entity for income tax purposes and as the agent to facilitate tax withholding. Under the UK non-resident capital gains tax regime, the Fund will also be responsible for filing a UK capital gains tax return and paying the relevant UK tax on any gains upon disposal of UK properties which it owns.

2 Summary of material accounting policies (continued)

h. Income tax (continued)

The Fund will withhold UK income tax at the applicable tax rate from the amount distributed to the unit holders. The amount of the applicable tax withholding and any taxes due in the UK is recognised as foreign tax expenses/(refund) in the statement of comprehensive income on an accrual basis. The amount of tax withholding and any UK tax paid, where applicable, will be disclosed as Foreign Income Tax Offset (FITO) in the unit holders' annual AMMA tax statement.

For income tax purposes, the Fund has made a functional currency election being the Pound sterling.

UK capital gains tax payable has been included in the statement of financial position as a deferred tax liability, current tax payable and the expense for the year has been recognised as income tax expense in the statement of comprehensive income.

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted.

A deferred tax liability is recognised when there is a taxable temporary difference between the tax base of an asset or liability and its corresponding carrying amount in the consolidated statement of financial position. This arises when the carrying amount of an asset exceeds its tax base.

i Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unit holders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

j. Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. As the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

k. Foreign currency translation

i. Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Pound sterling which reflects the currency of the economy in which the Fund operates. The Pound sterling is also the Fund's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on investment properties which is due to changes in foreign exchange rates. Such fluctuations are included in net gains/(losses) on investment properties at fair value.

l. Receivables

Receivables may include amounts for rent receivable on investment and GST receivables. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables. For information regarding expected credit loss (ECL), refer to Note 2(b)(iv).

2 Summary of material accounting policies (continued)

m. Payables

Payables include liabilities and accrued expenses owed by the Fund and any distributions declared which are unpaid as at the end of the reporting year.

A separate distributions payable is recognised in the statement of financial position.

n. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

o. Applications and redemptions

The Fund is an illiquid close-ended unlisted Australian registered managed investment scheme and is not subject to redemptions and further applications. The Fund, subject to the provisions of the Product Disclosure Statement, may allow transfers of units.

p. Goods and services tax (GST), value added tax (VAT) and stamp duty land tax (SDLT)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

The Fund is registered for VAT in the UK which is currently set at a rate of 20%. Residential rental income is exempt from VAT. This exemption means that the Fund does not charge VAT on rental invoices and cannot claim any VAT charged on expenses in the Fund.

The Fund incurs stamp duty land tax, on the acquisition of investment properties. stamp duty land tax is chargeable at rates from 0% to 5% depending on the value of each flat purchased in each investment.

q. Use of estimates and judgements

- *Estimated fair value of investment properties*

The Fund makes estimates and judgements that affect the reported amounts of assets and liabilities within the current and next financial period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

A critical assumption made in valuing the Fund's investment properties is the impact of fire safety remediation works. As there were no regulatory orders or notifications issued by UK authorities, caveats or conditions imposed on the titles of the investment properties requiring the Responsible Entity to undertake fire safety remediation works or preventing the Responsible Entity from selling or leasing the properties, it has been assumed that:

- Rent foregone during any fire remediation works voluntarily undertaken by the Investment Manager does not impact the fair value of the investment properties;
- The cost of any fire remediation works voluntarily undertaken by the Investment Manager will be recoverable from developers, warranty insurers and/or the UK Government Building Safety program and does not impact the fair value of the investment properties.

For more information on how fair value is calculated refer to Note 4 to the financial statements.

2 Summary of material accounting policies (continued)

r. Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand Pound sterling, unless otherwise indicated.

s. Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, cash flow and fair value interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The objective of risk management is to identify, assess, manage and monitor the risks to which the Fund is exposed, and to ensure the appropriate risk management policies and controls are in place. Risk management policies are reviewed regularly by the Investment Manager to ensure they reflect changes in market conditions.

All investments present a risk of loss of capital. The maximum loss of capital on unit trusts is limited to the fair value of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, L1 UK Property Investments Pty Ltd, under an Investment Management Agreement (IMA) approved by the Responsible Entity, containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement. L1 UK Property Pty Ltd, a UK registered subsidiary company of the Investment Manager company, is also a party to this agreement and is the UK based specialist property Investment Manager.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

a. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns to investors.

i. Price risk

Price risk arises from financial instruments held by the Fund for which prices in the future are uncertain. As at 30 June 2024, the Fund does not hold investments that are subject to price risk.

ii. Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Pound sterling. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Pound sterling weakened and strengthened by 10% (2023: +/-10%) against the significant foreign currencies to which the Fund is exposed.

3 Financial risk management (continued)

a. Market risk (continued)

ii. Foreign exchange risk (continued)

The table below summarises the fair value of the Fund's monetary financial assets and liabilities, which are denominated in Australian Dollar (AUD), the Fund's main currency exposure at the end of the reporting year.

	As at	
	30 June 2024 £'000	30 June 2023 £'000
Cash and cash equivalents	5	31
Receivables	11	9
Borrowings	31	26
Performance fees payable	(1,726)	(846)
Payables	(67)	(78)
Net exposure	(1,746)	(858)

iii. Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest rate risk is associated with cash and cash equivalents and borrowings. Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible limiting the exposure of the Fund to interest rate risk

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting year.

	Floating interest rate £'000	Fixed interest rate £'000	Non- interest bearing £'000	Total £'000
As at 30 June 2024				
Financial assets				
Cash and cash equivalents	432	-	-	432
Receivables	1,900	-	428	2,328
Prepaid foreign taxes	-	-	18	18
Total financial assets	2,332	-	446	2,778
Financial liabilities				
Borrowings	12,799	13,351	-	26,150
Distributions payable	-	-	405	405
Payables	-	-	498	498
Deferred settlement payment	-	-	1,900	1,900
Performance fees payable	-	-	2,141	2,141
Total financial liabilities	12,799	13,351	4,944	31,094
Net exposure	(10,467)	(13,351)	(4,498)	(28,316)
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	6,680	-	-	6,680
Receivables	-	-	401	401
Total financial assets	6,680	-	401	7,081
Financial liabilities				
Borrowings	-	13,290	-	13,290
Performance fees payable	-	-	1,025	1,025
Foreign taxes payable	-	-	51	51
Payables	-	-	302	302
Total financial liabilities	-	13,290	1,378	14,668
Net exposure	6,680	(13,290)	(977)	(7,587)

3 Financial risk management (continued)

b. Market risk (continued)

iii. Cash flow and fair value interest rate risk (continued)

The table at Note 3(b) summarises the impact in an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that the interest rates changed by +/-100 (2023: +/-100) basis points from the period end rates with all other variables held constant.

b. Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on net assets attributable to unit holders			
	Foreign exchange risk		Interest rate risk	
	+10%	-10%	+100bps	-100bps
	£'000	£'000	£'000	£'000
As at 30 June 2024	(175)	175	(105)	105
As at 30 June 2023	(86)	86	67	(67)

c. Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's rent receivable on investments. The Fund is also exposed to counterparty credit risk on, cash and cash equivalents, and other receivables.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss.

i. Cash and cash equivalents

At 30 June 2024, cash and cash equivalents are held with counterparties with a credit rating of AA- (based on the Standard & Poor's (S&P) indices) or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

A summary of the credit ratings for the financial institutions used by the Fund are as follows (based on the S&P indices):

	As at	
	30 June 2024	30 June 2023
Australia and New Zealand Banking Group Limited	AA-	AA-
National Australia Bank Limited	AA-	AA-

3 Financial risk management (continued)

c. Credit risk (continued)

ii. Rent receivable

Credit risk from rent receivable is actively monitored by the Investment Manager. Rent receivable 90+ days past due is considered credit impaired and generally provided for an allowance or written-off unless settlement arrangements are in place or availability of information that would suggest otherwise. The Fund expects to collect all other outstanding rents based on ageing, detailed tenant and other historical analysis performed.

As at 30 June 2024, the Fund recognised allowance for expected credit losses on its rent receivable amounting to £68,767 (2023: £303,385).

d. Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are significantly disadvantageous.

As the Fund is an illiquid close-ended Fund, it is not exposed to liquidity risk on unit holder redemptions. The Fund manages liquidity risk by maintaining sufficient cash balances to meet its obligations.

i. Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month £'000	1 to 6 months £'000	6 to 12 months £'000	Over 12 months £'000	Total £'000
As at 30 June 2024					
Payables	-	498	-	-	498
Performance fees payable	-	-	-	2,141	2,141
Distributions payable	405	-	-	-	405
Deferred settlement payment	-	1,900	-	-	1,900
Borrowings	-	-	(77)	26,227	26,150
Net assets attributable to unit holders – liability	-	-	-	35,091	35,091
Contractual cash flows (excluding derivatives)	405	2,398	(77)	63,459	66,185
As at 30 June 2023					
Foreign taxes payable	-	51	-	-	51
Payables	-	302	-	-	302
Performance fees payable	-	-	-	1,025	1,025
Borrowings	-	-	(69)	13,359	13,290
Net assets attributable to unit holders – liability	-	-	-	32,450	32,450
Contractual cash flows (excluding derivatives)	-	353	(69)	46,834	47,118

4 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting year.

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

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

a. Fair value in an inactive or unquoted market (level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Investment properties held directly in the Fund are valued by an independent valuer periodically, and in any event by management as at 30 June each year. The determinants of valuation for Residential Property are:

- Gross Market Rental or Gross Rental Income:

The gross market rental is the estimated gross amount for which a property should be rented between a willing owner and a willing tenant on appropriate terms in an arm's length transaction, after proper marketing and wherein the parties have acted knowledgeably, prudently and without compulsion. Note that the gross market rental is before all operating costs such as building maintenance costs and property management fees.

- The Capitalisation Rate or Gross Rental Yield:

The capitalisation rate or gross rental yield is the rate at which the gross market rental income is capitalised to determine the 'Market Value before Purchaser's Costs'. The gross rental yield is determined with regards to market evidence and typically between different locations.

- Purchaser's Costs:

Purchaser's costs represent the estimated transaction costs a purchaser would likely incur when buying the property (primarily relating to stamp duty that would be payable by the purchaser). Purchaser's costs have been implicitly taken into consideration in the valuation of the properties through the use of net yield.

b. Recognised fair value measurements

The table below presents the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2024.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 30 June 2024				
Investment properties	-	-	66,201	66,201
Total	-	-	66,201	66,201
As at 30 June 2023				
Investment properties	-	-	41,290	41,290
Total	-	-	41,290	41,290

4 Fair value measurement (continued)

c. Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

There were no transfers between levels in the fair value hierarchy at the end of the reporting year.

d. Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 assets for the year ended 30 June 2024 by class.

	30 June 2024 £'000	As at 30 June 2023 £'000
Investment properties		
Fair value at the beginning of the year	41,290	40,563
Purchases	18,514	609
Sales	(620)	-
Gains/(losses) recognised in the statement of comprehensive income	7,017	118
Fair value at end of the year*	66,201	41,290

*Includes unrealised gains/(losses) recognised in the statement of comprehensive income attributable to balances held at the end of the reporting year.

i. Valuation techniques used to derive level 3 fair values

The following table summarises the key inputs used in determining property values quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See Note 4(a) above for the valuation techniques adopted.

Description	Range	Weighted average
As at 30 June 2024		
Residential property		
Gross rental income (£'000 annual)	£287 - £2,453	£1,569
Gross rental yield	7.00% - 8.57%	7.61%
As at 30 June 2023		
Residential property		
Gross rental income (£'000 annual)	£10 - £2,416	£2,062
Gross rental yield	7.00% - 9.14%	7.24%

Sensitivity analysis

Valuation input	Relationship of valuation input to fair value
Gross rental income	The higher gross rental income, the higher the fair value.
Gross rental yield	The higher yield, the lower the fair value.

Based on an assessment of unobservable inputs relating to the fair value of investment properties, the most significant unobservable input is gross rental yield for residential properties.

The range of unobservable inputs for gross rental yield is assumed to be 7.00% to 8.57%. These ranges have been determined by the Responsible Entity as an appropriate assumption for this scenario analysis.

4 Fair value measurement (continued)

d. Fair value measurements using significant unobservable inputs (level 3) (continued)

i. Valuation techniques used to derive level 3 fair values (continued)

A 10% increase or decrease of the unobservable input at 30 June 2024 would have increased/(decreased) the net assets attributable to unit holders and the profit for the year by +/- £6,620,100 (2023: +/- £4,129,000).

ii. Valuation processes

The Fund's level 3 investments are constituted of direct holdings of residential property in the United Kingdom which have been recognised at fair value for the year ended 30 June 2024.

The Fund's investment properties have been valued by management at 30 June 2024 taking into account the most recent independent valuations and other market evidences.

The Fund's valuation policy is fully disclosed in section 5 of the Product Disclosure Statement.

Valuation of each of the Properties is conducted as at the end of every full year period to calculate the GAV. The Investment Manager will value the Properties based on methodology determined by an Independent Certified Valuer with regards to a combination of factors including, but not limited to, discount rates, passing and market yields, capital commitments, market comparable as well as other publicly available information.

The Investment Manager will ensure the Properties are valued by an Independent Certified Valuer who is RICS (Royal Institute of Chartered Surveyors) certified such that at least 85% of Properties (based on the valuations in the most recent reporting period) are independently valued at least every 3 years.

The Fund's Annual Financial Report will be independently audited on an annual basis with regard paid to the valuation and existence of Properties held by the Fund.

Before a property is purchased, the Responsible Entity may, for certain property purchases, conduct an independent valuation by an independent valuer, on an 'as is' basis. In some cases, this may not be possible or is not practical, for example in the event of a receivership sale as the timescales may not be sufficient.

If a property is purchased within six months prior to the reporting period and where there is no existing external valuation, the Fund may value the property at acquisition costs plus any capital expenditures incurred following the acquisition, provided the Responsible Entity is satisfied that this represents fair value at the reporting date and has been applied in these reports.

5 Investment properties

	30 June 2024 £'000	As at	30 June 2023 £'000
Fair value at the beginning of the year	41,290		40,563
Capital purchases	18,514		609
Sales	(620)		-
Gains/(losses) recognised in the statement of comprehensive income	7,017		118
Fair value at the end of the year	66,201		41,290

An overview of the risk exposures and fair value measurements relating to investment properties is included in Note 4 to the financial statements.

6 Borrowings

	30 June 2024 £'000	As at	30 June 2023 £'000
Borrowings			
Current			
Interest payable on loans	(69)		-
Borrowing costs	146		69
	<u>77</u>		<u>69</u>
Non-current			
Secured loan	(26,670)		(13,570)
Borrowing costs	443		211
	<u>(26,227)</u>		<u>(13,359)</u>
Total borrowings	<u>(26,150)</u>		<u>(13,290)</u>

As per the agreement dated 30 September 2021, a series of lenders has provided a long-term loan to the Fund amounting to £13,570,000 with a fixed rate of 3.51% p.a. which is equal to the GILT 5 year rate plus a margin 2.90% p.a. The total amount of the loan will be repaid on 23 September 2027.

On 16 August 2023, the Fund has entered into a short-term loan agreement with Blue Shield Capital Limited amounting to £11,587,500 with interest rate based on Bank of England Base Rate plus a margin of 5.25% p.a. The total amount was repaid on 05 June 2024.

On 5 June 2024, the Fund entered a facility agreement with Ahli United Bank amounting to £15,000,000 with an interest rate based on the three-month forward rate plus a margin of 2.20% p.a. Interest is calculated on a simple basis and is payable quarterly. As at 30 June 2024, the Fund had drawn the amount of £13,100,000 from the facility. The total amount will be repaid on 5 June 2029.

7 Net assets attributable to unit holders – liability

The Fund's units are classified as a liability as they do not meet the definition of a financial instrument to be classified as equity.

Movements in the number of units and net assets attributable to unit holders during the period were as follows:

	AUD Class		GBP Class		S Class	
	Units	£'000	Units	£'000	Units	£'000
As at 30 June 2024	'000		'000		'000	
Opening balance	34,832	22,221	4,045	4,667	4,553	5,562
Increase/(decrease) in net assets attributable to unit holders	-	2,183	-	401	-	57
Closing balance	<u>34,832</u>	<u>24,404</u>	<u>4,045</u>	<u>5,068</u>	<u>4,553</u>	<u>5,619</u>
As at 30 June 2023						
Opening balance	34,832	22,443	4,045	4,714	4,553	5,555
Increase/(decrease) in net assets attributable to unit holders	-	(222)	-	(47)	-	7
Closing balance	<u>34,832</u>	<u>22,221</u>	<u>4,045</u>	<u>4,667</u>	<u>4,553</u>	<u>5,562</u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are three separate classes of units. S Class unit was issued to L1 UK Property Trust 3A, a wholly owned subsidiary of L1 Capital UK Residential Property Fund III, an affiliated investment trust. S Class exposure was limited to a specific asset within the Fund. In addition, S Class is not subject to management fee, responsible entity fee and performance fees. These fees were charged at L1 Capital UK Residential Property Fund III.

8 Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2024 £'000	30 June 2024 CPU	30 June 2023 £'000	30 June 2023 CPU
Distributions - AUD Class				
December (paid)	278	0.80	-	-
June (payable)	277	0.79	-	-
Total distributions	555	1.59	-	-
Distributions - GBP Class				
December (paid)	61	1.50	-	-
June (payable)	60	1.50	-	-
Total distributions	121	3.00	-	-
Distributions - S Class				
December (paid)	69	1.50	-	-
June (payable)	68	1.50	-	-
Total distributions	137	3.00	-	-
Total distributions	813		-	

9 Cash and cash equivalents

	As at	
	30 June 2024 £'000	30 June 2023 £'000
Cash at bank	432	6,680
Total cash and cash equivalents	432	6,680

10 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2024 £'000	30 June 2023 £'000
Increase/(decrease) in net assets attributable to unit holders	2,641	(262)
Distributions to unit holders	813	-
Net change in fair value of investment properties	(7,017)	(118)
Net foreign exchange (gain)/loss	(14)	-
Amortisation of borrowing costs	570	80
Movement in deferred tax balances	1,530	260
Net change in prepayments and other receivables	(16)	(266)
Net change in payables and performance fees payable	1,316	59
Net cash inflow/(outflow) from operating activities	(177)	(247)

11 Prepayments and other receivables

	As at	
	30 June 2024 £'000	30 June 2023 £'000
Prepaid expenses	215	226
RITC receivable	23	20
Rent receivable	270	156
Restricted cash in Trust account	1,900	-
Other receivables	135	225
Total prepayments and other receivables	2,543	627

a. Allowance for expected credit losses

	As at	
	30 June 2024 £'000	30 June 2023 £'000
Opening balance	303	32
(Reversal)/impairment charge	(234)	271
Ending balance	69	303

12 Payables

	As at	
	30 June 2024 £'000	30 June 2023 £'000
Management fees and costs payable	376	235
Other professional fees payable	24	29
Withholding tax payable	12	12
Deferred rental income	86	26
Total payables	498	302

a. Deferred settlement payment

As at 30 June 2024 the Fund owed a deferred settlement payment of £1,900,000 (2023: £nil) in relation to an investment property which was purchased during the year. Settlement of the investment property took place during the year. The deferred settlement payment is payable on completion of building works by the vendor. The building works are currently in progress and the payment is expected to be made within 12 months.

13 Income tax

Whilst the Fund is not an income taxpayer in Australia, it is liable for paying income tax to His Majesty's Revenue and Customs Authority in the UK on capital gains realised on the disposal of investment property. For further details, refer to Note 2(h).

The major components of income tax expense in the statement of comprehensive income are:

	30 June 2024 £'000	As at 30 June 2023 £'000
Deferred tax		
Deferred tax liabilities/(assets) comprise of temporary differences attributable to:		
Opening balance	1,479	1,219
Unrealised capital gain on investment property	1,530	260
Total deferred tax liabilities	3,009	1,479
Total Income tax expense	1,530	260

14 Remuneration of auditors

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

	30 June 2024 \$	Year ended 30 June 2023 \$
Ernst & Young		
<i>Audit services</i>		
Audit and review of financial statements	56,547	52,200
Total remuneration for audit and other assurance services	56,547	52,200
<i>Taxation services</i>		
Tax compliance services	15,308	17,397
Total remuneration for taxation services	15,308	17,397
Total remuneration of Ernst & Young	71,855	69,597
PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,400	2,346
Total remuneration for audit and other assurance services	2,400	2,346
Total remuneration of PricewaterhouseCoopers	2,400	2,346

The auditors' remuneration is borne by the Fund. Fees are stated in Australian dollars net exclusive of GST.

15 Related party transactions

The Responsible Entity of L1 Capital UK Residential Property Fund IV is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to L1 UK Property Investments Pty Ltd to act as Investment Manager and Apex Fund Services (Australia) Pty Ltd to act as Administrator for the Fund. The contracts are on normal commercial terms and conditions.

15 Related party transactions (continued)

a. Key management personnel

i. Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)

ii. Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

iii. Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

b. Transactions with key management personnel

There were no transactions with key management personnel during the reporting year.

c. Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

d. Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting year.

e. Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a significant contract with the Fund during the financial year and there were no significant contracts involving management personnel's interests existing at year end.

f. Other related parties

No due to related parties relates to acquisition fees charged by the Investment Manager on acquisition of investment property that was paid during the year.

15 Related party transactions (continued)

g. Responsible Entity fees, Investment Manager's fees and other transactions

The transactions during the year and amounts payable at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2024	30 June 2023
	£	£
Management fees for the year	251,013	220,458
Management fees rebate for the year	(19,311)	(10,689)
Performance fees for the year	1,116,475	7,528
Responsible entity fee for the year	33,134	28,413
Expense reimbursements for the year	265,526	146,973
Property management fees for the year	86,801	-
Management fees payable at year end	276,107	129,413
Management fees rebate receivable at year end	(21,242)	(6,767)
Performance fees accrued at year end	2,141,185	1,024,510
Responsible entity fee payable at year end	23,604	31,404
Expense reimbursements payable at year end	66,852	47,476
Property management fees payable at year end	12,674	-

Property management fees are paid and payable to QED Property Management Pty Ltd which is a related party of the Investment Manager on an arm's length basis.

Under the terms of the Fund's Constitution and Product Disclosure Statement, management fees and costs include responsible entity fees paid to the Responsible Entity, management fees paid to the Investment Manager and other costs (such as custody fees, administration fees and audit fees) paid to other unrelated parties. Please refer to the Fund's Product Disclosure Statement for information on how management fees and costs are calculated.

Management fee rebates represent 10% (net of tax) of the reimbursable expenses paid to L1 UK Property Ltd and included in the management fees and costs recorded by the Fund during the year.

Under the terms of the Fund's Constitution and Product Disclosure Statement, the Investment Manager is also entitled to receive a performance fee in relation to the performance of the fund.

16 Events occurring after the reporting period

No other significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2024 or on the results and cash flows of the Fund for the year ended on that date.

17 Contingent assets and liabilities and commitments

There were no significant outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 6 to 30 are in accordance with the *Corporations Act 2001*, 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 Fund's financial position as at 30 June 2024 and of its performance for the financial year ended on that date.
- b. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c. Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Andrew P Godfrey
Director

Melbourne
30 September 2024

Independent Auditor's Report to the unit holders of L1 Capital UK Residential Property Fund IV

Opinion

We have audited the financial report of L1 Capital UK Residential Property Fund IV (the Fund), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the Corporations Act 2001, including:

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

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 section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (incorporating the principles contained in the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the Financial Report and Auditor's Report Thereon

The Directors of Equity Trustees Limited (the Responsible Entity) are responsible for the other information. The other information is the directors' report accompanying the financial 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors of the Responsible Entity for the Financial Report

The directors of the Responsible Entity 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 of the Responsible Entity 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 of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

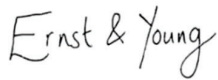
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- ▶ Conclude on the appropriateness of the directors of the Responsible Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

we communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



Emma Reekie
Partner
Melbourne
30 September 2024