

# **L1 Capital UK Residential Property Fund**

ARSN 620 381 704

## **Annual report**

**For the year ended 30 June 2024**

# L1 Capital UK Residential Property Fund

ARSN 620 381 704

## Annual report For the year ended 30 June 2024

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

The Responsible Entity of L1 Capital UK Residential Property Fund 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 (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 through its investment in the L1 UK Property Trust 1A (the "Sub-Trust") in accordance with the Information Memorandum 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
Custodian	Equity Trustees Limited
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 Information Memorandum and the provisions of the Fund's Constitution. The Fund's strategy is to invest through a sub trust in UK residential property in Tier 1 UK cities (excluding London) that deliver high rental yields.

The Fund's performance was 6.46% (2023: 4.51%) (net of fees) 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.

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)	2,620	1,749

There were no distributions declared for the years ended 30 June 2024 and 30 June 2023.

## Directors' report (continued)

### Significant changes in the state of affairs

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 the affairs of the Fund that occurred during the financial year.

### Matters subsequent to the end of the financial year

No 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's initial term ended on 31 August 2024. However, several of the Fund's properties held in the Sub-Trust have ongoing fire safety remediation projects. Whilst the Fund expects that all remaining remediation projects will be funded by the UK government through its building safety funding programs or the original developers or insurers, it requires lengthy processes to arrange the funding, finalise design specifications and complete the remediation works. As a result, the Investment Manager and the Responsible Entity have made the determination to extend the Fund term by a further 1 year at this stage. The Information Memorandum allow for an extension of the Fund's term by three successive one-year period if it is in the best interests of the unitholders. Given the expected time to remediate certain buildings it is likely the Fund maturity will be extended again by a further 1 or 2 years to ensure the Fund is not a forced seller of assets that are not primed for sale.

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Information Memorandum 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.

### 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.

## Directors' report (continued)

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 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.



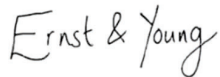
Andrew P Godfrey  
Director

Melbourne  
30 September 2024

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

As lead auditor for the audit of the financial report of L1 Capital UK Residential Property Fund 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	
		30 June 2024	30 June 2023
	Notes	£'000	£'000
<b>Income</b>			
Distribution income		373	161
Interest income from financial assets at amortised cost		31	14
Net foreign exchange gains/(losses)		10	(200)
Net gains/(losses) on financial instruments at fair value through profit or loss		576	2,507
<b>Total income/(loss)</b>		<b>990</b>	<b>2,482</b>
<b>Expenses</b>			
Management fees and costs		451	452
Performance fees accrued/(reversed)	15(g)	(2,165)	299
Professional fees		17	30
Foreign tax expenses/(refund)		61	(51)
Other expenses		6	3
<b>Total expenses</b>		<b>(1,630)</b>	<b>733</b>
<b>Profit/(loss) before finance costs attributable to unit holders for the year</b>		<b>2,620</b>	<b>1,749</b>
<b>Finance costs attributable to unit holders</b>			
(Increase)/decrease in net assets attributable to unit holders	8	(2,620)	(1,749)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>

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
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	5	8
Receivables	12	55	199
Distributions receivable		373	161
Due from related parties	15(f)	-	125
<b>Total current assets</b>		<b>433</b>	<b>493</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	5	44,551	43,974
<b>Total non-current assets</b>		<b>44,551</b>	<b>43,974</b>
<b>Total assets</b>		<b>44,984</b>	<b>44,467</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	13	482	905
Due to related parties	15(f)	485	-
<b>Total current liabilities</b>		<b>967</b>	<b>905</b>
<b>Non-current liabilities</b>			
Performance fees payable	15(g)	870	3,035
<b>Total non-current liabilities</b>		<b>870</b>	<b>3,035</b>
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>1,837</b>	<b>3,940</b>
<b>Net assets attributable to unit holders - liability</b>		<b>43,147</b>	<b>40,527</b>

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
<b>Total equity at the beginning of the financial year</b>	-	-
<b>Comprehensive income for the financial year</b>		
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year*</b>	-	-

\*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 8.*

## Statement of cash flows

		Year ended	
		30 June 2024	30 June 2023
	Notes	£'000	£'000
<b>Cash flows from operating activities</b>			
Interest income received from financial assets at amortised cost		31	7
Distributions received		161	471
Other income received		78	-
Management fees and costs paid		(870)	(28)
Professional fees paid		(22)	(36)
Other expenses paid		-	(126)
<b>Net cash inflow/(outflow) from operating activities</b>	11	<b>(622)</b>	<b>288</b>
<b>Cash flows from financing activities</b>			
Advances (to)/from related parties		609	(89)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>609</b>	<b>(89)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(13)</b>	<b>199</b>
Cash and cash equivalents at the beginning of the year		8	9
Effect of foreign currency exchange rate changes on cash and cash equivalents		10	(200)
<b>Cash and cash equivalents at the end of the year</b>	10	<b>5</b>	<b>8</b>

*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 (the “Fund”) as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 11 July 2017 and registered with the Australian Securities and Investments Commission on 25 July 2017. The Fund commenced operations on 1 September 2017 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 through its investment in the L1 UK Property Trust 1A (the “Sub-Trust”) in accordance with the Information Memorandum 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 years 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 financial assets at fair value through profit or loss, net assets attributable to unit holders and performance fees payable.

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. Basis of consolidation**

The Fund is an investment entity and, as such, does not consolidate the entities it controls. Instead, interests in controlled entities are classified as at financial assets at fair value through profit or loss.

### **iii. 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*].

## 2 Summary of material accounting policies (continued)

### a. Basis of preparation (continued)

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

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.

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 material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### iv. *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material 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 investment asset is its investment in the Sub-Trust. The Sub-Trust is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy as outlined in the Information Memorandum.

The Fund's investments are classified as at fair value through profit or loss. They comprise:

- *Financial instruments at fair value through profit or loss upon initial recognition*

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in the Sub-Trust.

- *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 Fund's documented investment strategy as outlined in the Information Memorandum. 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, receivables, and due from related parties, 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.

#### 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 year 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 cost*

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

Cash and cash equivalents, due from related parties and receivables are carried at amortised cost.

#### iv. Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents, due from related parties and 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 amounts previously written off are credited against other expenses in the statement of comprehensive income.

#### v. Investment entity subsidiaries

In accordance with the Fund's Information Memorandum dated 27 July 2017 the Fund has been constituted to invest in one or more Sub-Trusts to hold residential property in the United Kingdom. The Fund currently invests in and controls one Sub-Trust which is considered to be a subsidiary. The Fund invests in this Sub-Trust for the purpose of capital appreciation and/or earning investment income.

Under AASB 10 *Consolidated Financial Statements*, the Fund is considered an investment entity and is, therefore, exempt from preparing consolidated financial statements.

## 2 Summary of material accounting policies (continued)

### b. Financial instruments (continued)

#### vi. *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. Derivative financial instruments

The Fund has entered into derivative financial instruments, in the form of interest rate swap agreements, to partially hedge against interest rate fluctuations on its debt facilities and forward foreign exchange contracts to hedge against foreign exchange rate movements of the unit holders of hedged units.

The Fund has not adopted hedge accounting. Derivative financial instruments are classified as financial instruments at fair value through profit or loss. Derivative financial instruments are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting year. Subsequent changes in fair value are recognised in the statement of comprehensive income.

Fair value is determined using valuation techniques with reference to observable market inputs for similar instruments. The fair value of all derivative contracts has been confirmed with the counterparty.

Derivative financial instruments are presented as current assets or liabilities as appropriate if they are expected to be settled within 12 months, or presented as non-current assets or liabilities if they are expected to be settled more than 12 months after the end of the reporting year.

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

### 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. 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.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Fund's main income generating activity.

### f. Income

#### i. *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 or liability. 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.

## 2 Summary of material accounting policies (continued)

### f. Income (continued)

#### ii. Distributions

Fund distributions are recognised on an entitlement basis.

### g. Expenses

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

#### i. Management fees and costs

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

### 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. The Fund is also not responsible for UK income tax in respect of unit holders' income from property rental business at the Sub-Trust. 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. The Fund will withhold UK income tax at the applicable tax rate from the amount distributed to the unit holders. 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 if it disposes units in the Sub-Trust while it is a UK land rich entity. 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.

#### 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 year 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.

## 2 Summary of material accounting policies (continued)

### k. Foreign currency translation (continued)

#### ii. Transactions and balances (continued)

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

### l. Receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a monthly basis. Amounts are generally received within 30 days of being recorded as receivables. For information regarding expected credit loss (ECL), refer Note 2(b)(iv).

### m. Payables

Payables include liabilities, 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. 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.

### o. Goods and services tax (GST)

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.

### p. Use of estimates and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current financial year 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. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

The main financial assets at fair value through profit or loss currently held by the Fund are units in the Sub-Trust which have been measured at its audited net asset value. The auditor's report on the financial statements of the Sub-Trust are unmodified for the year ended 30 June 2024.

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model, has not significantly impacted the Fund. Please see Note 3 for more information on credit risk.

### q. 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.

## **2 Summary of material accounting policies (continued)**

### **r. 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, foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Information Memorandum 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 Information Memorandum. 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**

The Fund is exposed to price risk on its investment in the Sub-Trust. The Fund has a significant concentration of risk arising from its exclusive investment in the Sub-Trust. As at 30 June 2024, the Fund's investment in the Sub-Trust represents 100% of the Fund's financial assets at fair value through profit or loss.

The price risk in the Sub-Trust is managed by L1 UK Property Investments Pty Ltd, the trustee of the Sub-Trust. It manages this risk through active management of the underlying property investments and by ensuring that the Sub-Trust holds a diversified portfolio of numerous investments spread over a large geographical area. Also, unit prices for investors are denominated in Australian dollars so investors are at risk of movements in the exchange rate between Pound sterling and the Australian dollar. In order to mitigate risk, investors were given the option to invest in hedged units. The risk is managed through the Fund or the Sub-Trust entering into a hedging agreement with the lending bank to fix the rate that hedged units will be converted on the termination of the Fund in Pound sterling.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. This analysis is based on the assumption that the unobservable inputs used in the valuation of the investment properties held by the Sub-Trust move by +/- 10% (2023: +/- 10%).

### 3 Financial risk management (continued)

#### a. Market risk (continued)

##### ii. Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets and liabilities denominated in currencies other than the Pound sterling. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The Investment Manager monitors the Fund's currency position on a daily basis.

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 reasonably possible shift that the Pound sterling weakened and strengthened by 10% (2023: 10%) against the significant foreign currencies to which the Fund is exposed.

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	8
Due from related parties	2,509	125
Distributions receivable	373	161
Financial assets at fair value through profit or loss	44,551	43,974
Performance fees payable	(870)	(3,035)
Payables	(56)	(52)
<b>Net exposure</b>	<b>46,512</b>	<b>41,181</b>

##### iii. Cash flow and fair value interest rate risk

The Fund's interest rate risk is associated with cash and cash equivalents. 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 period.

	Floating interest rate £'000	Fixed interest rate £'000	Non- interest bearing £'000	Total £'000
<b>As at 30 June 2024</b>				
<b>Financial assets</b>				
Cash and cash equivalents	5	-	-	5
Receivables	-	-	55	55
Distributions receivable	-	-	373	373
Financial assets at fair value through profit or loss	-	-	44,551	44,551
<b>Total financial assets</b>	<b>5</b>	<b>-</b>	<b>44,979</b>	<b>44,984</b>
<b>Financial liabilities</b>				
Performance fees payable	-	-	870	870
Payables	-	-	482	482
Due to related parties	485	-	-	485
<b>Total financial liabilities</b>	<b>485</b>	<b>-</b>	<b>1,352</b>	<b>1,837</b>
<b>Net exposure</b>	<b>(480)</b>	<b>-</b>	<b>43,627</b>	<b>43,147</b>

### 3 Financial risk management (continued)

#### a. Market risk (continued)

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

	Floating interest rate £'000	Fixed interest rate £'000	Non- interest bearing £'000	Total £'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	8	-	-	8
Receivables	-	-	199	199
Distributions receivable	-	-	161	161
Due from related parties	125	-	-	125
Financial assets at fair value through profit or loss	-	-	43,974	43,974
Total financial assets	133	-	44,334	44,467
Financial liabilities				
Performance fees payable	-	-	3,035	3,035
Payables	-	-	905	905
Total financial liabilities	-	-	3,940	3,940
Net exposure	133	-	40,394	40,527

The table at Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value of 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					
	Price risk		Foreign exchange risk		Interest rate risk	
	+10% £'000	-10% £'000	+10% £'000	-10% £'000	+100bps /£'000	-100bps £'000
As at 30 June 2024	4,450	(4,450)	4,651	(4,651)	(5)	5
As at 30 June 2023	4,397	(4,397)	4,118	(4,118)	1	(1)

#### 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 Fund manages credit risk by only entering agreements with credit worthy parties.

The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents. The credit risk arising from deposits is managed through a policy of utilising only independently-rated banks with acceptable credit ratings.

### 3 Financial risk management (continued)

#### c. Credit risk (continued)

##### 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):

	<b>As at</b>	
	<b>30 June 2024</b>	<b>30 June 2023</b>
Australia and New Zealand Banking Group Limited	<b>AA-</b>	<b>AA-</b>

#### 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.

	<b>Less than 1 month £'000</b>	<b>1 to 6 months £'000</b>	<b>6 to 12 months £'000</b>	<b>Over 12 months £'000</b>	<b>Total £'000</b>
<b>As at 30 June 2024</b>					
Performance fees payable	-	-	-	870	870
Payables	-	482	-	-	482
Due to related parties	-	485	-	-	485
Net assets attributable to unit holders – liability	-	-	-	43,147	43,147
<b>Contractual cash flows (excluding derivatives)</b>	-	967	-	44,017	44,984
<b>As at 30 June 2023</b>					
Performance fees payable	-	-	-	3,035	3,035
Payables	-	905	-	-	905
Net assets attributable to unit holders – liability	-	-	-	40,527	40,527
<b>Contractual cash flows (excluding derivatives)</b>	-	905	-	43,562	44,467

### 3 Financial risk management (continued)

#### d. Liquidity risk (continued)

##### ii. Maturities of net settled derivative financial instruments

The table below analyses the Fund's gross settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month £'000	1 to 6 months £'000	6 to 12 months £'000	Over 12 months £'000	Total £'000
<b>As at 30 June 2024</b>					
Net settled derivatives					
Forward currency contracts	-	-	-	47	47
<b>Total net settled derivatives</b>	-	-	-	47	47

There were no derivatives financial instruments during the year ended 30 June 2023.

### 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 (see Note 5)

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).

#### a. Valuation using level 2 inputs

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all material inputs required to fair value an instrument are observable, the instrument is included in level 2.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Specific valuation techniques using observable inputs used to value financial instruments include:

- Foreign currency forwards are valued at the present value of future cash flows based on the forward exchange rates at the balance sheet date.

## 4 Fair value measurement (continued)

### b. Valuation using level 3 inputs

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

The fair value of financial instruments 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.

The Fund's investments in unlisted Sub-Trusts constitute of units in the Sub-Trust. The Fund's investment in the Sub-Trust is recorded at the net asset value as calculated by the Sub-Trust's administrator. Properties held directly in the Sub-Trust are valued by management at 30 June each year based on a valuation prepared by an independent, certified valuer.

### c. Recognised fair value measurements

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

As at 30 June 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets</b>				
Units in L1 UK Property Trust 1A	-	-	44,504	44,504
Forward currency contract	-	47	-	47
<b>Total financial assets</b>	<u>-</u>	<u>47</u>	<u>44,504</u>	<u>44,551</u>

As at 30 June 2023

<b>Financial assets</b>				
Units in L1 UK Property Trust 1A	-	-	43,974	43,974
<b>Total financial assets</b>	<u>-</u>	<u>-</u>	<u>43,974</u>	<u>43,974</u>

### d. 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.

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

The following table presents the movement in level 3 instruments for the year ended 30 June 2024 by class of financial instrument.

	As at	
	30 June 2024 Unlisted unit trust £'000	30 June 2023 Unlisted unit trust £'000
<b>Opening balance</b>	43,974	41,467
Gains/losses recognised in the statement of comprehensive income	530	2,507
<b>Closing balance</b>	<u>44,504</u>	<u>43,974</u>

## 4 Fair value measurement (continued)

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

#### i. Valuation inputs and relationships to fair value

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

Description	Valuation Method	Fair value £'000	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
As at 30 June 2024 L1 UK Property Trust 1A	Fair Value	44,504	Sub-Trust's Net Asset Value (NAV) as at 30 June 2024	N/A	Direct
As at 30 June 2023 L1 UK Property Trust 1A	Fair Value	43,974	Sub-Trust's Net Asset Value (NAV) as at 30 June 2023	N/A	Direct

There were no significant inter-relationships between unobservable inputs that significantly affect fair values.

The sensitivity analysis of the significant unobservable inputs relating to the fair value of investment properties held by the Sub-Trust was disclosed in the Sub-Trust's Financial Statements.

#### ii. Valuation processes

Investments in the Sub-Trust are valued as the Fund's share of net asset value as reported by the Sub-Trust's Investment Manager as calculated by the Sub-Trust's administrator. The Sub-Trust's Level 3 investments are constituted of direct holdings of residential property in the United Kingdom which have been measured at fair value through profit or loss for the years ended 30 June 2024 and 30 June 2023.

### f. Financial instruments not carried at fair value

The financial instruments not measured at fair value through the profit and loss include:

- i. Cash and cash equivalent, balances due from/to brokers and receivables/payables under sale and repurchase agreements. These are short-term financial assets and financial liabilities whose carrying values approximate fair value, because of their short-term nature and the high credit quality of counterparties; and
- ii. Net assets attributable to unit holders, as the Fund routinely redeems and issues units at an amount equal to the proportionate share of the Fund's net assets at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying value of net assets attributable to unit holders approximates their fair value. Any difference is not material in the current year or prior year.

## 5 Financial assets at fair value through profit or loss

	As at	
	30 June 2024	30 June 2023
	£'000	£'000
L1 UK Property Trust 1A Hedged units	15,153	15,279
L1 UK Property Trust 1A Unhedged units	29,350	28,694
L1 UK Property Trust 1A Ordinary units	1	1
Forward currency contracts	47	-
<b>Total financial assets at fair value through profit or loss</b>	<b>44,551</b>	<b>43,974</b>

## 5 Financial assets at fair value through profit or loss (continued)

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 4 to the financial statements.

## 6 Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage may be incurred when it is believed that is advantageous to increase the investment capacity of a Fund or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for a Fund, but it also may magnify losses. The use of derivatives may also create leverage risk.

### a. Forward currency contracts

Forward currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

	Contractual/ notional £'000	Assets £'000	Liabilities £'000
<b>As at 30 June 2024</b>			
Forward currency contracts	<b>11,604</b>	<b>47</b>	-
Total derivatives	<b>11,604</b>	<b>47</b>	-

There were no forward currency contracts for the year ended 30 June 2023.

Information about the Fund's exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 4 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

## 6 Derivative financial instruments (continued)

### b. Fair value of financial instruments

The exposure to financial instruments at fair value is disclosed in the following table:

	As at	
	30 June	30 June
	2024	2023
	£'000	£'000
Forward currency contracts	47	-
<b>Total financial instruments at fair value</b>	<b>47</b>	<b>-</b>

The maximum exposure to loss on the forward currency contracts is limited to the notional amount. The maximum exposure to loss on the interest rate cap is limited to the premium paid.

During the year ended 30 June 2024, net loss on changes in the fair value of financial instruments held by the Fund were £46,708 (2023: net profit of £Nil).

## 7 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangement.

The Fund considers all investments in managed investment schemes (the "Schemes") to be structured entities. The Fund invests in Schemes for the purpose of capital appreciation and earning investment income.

The Fund controls L1 UK Property Trust 1A ("Sub-Trust") but does not consolidate the Sub-Trust. Units in the Sub-Trust is carried at fair value through profit or loss in accordance with the investment entity exception to consolidation.

The exposure to investments in Schemes at fair value is disclosed in the following table:

	Fair value of investment	
	As at	
	30 June	30 June
	2024	2023
	£'000	£'000
L1 UK Property Trust 1A Hedged units	15,153	15,279
L1 UK Property Trust 1A Unhedged units	29,350	28,694
L1 UK Property Trust 1A Ordinary units	1	1
<b>Total Schemes</b>	<b>44,504</b>	<b>43,974</b>

The fair value of the Schemes is included in financial assets at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interest in the Schemes is equal to the fair value of its investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Fund has disposed of its units in a Scheme it ceases to be exposed to any risk from that Scheme.

During the year ended 30 June 2024, net gains/(losses) incurred on investments in the Schemes were £575,970 (2023: £2,507,453) including a foreign exchange loss of £182,492 (2023: £2,739,709). The Fund also earned distribution income of £373,169 (2023: £160,526) as a result of its interests in the Schemes.

## 8 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 year were as follows:

	Year ended		Year ended	
	30 June 2024 Units '000	30 June 2024 £'000	30 June 2023 Units '000	30 June 2023 £'000
<b>Hedged Class</b>				
Opening balance	22,080	14,105	22,080	13,833
Increase/(decrease) in net assets attributable to unit holders	-	747	-	272
<b>Closing balance</b>	<b>22,080</b>	<b>14,852</b>	<b>22,080</b>	<b>14,105</b>
<b>Unhedged Class</b>				
Opening balance	42,750	26,422	42,750	24,945
Increase/(decrease) in net assets attributable to unit holders	-	1,873	-	1,477
<b>Closing balance</b>	<b>42,750</b>	<b>28,295</b>	<b>42,750</b>	<b>26,422</b>
<b>Closing balance</b>	<b>64,830</b>	<b>43,147</b>	<b>64,830</b>	<b>40,527</b>

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 two separate classes of units. Each unit within the same class has the same rights as all other units within that class. Each unit class has the same management fee rate and performance fee rate.

## 9 Distributions to unit holders

There were no distributions declared for the years ended 30 June 2024 and 30 June 2023.

## 10 Cash and cash equivalents

	As at	
	30 June 2024 £'000	30 June 2023 £'000
Cash at bank	5	8
<b>Total cash and cash equivalents</b>	<b>5</b>	<b>8</b>

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

### a. 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	2,620	1,749
Net change in distributions receivable from the Sub-Trust	(212)	310
Interest income from financial assets at amortised cost	-	(7)
Net (gains)/losses on financial instruments at fair value through profit or loss	(576)	(2,507)
Net foreign exchange (gain)/loss	(10)	200
Net change in receivables	144	(157)
Net change in payables and performance fees payable	(2,588)	700
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(622)</b>	<b>288</b>

### b. Non-cash operating and financing activities

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the period (as reported in Note 11(a) above) represents a non-cash financing cost as it is not settled in cash until such time it becomes distributable.

## 12 Receivables

	As at	
	30 June 2024 £'000	30 June 2023 £'000
GST receivable	45	47
Prepaid foreign taxes	10	149
Other receivables	-	3
<b>Total receivables</b>	<b>55</b>	<b>199</b>

## 13 Payables

	As at	
	30 June 2024 £'000	30 June 2023 £'000
Management fees and costs payable	447	866
Other payables	35	39
<b>Total payables</b>	<b>482</b>	<b>905</b>

## 14 Remuneration of auditors

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

	Year ended 30 June 2024 \$	30 June 2023 \$
<b>Ernst &amp; Young</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	28,737	26,400
Total remuneration for audit and other assurance services	<u>28,737</u>	<u>26,400</u>
<i>Taxation services</i>		
Tax compliance services	15,308	17,397
Total remuneration for taxation services	<u>15,308</u>	<u>17,397</u>
<b>Total remuneration of Ernst &amp; Young</b>	<u>44,045</u>	<u>43,797</u>
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,400	2,346
Total remuneration for audit and other assurance services	<u>2,400</u>	<u>2,346</u>
<b>Total remuneration of PricewaterhouseCoopers</b>	<u>2,400</u>	<u>2,346</u>

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 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 for the Fund, Apex Fund Services (Australia) Pty Ltd to act as Administrator for the Fund and Equity Trustees Limited to act as Custodian for the Fund. The contracts are on normal commercial terms and conditions.

### 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 period 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. Responsibility Entity

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

## 15 Related party transactions (continued)

### a. Key management personnel (continued)

#### 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

Due to/from related parties, arose from expenses paid by the Sub-Trust on behalf of the Fund less distributions accrued but not paid through to the Fund. At 30 June 2024 and 30 June 2023, the amounts due to/from related parties are summarised below.

	As at	
	30 June 2024 £	30 June 2023 £
Due from L1 UK Property Trust 1A	-	125,217
Due to L1 UK Property Trust 1A	<b>484,932</b>	-
<b>Total due from/(to) related parties</b>	<b>484,932</b>	<b>125,217</b>

### 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 £
Responsible Entity fees for the year	<b>26,463</b>	30,239
Management fees for the year	<b>396,188</b>	393,568
Management fees rebate for the year	<b>(26,962)</b>	(17,975)
Performance fees for the year	-	298,571

## 15 Related party transactions (continued)

### g. Responsible Entity fees, Investment Manager's fees and other transactions (continued)

	Year ended	
	30 June 2024	30 June 2023
	£	£
Responsible Entity fees payable at year end	17,091	20,496
Management fees payable at year end	435,807	864,392
Management fees rebate receivable at year end	(29,658)	(35,815)
Performance fees payable/accrued at year end	870,057	3,034,693

Under the terms of the Fund's Constitution and Information Memorandum, management fees and costs includes responsible entity fees paid to the Responsible Entity, management fees paid to the Investment Manager and other costs (such as custody, administration fees and audit fees) paid to other unrelated parties. Please refer to the Fund's Information Memorandum 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 but the Sub-Trust during the year.

Under the terms of the Fund's Constitution and Information Memorandum, the Investment Manager is also entitled to receive a performance fee in relation to the performance of the Fund.

## 16 Unconsolidated subsidiaries

Subsidiary name	Principal place of business	Ownership interest	
		As at	
		30 June 2024	30 June 2023
		%	%
L1 UK Property Trust 1A	United Kingdom	99.99	99.99

### *Restrictions*

The subsidiary receives income in the form of rent from its investments in United Kingdom residential rental properties. There are no significant restrictions on the transfer of funds from the Fund to the subsidiary.

The above subsidiary does not control any further subsidiaries.

## 17 Events occurring after the reporting period

No significant events have occurred since the end of the period 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 period ended on that date.

## 18 Contingent assets and liabilities and commitments

Over the course of the financial year, the Investment Manager has been progressing a program of work to identify and evaluate the extent of any fire safety remediation which may be necessary at the investment properties owned by the Sub-Trust, an unconsolidated subsidiary of the Fund. The Investment Manager has analysed the Sub-Trust's property portfolio and has identified, on a property valuation basis, that approximately 31% (2023: 35%) of investment properties have some level of fire safety remediation works which may be needed (e.g. cladding or compartmentation works that were not present or not compliant with UK building regulations at the time of build).

## **18 Contingent assets and liabilities and commitments (continued)**

Whilst this was noted in the Independent Valuer's report used for the estimation of fair value for these investment properties within the Sub-Trust, this has not impacted the reliability of the valuation recommended by the Independent Valuer and ultimately adopted by the Sub-Trust for its annual financial statements for the year ended 30 June 2024.

At 30 June 2024, there were no regulatory orders or notifications issued by UK authorities, caveats or other conditions imposed on the titles of the investment properties held by the Sub-Trust that impacted the Sub-Trust's ability to continue to lease or sell these investment properties.

At the date of signing this report, the Investment Manager, in seeking to maximise the Fund's investment return to unit holders, is progressing a program of work with developers, warranty insurers and the UK Government to quantify the scope and estimate the cost of work involved in fire safety remediation in affected investment properties. Whilst many of these costs are recoverable from developers, warranty insurers and the UK Government mainly through its 'Building Safety' funding programs, some of these costs may be borne by the Sub-Trust in the future, which may ultimately impact the Fund's net asset value through the fair value of the Fund's investment in the Sub-Trust. The total costs recoverable and bearable by the Sub-Trust remain uncertain at the date of this report and will be considered by the Trustee and Investment Manager prior to making any commercial decision concerning remediation works.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 6 to 31 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

### Opinion

We have audited the financial report of L1 Capital UK Residential Property Fund (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 (including the independence requirements of 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*

Ernst & Young

*E Reekie*

Emma Reekie  
Partner  
Melbourne  
30 September 2024