

L1 Capital UK Residential Property Fund II

ARSN 625 710 803

Annual report For the year ended 30 June 2023

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

The Responsible Entity of L1 Capital UK Residential Property Fund II 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 II (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2023.

Principal activities

The Fund invests in residential property in the United Kingdom through its investment in the L1 UK Property Trust 2A (the "Sub-Trust") in accordance with the Product Disclosure Statement, 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
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)

Review and results of operations

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

The Fund's performance for the year ended 30 June 2023 was 4.91% (2022: 6.95%). 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 2023	30 June 2022
Profit/(loss) before finance costs attributable to unit holders for the year (£'000)	1,259	1,666

There were no distributions declared for the years ended 30 June 2023 and 30 June 2022.

Significant changes in the state of affairs

David B Warren was appointed as a Director of Equity Trustees Limited on 6 March 2023.

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 matter or circumstance has arisen since 30 June 2023 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, 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 regards 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.

Directors' report (continued)

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 14 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.



Philip D Gentry
Chairman

Melbourne
28 September 2023



**Building a better
working world**

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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 II

As lead auditor for the audit of the financial report of L1 Capital UK Residential Property Fund II for the financial year ended 30 June 2023, 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

Ernst & Young

Rohit Khanna

Rohit Khanna

Partner

Sydney

28 September 2023

Statement of comprehensive income

	Notes	Year ended	
		30 June 2023 £'000	30 June 2022 £'000
Investment income			
Distribution income		828	-
Interest income from financial assets at amortised cost		-	9
Net foreign exchange gains/(losses)		(14)	9
Net gains/(losses) on financial instruments at fair value through profit or loss		949	1,521
Reversal of performance fees	14(g)	-	546
Total investment income/(loss)		1,763	2,085
Expenses			
Management fees and costs		273	249
Professional fees		21	35
Interest expenses		5	-
Foreign tax expenses/(refund)		205	130
Other expenses		-	5
Total expenses		504	419
Profit/(loss) before finance costs attributable to unit holders for the year		1,259	1,666
Finance costs attributable to unit holders			
(Increase)/decrease in net assets attributable to unit holders	7	(1,259)	(1,666)
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 2023 £'000	30 June 2022 £'000
Assets			
Current assets			
Cash and cash equivalents	9	14	7
Receivables	11	17	15
Distributions receivable		828	-
Due from related parties	14(f)	-	130
Total current assets		859	152
Non-current assets			
Financial assets at fair value through profit or loss	5	27,039	26,090
Total non-current assets		27,039	26,090
Total assets		27,898	26,242
Liabilities			
Current liabilities			
Payables	12	588	602
Due to related parties	14(f)	411	-
Total current liabilities		999	602
Total liabilities (excluding net assets attributable to unit holders)		999	602
Net assets attributable to unit holders – liability		26,899	25,640

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

Statement of changes in equity

	Year ended	
	30 June 2023 £'000	30 June 2022 £'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)	<u>-</u>	<u>-</u>
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year*	<u>-</u>	<u>-</u>

*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.

Statement of cash flows

	Notes	Year ended	
		30 June 2023 £'000	30 June 2022 £'000
Cash flows from operating activities			
Distributions received		-	631
Management fees and costs paid		(449)	(41)
Foreign taxes paid		(34)	-
Other expenses paid		(32)	(38)
Net cash inflow/(outflow) from operating activities	10(a)	<u>(515)</u>	<u>552</u>
Cash flows from financing activities			
Distributions paid to unit holders		-	(341)
Advances from/(to) related parties		536	(217)
Net cash inflow/(outflow) from financing activities		<u>536</u>	<u>(558)</u>
Net increase/(decrease) in cash and cash equivalents		21	(6)
Cash and cash equivalents at the beginning of the year		7	4
Effect of foreign currency exchange rate changes on cash and cash equivalents		(14)	9
Cash and cash equivalents at the end of the year	9	<u>14</u>	<u>7</u>

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

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1 General information

These financial statements cover L1 Capital UK Residential Property Fund II (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 20 April 2018 registered with the Australian Securities and Investments Commission on 1 May 2018. The Fund commenced operations on 1 August 2018 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 2A (the "Sub-Trust") in accordance with the Product Disclosure Statement, 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 significant 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, 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. 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 financial assets at fair value through profit or loss.

iii. New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

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 2023 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*

- *Financial assets*

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 Product Disclosure Statement and Information Memorandum.

The Fund's investments are classified 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 Product Disclosure Statement and 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 significant 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 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, due to related parties and receivables are carried at amortised cost.

iv. Impairment

At each reporting date, the Fund shall estimate a measure the loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents 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. 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.

2 Summary of significant accounting policies (continued)

b. Financial instruments (continued)

vi. *Investment entity subsidiaries*

In accordance with the Fund's Product Disclosure Statement and Information Memorandum dated 28 May 2018 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 as an investment entity and is, therefore, exempt from preparing consolidated financial statements.

c. 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.

d. 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.

e. Investment 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. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities measured at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense 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.

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.

ii. *Distribution income*

Sub-Trust distributions are recognised on an entitlement basis.

f. Expenses

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

i. *Management fees and costs*

Management fees and costs covers certain ordinary expenses such as Responsibility Entity fees, investment management fees, custodian fees, and administration and audit fees and other operating expense.

2 Summary of significant accounting policies (continued)

g. 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 the actual tax withheld 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.

h. Distributions

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

i. 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.

j. 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 which is due to changes in foreign exchange rates. Such fluctuations are included in net gains/(losses) on financial instruments at fair value through profit or loss.

k. Receivables

Receivables may include amounts for interest and sub-trust distributions. Sub-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).

2 Summary of significant accounting policies (continued)

l. Payables

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

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

m. 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 and Information Memorandum, may allow transfers of units.

n. 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 previously qualified 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.

o. Use of estimates and judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current financial year and next financial year. Estimates 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.

The only financial assets at fair value through profit or loss currently held by the Fund are units in the Sub-Trust which has been measured at its audited net asset value. The auditor's report on the financial statements of the Sub-Trust is unmodified for the year ended 30 June 2023.

p. 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.

q. 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 interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement, 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 Product Disclosure Statement and 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 2023, 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 manager 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 Sub-Trust holding derivative contracts borrowing Pound sterling to purchase and hold Australian dollars in an amount approximately equivalent to the initial exposure the Hedged Class had to the 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% (2022: +/-10%).

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 regular basis.

3 Financial risk management (continued)

a. Market risk (continued)

ii. Foreign exchange risk (continued)

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% (2022: +/-10%) against the material 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 period.

	As at	
	30 June 2023 £'000	30 June 2022 £'000
Cash and cash equivalents	14	7
Receivables	8	4
Distributions receivable	828	-
Due from related parties	-	130
Payables	(76)	(34)
Financial assets at fair value through profit or loss	27,039	26,090
Net exposure	27,813	26,197

iii. 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
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	14	-	-	14
Receivables	-	-	17	17
Distributions receivable	-	-	828	828
Financial assets at fair value through profit or loss	-	-	27,039	27,039
Total financial assets	14	-	27,884	27,898
Financial liabilities				
Payables	-	-	588	588
Due to related parties	411	-	-	411
Total financial liabilities	411	-	588	999
Net exposure	(397)	-	27,296	26,899

3 Financial risk management (continued)

a. Market risk (continued)

iii. Interest rate risk (continued)

	Floating interest rate £'000	Fixed interest rate £'000	Non- interest bearing £'000	Total £'000
As at 30 June 2022				
Financial assets				
Cash and cash equivalents	7	-	-	7
Receivables	-	-	15	15
Due from related parties	-	-	130	130
Financial assets at fair value through profit or loss	-	-	26,090	26,090
Total financial assets	<u>7</u>	<u>-</u>	<u>26,235</u>	<u>26,242</u>
Financial liabilities				
Payables	-	-	602	602
Total financial liabilities	<u>-</u>	<u>-</u>	<u>602</u>	<u>602</u>
Net exposure	<u>7</u>	<u>-</u>	<u>25,633</u>	<u>25,640</u>

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 (2022: +/- 75) 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 operating 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 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 operating profit/net assets attributable to unit holders					
	Price risk		Foreign exchange risk		Interest rate risk	
	+10%	-10%	+10%	-10%	+100bps	-100bps
	£'000	£'000	£'000	£'000	/75bps	/75bps
	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 June 2023	2,704	(2,704)	2,781	(2,781)	(4)	4
As at 30 June 2022	2,609	(2,609)	2,620	(2,620)	-	-

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 2023, 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 considers 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 2023	30 June 2022
Australia and New Zealand Banking Group Limited	AA-	AA-

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 materially 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 2023					
Payables	-	588	-	-	588
Due to related parties	-	411	-	-	411
Net assets attributable to unit holders – liability	-	-	-	26,899	26,899
Contractual cash flows (excluding derivatives)	-	999	-	26,899	27,898
As at 30 June 2022					
Payables	-	602	-	-	602
Net assets attributable to unit holders – liability	-	-	-	25,640	25,640
Contractual cash flows (excluding derivatives)	-	602	-	25,640	26,242

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 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).

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.

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 taking in to account the most recent valuation prepared by an independent, certified valuer.

b. 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 2023.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 30 June 2023				
Financial assets				
Units in L1 UK Property Trust 2A	-	-	27,039	27,039
Total financial assets	<u>-</u>	<u>-</u>	<u>27,039</u>	<u>27,039</u>
As at 30 June 2022				
Financial assets				
Units in L1 UK Property Trust 2A	-	-	26,090	26,090
Total financial assets	<u>-</u>	<u>-</u>	<u>26,090</u>	<u>26,090</u>

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 period.

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

4 Fair value measurement (continued)

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

The following table presents the movement in level 3 instruments for the ended 30 June 2023 by class of financial instrument.

	30 June 2023 Unlisted unit trust £'000	As at 30 June 2022 Unlisted unit trust £'000
Opening balance	26,090	24,569
Gains/(losses) recognised in the statement of comprehensive income	949	1,521
Closing balance	27,039	26,090

i. Valuation inputs and relationships to fair value

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

Description	Fair value £'000	Unobservable inputs	Range of inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
As at 30 June 2023 L1 UK Property Trust 2A	27,039	Sub-Trust's Net Asset Value (NAV) as at 30 June 2023	N/A	Direct
As at 30 June 2022 L1 UK Property Trust 2A	26,090	Sub-Trust's Net Asset Value (NAV) as at 30 June 2022	N/A	Direct

There were no significant inter-relationships between unobservable inputs that materially 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 continue to be measured at fair value through profit or loss for the year ended 30 June 2023.

5 Financial assets at fair value through profit or loss

	30 June 2023 £'000	As at 30 June 2022 £'000
L1 UK Property Trust 2A Unhedged units	18,958	18,178
L1 UK Property Trust 2A Hedged units	8,080	7,911
L1 UK Property Trust 2A Ordinary units	1	1
Total financial assets at fair value through profit or loss	27,039	26,090

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 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/or earning investment income.

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

	As at	
	30 June 2023 £'000	30 June 2022 £'000
L1 UK Property Trust 2A Unhedged units	18,958	18,178
L1 UK Property Trust 2A Hedged units	8,080	7,911
L1 UK Property Trust 2A Ordinary units	1	1
Total financial assets at fair value through profit or loss	27,039	26,090

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 2023, net gains/(losses) incurred on investments in the Schemes were £948,255 (2022: £ 1,520,566) including a foreign exchange gain/(loss) of (£1,772,671) (2022: £1,039,175). The Fund also earned distribution income of £827,859 (2022: £nil) as a result of its interests in the Schemes.

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 year were as follows:

	Year ended		Year ended	
	30 June 2023 Units '000	30 June 2023 £'000	30 June 2022 Units '000	30 June 2022 £'000
Hedged Class				
Opening balance	12,694	7,771	12,694	7,218
Increase/(decrease) in net assets attributable to unit holders	-	139	-	553
Closing balance	12,694	7,910	12,694	7,771
Unhedged Class				
Opening balance	29,253	17,869	29,253	16,756
Increase/(decrease) in net assets attributable to unit holders	-	1,120	-	1,113
Closing balance	29,253	18,989	29,253	17,869
Closing balance	41,947	26,899	41,947	25,640

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.

8 Distributions to unit holders

There were no distributions declared for the years ended 30 June 2023 and 30 June 2022.

9 Cash and cash equivalents

	As at	
	30 June 2023 £'000	30 June 2022 £'000
Cash at bank	14	7
Total cash and cash equivalents	14	7

10 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 2023 £'000	30 June 2022 £'000
Increase/(decrease) in net assets attributable to unit holders	1,259	1,666
Distributions from Sub-Trust	(828)	631
Interest income from financial assets at amortised cost	-	(9)
Interest expense	5	-
Net (gains)/losses on financial instruments at fair value through profit or loss	(949)	(1,521)
Net foreign exchange (gain)/loss	14	(9)
Net change in receivables	(2)	54
Net change in payables	(14)	(260)
Net cash inflow/(outflow) from operating activities	(515)	552

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 10(a) above) represents a non-cash financing cost as it is not settled in cash until such time it becomes distributable.

11 Receivables

	As at	
	30 June 2023 £'000	30 June 2022 £'000
GST receivable	16	15
Other receivables	1	-
Total receivables	17	15

12 Payables

	30 June 2023 £'000	As at	30 June 2022 £'000
Management fees and costs payable	259		435
Other professional fees payable	28		37
Foreign taxes payable	301		130
Total payables	588		602

13 Remuneration of auditors

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

	30 June 2023 \$	Year ended	30 June 2022 \$
Ernst & Young			
<i>Audit and other assurance services</i>			
Audit and review of financial statements	26,400		24,500
Total remuneration for audit and other assurance services	26,400		24,500
<i>Taxation services</i>			
Tax compliance services	17,397		16,258
Total remuneration for taxation services	17,397		16,258
Total remuneration of Ernst & Young	43,797		40,758
PricewaterhouseCoopers			
<i>Audit and other assurance services</i>			
Audit of compliance plan	2,346		2,346
Total remuneration for audit and other assurance services	2,346		2,346
Total remuneration of PricewaterhouseCoopers	2,346		2,346

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

14 Related party transactions

The Responsible Entity of L1 Capital UK Residential Property Fund II 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. 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 year and up to the date of this report.

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)

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 material contract with the Fund during the financial period and there were no material contracts involving management personnel's interests existing at period end.

14 Related party transactions (continued)

f. Other related parties

Due from/(to) L1 UK Property Trust 2A relates to expenses paid by/(paid for) the Fund. At 30 June 2023 and 30 June 2022, the amounts due from/(to) related parties are summarised below.

	30 June	As at
	2023	30 June
	£'000	2022
		£'000
Due from/(to) L1 UK Property Trust 2A	<u>(411)</u>	<u>130</u>
Total due from/(to) related parties	(411)	130

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

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

	Year ended	
	30 June	30 June
	2023	2022
	£	£
Responsible Entity fees for the year	49,077	15,956
Management fees for the year	186,731	192,402
Management fees rebate for the year	(9,304)	(6,751)
Performance fees for the year	-	(546,241)
Responsible Entity fees payable at year end	47,330	12,185
Management fees payable at year end	205,404	427,320
Management fees rebate receivable at year end	(10,432)	(17,795)

Under the terms of the Fund's Constitution, Information Memorandum 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, administration and audit fees) paid to other unrelated parties. Please refer to the Product Disclosure Statement and 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 recorded by the Sub-Trust as expense reimbursements during the year.

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

15 Unconsolidated subsidiaries

Subsidiary name	Principal place of business	Ownership interest	
		30 June	30 June
		2023	2022
L1 UK Property Trust 2A	United Kingdom	99.99%	99.99%

15 Unconsolidated subsidiaries (continued)

Restrictions

The subsidiary received 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.

16 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 2023 or on the results and cash flows of the Fund for the period ended on that date.

17 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 44% (2022: 26%) 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). 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 2023. Accordingly, these reports have formed the basis of management's update of investment property valuations for 30 June 2023.

At 30 June 2023, 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 Responsible Entity 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 28 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 2023 and of its performance for the 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.

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.



Philip D Gentry
Chairman

Melbourne
28 September 2023



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Independent Auditor's Report to the Unitholders of L1 Capital UK Residential Property Fund II

Opinion

We have audited the financial report of L1 Capital UK Residential Property Fund II (the "Fund"), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the for the year then ended, notes to the financial statements, including a summary of significant accounting policies, 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 2023 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 for the Audit of the Financial Report* 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 Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 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.



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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 for the Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors 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 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.



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- ▶ Conclude on the appropriateness of the directors' 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 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.

A handwritten signature in grey ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in grey ink that reads "Rohit Khanna".

Rohit Khanna
Partner
Sydney
28 September 2023