US Masters Residential Property Fund

ARSN 150 256 161

Annual Report

For the year ended 31 December 2019

Responsible Entity:

WALSH & COMPANY
INVESTMENTS LIMITED

ACN 152 367 649 | AFSL 410 433

Photo of Jersey City boardwalk

Interior photo of a property in the Fund's portfolio, Coles Street, Jersey City

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Chairman's Letter

For the year ended 31 December 2019

Dear Unitholders,

As the newly appointed Independent Chairman for the Responsible Entity, I welcome you to the Annual Report for the US Masters Residential Property Fund (the **Group** or **Fund**) for the financial year ended 31 December 2019.

The 2019 calendar year was unquestionably a disappointing one for the Fund. Weakness in the New York metropolitan area residential housing market, write-downs to four large-scale renovation projects, and write-downs to the Fund's multi-family properties following legislative changes all resulted in the Fund incurring significant losses during calendar 2019. More broadly, performance of the Fund during implementation of the renovation phase has not been satisfactory.

In response to this, during 2019 the Fund announced a number of changes aimed at improving performance, including:

- Change in management and the appointment of Brian Disler and Kevin McAvey as Co-Heads on 1 August 2019.
- Initiating a program to commence selling properties to pay back URF Notes II and Notes III.
- Introducing a series of cost-saving initiatives, including reduced headcount, office relocation, and a range of operational improvements.

In addition, my fellow Independent Director, Peter Shear, and I were also appointed to the Board in December.

While there are no shortcuts to turning around the Fund's performance, the new management team has — in a short period of time — already made concrete steps to improve the operational performance of the Fund and reposition it for future success. Peter and I, along with existing Board members Warwick Keneally and Mike Adams, all endorse the changes that are being made. More details on these initiatives are included in the following Chief Executive Officers' Report.

It is worth noting that these changes have only been in place for a few months, and their impact on the 2019 accounts is therefore modest. Despite this, we believe these initiatives are positioning the Fund for more favourable returns throughout 2020 and beyond.

Despite the difficult year, I would like to reiterate the high-quality portfolio of assets that the Fund owns, a selection of which I have personally inspected on several occasions. Highly rentable assets within easy commuting distance to New York City underpin a solid base for the Fund's operations, and I look forward to working with investors, the new management team, and my fellow Board members to reposition the structure and operations of the Fund as outlined in the Chief Executive Officers' Report. We appreciate investors' patience during this restructuring period.

Yours faithfully,

Stuart Nisbett
Independent Chairman
Walsh & Company Investments Limited (Responsible Entity)

Chief Executive Officers' Report

For the year ended 31 December 2019

Dear Unitholders,

The 2019 calendar year was a challenging one for the Fund, featuring difficult macroeconomic conditions for New York metropolitan real estate, overlaid with Fund-specific challenges.

Key property markets in which the Fund is invested experienced weak conditions, brought about by regulatory changes and a significant supply of properties coming to market, creating a buyer's market. As foreshadowed in the Fund's January 2020 Update for the Fund, this market weakness translated to a A$150 million reduction in the recorded valuations on 1-4 family portfolio assets over the full 2019 period. Of this reduction, A$24 million was previously recorded in the Fund's 30 June 2019 accounts, alongside a A$4.7 million impairment on the value of the Fund's NY multi-family joint venture assets. Broad market movements will always influence the Fund's returns, and over time we believe that they will be a positive contributor to investor returns, however for 2019 these market movements were the foremost negative factors in the Fund's financial performance. Including these reduced valuations, the Fund recorded a A$150.8 million comprehensive loss for the year. At balance date, the pre-tax Net Asset Value (**NAV**)[1] was $1.06 per unit and the post-tax NAV was $0.95 per unit (post balance date the updated pre-tax NAV at 31 January 2020 was $1.16 per unit and the post-tax NAV was $1.04 per unit).

Despite these challenges, the Fund made good progress on a number of initiatives:

1. **Renovations** – The Fund's renovation pipeline started 2019 with 26 projects underway. Over the course of the year this has reduced to six remaining projects, all of which are anticipated to be completed in the first half of 2020. This is a vital step to reaching a fully stabilised (income-generating) portfolio of assets.
2. **Cost management** – Significant steps have been implemented to reduce the expenses incurred by the Fund. Since the new management team was appointed in August, URF's office has been moved from New York City to a more cost-effective location in New Jersey. Headcount has been reduced by approximately 46%, and this contributed to a A$1.2 million reduction in staffing costs for 2019. Staffing costs are expected to result in further savings for the full calendar year 2020, as the 2019 savings were only realised in the last few months of the year. Additionally, a number of operational changes have been enacted to reduce property-level costs (such as renegotiating vendor arrangements, internalising repair and maintenance actions, and on-charging certain costs to tenants).
3. **Debt structure** – A key priority for the Fund is the repayment of URF Notes II (ASX: URFHB) and URF Notes III (ASX: URFHC). Since August, A$68 million of URFHB has been repaid, and we are committed to the full repayment of both URFHB and URFHC prior to their respective maturity dates. We were pleased to announce that the Fund will repay the remaining A$22.6 million balance of URFHB at the next Notes repayment period in March 2020. This Notes repayment plan will not only reduce the Fund's level of gearing (which improves cash flow and reduces NAV volatility), but also reduces the Fund's exposure to movements in the AUD/USD exchange rate. The Fund's long-term gearing target is 35-40% (currently 53%), with this debt to be held entirely within senior lender debt facilities.

1 NAV figure is the total assets of the Fund, less all bank debt, URF Notes, and convertible step-up preference units, as well as working capital adjustments and tax.

4. **Investments** – The repayment of Notes debt is being significantly funded via an asset sales program, with a focus of selling lower-yielding assets to repay these relatively high-cost Notes debt tranches. It is envisaged that this process will continue over a total period of two years and involve the sale of US$200-US$250 million of assets from the 1-4 family townhouse portfolio. This selling program is an opportunity to realign the portfolio towards a heavier weighting of higher-yielding Workforce assets. Premium assets still have their place in the Fund's portfolio and will likely experience asset growth over time, however the Fund is currently overweight in this exposure. Since this sales program was announced in June 2019, at 31 December 2019 US$26 million in sales have been closed from the 1-4 family portfolio. Post balance date a further US$5.2 million in sales have been closed from the 1-4 family portfolio, with a further US$61 million of assets currently under contract or with an accepted offer.

   In addition to the 1-4 family portfolio sales, the investment properties owned by the Golden Peak II joint venture entity were sold in December 2019, for a gross sales price of US$65 million (the Fund's economic interest in this joint venture was 67.5%). Following the sale of these properties (which were held via a special purpose joint venture investment vehicle with Urban American), URF received cash distributions totalling US$22.7 million throughout December 2019, with a further US$3.3 million received during January 2020. It is anticipated that the Group will receive approximately US$250,000 in additional distributions from the joint venture entity over the course of 2020 as this special purpose investment vehicle is dissolved (more detail on the Fund's joint venture investments can be found in Note 8 to the Financial Statements).

The Fund's remaining multi-family joint-venture investments with Urban American now consist of 174 units across two properties in Upper Manhattan and two in Astoria (all within New York City). During the year, the Fund received dividends totalling A$327,195 (up from A$239,090 in 2018), all of which were generated by the Astoria properties. No cash dividends have been received from either of the Upper Manhattan investment vehicles, which together represent approximately 1.3% of the Fund's assets by value. These Upper Manhattan properties were purchased with the initial intention of executing a renovation program to increase the rental yields of the underlying units, a significant number of which are rent stabilised. However, the ability to execute a value adding renovation program has been limited by the legislative changes enacted in June 2019. We will continue to monitor the investments and consider the best future strategies in relation to these assets.

Rental revenue from the 1-4 family townhome portfolio continued to grow throughout 2019, ending the year at US$33.6 million. This equates to an increase of 20% on 2018's result in US dollar terms, and a 29% increase in Australian-dollar terms — this currency differential is due to favourable average currency levels throughout the year. This success was driven by a continued focus on tenant retention as well as successful leasing of new properties coming online from the renovation pipeline. Over the course of the year the Fund renewed leases with existing tenants at an average rental increase of 3.6%. For properties where tenants did vacate, an average increase of 3% on the previous lease prices was achieved. In addition, as new units were added to the leasing pool from the construction pipeline, the Leasing team was actively working with prospective tenants to secure leases prior to work being completed to minimise vacancies and to lock in new property revenue streams for the Fund.

This revenue growth underpinned a 34% increase in the Fund's Net Operating Income (**NOI**) compared to 2018 in US dollar terms (44% increase in Australian dollar terms). Given that the Fund has embarked on a sales program, it is anticipated that the Fund's gross rental revenue and NOI will decrease as the sales program continues to be executed and the portfolio reduces in size. As such, it will be relevant to focus on movements in the Fund's same-store stabilised NOI yield — being NOI generated by rent-ready properties, divided by the value of those properties. In 2019 the stabilised NOI yield increased from 2.1% to 3.0% (both calculated based on 2019's asset values to control for the impact of changes in property values). This is a key operational metric, and one that we continue to focus on as we move to a fully stabilised portfolio running as efficiently as possible. With the portfolio now largely leased, we anticipate that future improvements in this metric will be achieved via continued rental growth alongside reductions in property-level expenses. A continued focus on maximising NOI (while simultaneously reducing debt and accompanying interest expenses) will be integral during the Fund's transition, with the Fund's goal being to realise an NOI yield in excess of 3.25% at the conclusion of the sales program.

General and Administrative expenses were largely flat year-on-year; however this understates operational improvements that have already been made. For 2019 a number of non-cash items associated with the Fund's office move were recorded as losses. Specifically, anticipated losses associated with the expected sublease of the old New York office led to a A$2.5 million write down. Upon successful sublet of the New York office space the cost savings from the office relocation will become apparent. In addition, the Investment Manager has agreed to waive the debt arranging fee with effect from 1 July 2019 for an indefinite period, allowing us to keep costs down as we work to reduce the Fund's interest expense. We have set a target of reducing these expenses by A$6 million compared to 2019 figures.

The Fund's focus on debt management has seen the overall interest expense fall from A$54 million in 2018 to A$49 million in 2019. These figures are inclusive of both capitalised and uncapitalised interest (due to accounting requirements, the Fund's Profit & Loss statement shows only uncapitalised interest — a detailed breakdown can be found in Note 9 to the Financial Statements). We expect this total interest cost to continue to reduce throughout 2020 as the Fund sells properties and delevers the portfolio, particularly in relation to the Notes.

We want to acknowledge the trust that investors have placed in the management team. We will continue to work diligently to maximise the Fund's position to facilitate positive future returns. We thank investors for their continued support as we push forward in repositioning the Fund and making the required changes to achieve this goal. We are excited about the future for the Fund and look forward to implementing the initiatives that have been set.

Yours faithfully,

Brian Disler & Kevin McAvey
Co-CEO's US REIT

Photo of Columbia University in the city of New York

Corporate Governance Statement

Interior photo of a property in the Fund's portfolio, Bradhurst Avenue, Harlem

Corporate Governance Statement

For the year ended 31 December 2019

US Masters Residential Property Fund (**the Fund**) and the entities it controls (**the Group**) is a listed managed investment scheme whose units are traded on the Australian Securities Exchange (**ASX**). The responsible entity of the Group is Walsh & Company Investments Limited (**Walsh & Co**) (**Responsible Entity**).

The directors of the Responsible Entity (**Board**) recognise the importance of good corporate governance.

The Group's Corporate Governance Charter, which incorporates the Group's policies referred to below, is designed to ensure the effective management and operation of the Group and will remain under regular review. The Corporate Governance Charter is available on the Group's website **usmastersresidential.com.au.**

A description of the Group's adopted practices in respect of the eight Principles and Recommendations from the Third Edition of the *ASX Corporate Governance Principles and Recommendations* (**ASX Recommendations**) is set out below. All these practices, unless otherwise stated, were in place throughout the year and to the date of this report.

1. Lay solid foundations for management and oversight

Board Roles and Responsibilities

The Board is responsible for the overall operation, strategic direction, leadership and integrity of the Group and in particular, is responsible for the Group's growth and success. In meeting its responsibilities, the Board undertakes the following functions:

- Providing and implementing the Group's strategic direction
- Reviewing and overseeing the operation of systems of risk management ensuring that the significant risks facing the Group are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with
- Overseeing the integrity of the Group's accounting and corporate reporting systems, including the external audit
- Ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance
- Reviewing and overseeing internal compliance and legal regulatory compliance
- Ensuring compliance with the Group's constitution and with the continuous disclosure requirements of the A*SX Listing Rules and the Corporations Act 2001 (Cth)* (**Corporations Act**)
- Overseeing the Group's process for making timely and balanced disclosures of all material information concerning the Group, and
- Communicating with and protecting the rights and interests of all unitholders.

The Board of the Responsible Entity has established a formal policy which sets out its functions and responsibilities (**Board Policy**). The Board Policy is set out in section 2 of the Corporate Governance Charter.

Subject to legal or regulatory requirements and the Group's constitution, the Board may delegate any of the above powers to individual directors or committees of the Board. Any such delegation shall be in compliance with the law and the Group's constitution.

2. Structure the Board to add value

Board Composition

The composition of the Board is structured to maintain a mix of directors from different backgrounds with complementary skills and experience. Details of each director at the date of this report are given in the Directors' Report, including the period in office, skills, experience, and expertise relevant to the position of director.

The directors of the Responsible Entity during the 2019 financial year and as at the date of this report are:

Stuart Nisbett – Independent, Non-Executive Chairperson (appointed on 19 December 2019)

Alex MacLachlan – Non-Independent, Executive Chairperson (resigned on 19 December 2019)

Warwick Keneally – Non-Independent, Executive Director

Mike Adams – Non-Independent, Non-Executive Director

Peter Shear – Independent, Non-Executive Director (appointed on 19 December 2019).

The company secretaries of the Responsible Entity during the 2019 financial year and as at the date of this report are:

Hannah Chan

Caroline Purtell

The Board of Directors work closely with the Compliance Committee, the majority of whom are independent of the Group, to ensure adequate independent oversight.

Having regard to the size of the Group and the nature of its business, the Board has determined that a Board with four members is the appropriate composition for the Board and will enable it to continue to effectively discharge its responsibilities to the Group. However, the composition of the Board will be reviewed periodically.

The current Board comprises two independent directors, Stuart Nisbett and Peter Shear and two non-independent directors, Warwick Keneally and Mike Adams with the Independent Chairperson holding the casting vote. The Board however has established a Compliance Committee with a majority of Independent members who are responsible for monitoring the extent to which the Responsible Entity complies with the Group's relevant regulations, compliance plan and constitution. The Compliance Committee are responsible for reporting the findings to the Board. The Compliance Committee will report to ASIC if it is of the view that the Responsible Entity has not complied with the Compliance Plan or any relevant laws, and it will assess at regular intervals whether the Group's compliance plan is adequate, and make recommendations to the Responsible Entity about any changes that the Compliance Committee considers should be made to the compliance plan.

The Group recognises the ASX Recommendations with respect to establishing remuneration and nomination committees as good corporate governance. However, considering the size and structure of the Group, the functions that would be performed by these committees are best undertaken by the Board.

The Board will review its view on committees in line with the ASX Recommendations and in light of any changes to the size or structure of the Group, and if required may establish committees to assist it in carrying out its functions. At that time the Board will adopt a charter for such committees in accordance with the ASX Recommendations and industry best practices.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with the requirements of the ASX Listing Rules and the Corporations Act. In accordance with the Corporate Governance Charter, directors are entitled to seek independent advice at the expense of the Group. Written approval must be obtained from the chair prior to incurring any expense on behalf of the Group.

3. Promote ethical and responsible decision-making

Code of Conduct

The Board of the Responsible Entity has adopted a Code of Conduct set out in Section 5 of the Corporate Governance Charter to define basic principles of business conduct of the Fund and the Responsible Entity. This Code requires the Fund's personnel to abide by the policies of the Fund and to the law. The Code is a set of principles giving direction and reflecting the Fund's approach to business conduct and is not a prescriptive list of rules for business behaviour.

Unit Trading Policy

The Board of the Responsible Entity has established a Unit Trading Policy set out in Section 6 of the Corporate Governance Charter to apply to trading in the Group's units on the ASX. This policy outlines the permissible dealing of the Group's units while in possession of price-sensitive information and applies to all directors, executives and relevant employees of the Responsible Entity.

The Unit Trading Policy places restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

Insider Trading Policy

The Board of the Responsible Entity has established an Insider Trading Policy set out in Section 7 of the Corporate Governance Charter to apply to trading in the Group's units on the ASX. This policy applies to all directors, executives and relevant employees of the Responsible Entity. All directors, executives and relevant employees of the Responsible Entity must not deal in the Group's units while in possession of price-sensitive information.

4. Safeguard integrity in financial reporting

Compliance Committee

As a registered managed investment scheme, the Group has a compliance plan that has been lodged with the Australian Securities and Investments Commission (**ASIC**). The compliance plan is reviewed comprehensively every year to ensure that the way in which the Group operates protects the rights and interests of unitholders and that major compliance risks are identified and properly managed. The Responsible Entity has formed a Compliance Committee to ensure the Group complies with the relevant regulations, its compliance plan and its constitution. The Compliance Committee meets and reports to the Board of the Responsible Entity on a quarterly basis.

The Compliance Committee is structured with three members, the majority of which are external. Details of the Compliance Committee members are as follows:

Claire Wivell Plater (External Member)
(Chairperson)

Claire Wivell Plater LLB., GAICD is a non-executive director and strategic adviser, with 40 years' experience as a financial services and regulatory lawyer with The Fold Legal and Phillips Fox (now DLA Piper). Claire currently chairs the boards of The Fold Legal and StatePlus (from April 2020) and is a director of Athena Mortgage Pty Ltd. She sits on advisory boards to a number of startups including, Ignition Wealth Pty Ltd, Snug Technologies Pty Ltd and Emotional Fitness.

Barry Sechos (External Member)

Barry is one of two external members of the Compliance Committee. Barry is a member of the Compliance Committee for the New Energy Solar Fund, the Australian Governance & Ethical Index Fund, the Evans & Partners Global Disruption Fund, the Evans & Partners Australian Flagship Fund, the Evans & Partners Asia Fund, the Evans & Partners Global Flagship Fund, the Cordish Dixon Private Equity Fund Series, the Venture Capital Opportunities Fund, the

Fort Street Real Estate Capital Fund Series and the US Masters Residential Property Fund. Barry is a Director of Sherman Group Pty Limited, a privately owned investment company, and is responsible for managing the legal, financial and operational affairs of Sherman Group of companies. Barry has 31 years experience in corporate law and finance having spent seven years as a banking and finance lawyer at Allen Allen & Hemsley (Sydney, Singapore and London), and eight years as a Director of EquitiLink Funds Management and Aberdeen Asset Management Australia. Barry is also a director of Paddington St Finance Pty Ltd, a specialist structured finance company, See Saw Films, a film production and finance group and winner of the 2011 Academy Award for Best Picture, Concentrated Leaders Fund Limited, an investment company listed on the ASX, Regeneus Limited, an ASX listed biotech company and a director of the Sherman Centre for Culture and Ideas, a charitable cultural organisation.

Mike Adams (Internal Member)

Refer to information on directors on page 10.

Audit Committee

The Group has established an Audit Committee. The members of the Audit Committee during the year were:

Warwick Keneally (Internal Member)

Barry Sechos (External Member) **(Chairperson)**

Claire Wivell Plater (External Member)

The chairperson of the Audit Committee is an external member and is not the chairperson of the Board. The Audit Committee consists of two external members and one internal member. The primary function of the Audit Committee is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the following areas:

- Application of accounting policies to the Group's financial reports and statements
- Monitoring the integrity of the financial information provided to security holders, regulators and the general public
- Corporate conduct and business ethics, including Auditor independence and ongoing compliance with laws and regulations
- Maintenance of an effective and efficient audit
- Appointment, compensation and oversight of the external Auditor, and ensuring that the external Auditor meets the required standards for Auditor independence
- Regularly monitoring and reviewing corporate governance policies and codes of conduct.

The Audit Committee meets a minimum of two times a year. Proceedings of all meetings are minuted and signed by the chairperson of the Audit Committee. Copies of the minutes are provided to each member of the Board. The Audit Committee's Charter is available on the Group website.

5. Making timely and balanced disclosure

The Group is committed to complying with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules, releasing relevant information to the market and unitholders in a timely and direct manner and to promoting investor confidence in the Group and its securities. The Board has adopted a Continuous Disclosure Policy set out in Section 4 of the Corporate Governance Charter to ensure the Group complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. The policy administered by the Board is as follows:

- The Board is involved in reviewing significant ASX announcements and ensuring and monitoring compliance with this policy
- The Company Secretary is responsible for the overall administration of this policy and all communications with the ASX, and
- Senior management of the Responsible Entity is responsible for reporting any material price-sensitive information to the Company Secretary and observing the Group's no comments policy.

6. Respect the rights of unitholders

Rights of unitholders

The Group promotes effective communication with unitholders. The Board of Directors has developed a strategy within its Continuous Disclosure Policy to ensure that unitholders are informed of all major developments affecting the Group's performance, governance, activities and state of affairs. Each unitholder is also provided online access to the Registry to allow them to receive communications from, and send communication to, the Responsible Entity and the Registry. This also includes using a website to facilitate communication with unitholders via electronic methods. Information is communicated to unitholders through announcements to the ASX, releases to the media and dispatch of financial reports. Unitholders are provided with an opportunity to access such reports and releases electronically; copies of all such ASX announcements are linked to the Group's website **www.usmastersresidential.com.au.**

These include:

- weekly net asset value estimates
- monthly net tangible asset backing announcements
- quarterly investment updates
- monthly property purchasing updates
- the half-year report
- the full-year report
- occasional ASX announcements made to comply with the Group's continuous disclosure requirements, and
- occasional correspondence sent to unitholders on matters of significance to the Group.

The Board encourages full participation of unitholders at the general meetings to ensure a high level of accountability and identification with the Group's strategy. Unitholders who are unable to attend the general meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting.

7. Recognise and manage risk

The Board has accepted the role of identifying, assessing, monitoring and managing the significant areas of risk applicable to the Group and its operations. The Board has established an Audit Committee to deal with these matters. The Board also monitors and appraises financial performance, including the approval of annual and half-year financial reports and liaising with the Group's auditors.

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes, the Responsible Entity has adopted a Risk Management Framework. The Board conducts an annual review of the Risk Management Framework to satisfy itself that the Risk Management Framework continues to be sound. The Risk Management Framework was last reviewed on 16 December 2019.

The Board is responsible for maintaining proper financial records. In addition, the Board receives a letter half yearly from the Group's external auditor regarding their procedures and reporting that the financial records have been properly maintained and the financial statements comply with the Australian accounting standards (**Accounting Standards**).

The Responsible Entity provides declarations required by Section 295A of the Corporations Act for all financial periods and confirms that in its opinion the financial records of the Group have been properly maintained and that the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view of the financial position and performance of the Group, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Group's external auditor. Details of the Group's financial risk management are set out in the notes to the financial statements in the Annual Report.

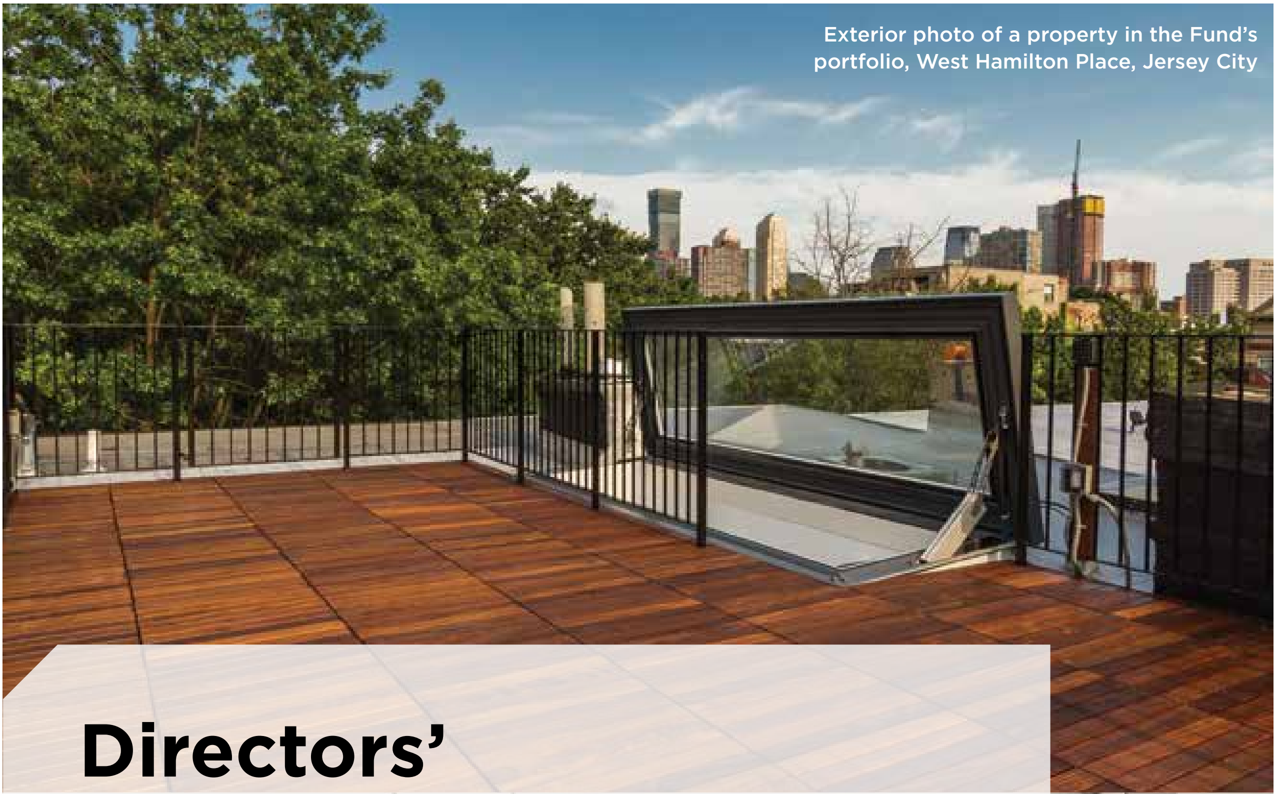
8. Remunerate fairly and responsibly

Remuneration Policies

Due to the relatively small size of the Group and its operations, the Board does not consider it appropriate at this time to form a separate committee to deal with the remuneration of the directors.

No director receives any direct remuneration from the Group.

In accordance with the Group's constitution, the Responsible Entity is entitled to a management fee for services rendered. Details of the Group's related party transactions are set out in the notes to the financial statements in the Annual Report.



Exterior photo of a property in the Fund's portfolio, West Hamilton Place, Jersey City

Directors' Report

Interior photo of a property in the Fund's portfolio. West Hamilton Place, Jersey City

Directors' Report

For the year ended 31 December 2019

The directors of Walsh & Company Investments Limited, the Responsible Entity of US Masters Residential Property Fund (**the Fund**) present their report together with the consolidated financial statements of the Fund and the entities it controlled (**the Group**) for the financial year ended 31 December 2019.

The Responsible Entity's registered office and principal place of business is Level 15, 100 Pacific Highway, North Sydney, NSW 2060.

Directors

The directors of the Responsible Entity at any time during or since the end of the financial year are shown below. Directors were in office to the date of the report unless otherwise stated.

Stuart Nisbett BCom, MCom (UNSW)

Chairman (appointed on 19 December 2019)

Stuart is currently Executive Director and Principal at Archerfield Capital Partners, a boutique corporate advisory firm specialising in real estate, which he established in 2008. He has more than 30 years' experience in property development, property funds management, equity and debt raising, corporate advisory and project finance.

Previously, Stuart was Executive Director, Head of Property Funds at ANZ Investment Bank. He was also the Managing Director, Head of Property Banking & Property Investment Banking at N M Rothschild & Sons (Australia) Limited. Stuart has also held senior roles at director level at Macquarie Bank Property Investment Banking Division and at Lend Lease Corporation in its development and commercial asset management divisions.

Stuart is a Chartered Accountant and holds a Bachelor of Commerce with Merit and Master of Commerce from the University of NSW. In 2005 he was appointed a Fellow of the Australian Property Institute.

Alex MacLachlan BA, MBA

Chairman (resigned effective 19 December 2019)

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division, which later became Walsh & Company. From funds under management of under $100 million at the time of his start, Alex has grown Walsh & Company Group to over $5 billion of assets under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy. Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than $100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Alex has a Bachelor of Arts from Cornell University and a Master of Business Administration from The Wharton School, University of Pennsylvania.

Mike Adams BLaws

Director

Mike has extensive experience across a broad range of corporate, commercial and private client sectors. His core practice areas involve the provision of advice and transactional expertise in relation to new and existing retail financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and film and television media law among others. Mike has previously worked in private practice, public sector and in-house roles in Australia, New Zealand and the United Kingdom, acting across multiple industries for a variety of clients, including high net worth individuals, banks and financial institutions, as well as numerous listed and unlisted corporate entities. Mike was appointed to the Board of Walsh & Company Investments Limited on 9 July 2018.

Mike is also a director with MA Law, a Sydney-based financial services law firm, and is admitted as a solicitor of the Supreme Court of NSW. He has a Bachelor of Laws from the University of Otago.

Warwick Keneally BCom, BEc, CA

Director

Warwick is Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon Limited. Before joining Walsh & Company, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring and insolvency engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management. Among his former roles, Warwick worked on the initial stages of the HIH insolvency as part of the key management group tasked with the wind-down of the global estate.

Warwick has a Bachelor of Economics and Bachelor of Commerce from Australian National University and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.

Peter Shear BBus, MBA (Exec), GAICD

Director (appointed on 19 December 2019)

Peter has significant expertise in funds management, financial advisory and complex lending arrangements including leveraged finance, property development and debt workout situations. Peter was most recently Co-Managing Partner of Opportunistic Lending and Special Situations at LIM Advisors. Prior to this role, Peter held the positions of Chief Risk Officer and Managing Director & Head of Corporate and Structured Finance at Lloyds Banking Group (and its predecessor HBOS plc) in Australia. Peter was also previously a Partner in Corporate Finance & Restructuring at Ernst & Young.

Peter has a Bachelor of Business from the University of Technology, an Executive MBA from AGSM, is a member of Chartered Accountants Australia and New Zealand, a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.

Principal activities and significant changes in the nature of activities

The principal activity of the Group during the course of the financial year was its continued investment in the US residential property market. The Group invests in freestanding and multi-family properties in the New York metropolitan area, specifically Hudson and Essex counties, New Jersey, and Brooklyn, Manhattan, and Queens, New York. There were no significant changes in the nature of the Group's activities during the year.

Results and review of operations

The Group recorded earnings before interest, tax, currency movements and fair value movement on investment properties of $1.2 million for the year ended 31 December 2019. The comparable figure in 2018 was earnings of $0.7 million. The current year result includes a $10.9 million (29.1%) increase in rental revenue and a reduction in investment property expenses relative to revenue (39.5% in current year compared to 45.7% in prior year).

The Group recorded a pre-tax loss of $188.2 million for the year, or $0.50 basic and diluted loss per unit, and a post-tax loss of $154.5 million, or $0.44 basic and diluted loss per unit. The current year result also includes a fair value decrement on investment properties of $150.1 million (2018: uplift of $2.0 million).

Distributions paid or recommended

A distribution of 5 cents per ordinary unit, totalling $18.4 million, was declared on 16 January 2019. After accounting for the Group's Distribution Reinvestment Plan, $10.2 million was paid on 5 February 2019.

A further distribution of 1 cent per ordinary unit, totalling $3.8 million, was announced on 12 June 2019. After accounting for the Group's Distribution Reinvestment Plan, $2.6 million was paid on 23 August 2019.

In addition, a distribution of $3.15 per Convertible Preference Unit, totalling $6.3 million, was declared in the prior year. After accounting for the Group's Distribution Reinvestment Plan, $3.9 million was paid on 5 February 2019.

A further distribution of $3.10 per Convertible Preference Unit, totalling $6.2 million was declared on 12 June 2019. After accounting for the Group's Distribution Reinvestment Plan, $4.9 million was paid on 23 August 2019.

A further distribution of $3.15 per Convertible Preference Unit, totalling $6.3 million was declared on 12 December 2019. After accounting for the Group's Distribution Reinvestment Plan, $5.2 million was paid on 25 February 2020.

Significant changes in state of affairs

Other than as noted in "Results and Review of Operations", there were no significant changes in the state of affairs of the Group which occurred during the financial year ended 31 December 2019.

After balance date events

A distribution of $3.15 per Convertible Preference Unit totalling $6,270,727 was declared on 12 December 2019 and was paid to unitholders on 25 February 2020. 1,345,971 units were issued under the Group's Distribution Reinvestment Plan.

On 21 February 2020, the Group announced the final repayment of the URF Notes II remaining principal of $25 per note, totalling $22,634,875. The final repayment of the remaining principal is scheduled to be paid on 31 March 2020 plus all interest accrued up to the interest payment date.

Other than the matters discussed above, there has not arisen in the interval between the balance date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Future developments, prospects and business strategies

Details of future developments in the Group are contained in the Chairman's Letter and the Chief Executive Officers' Report included in pages (ii) through (vi). To the extent that the disclosure of information regarding developments in the operation of the Group, and the expected results of those operations is likely to result in unreasonable prejudice to the Group, such information has not been disclosed.

Environmental issues

To the best of the directors' knowledge the USA operations have been conducted in compliance with the environmental regulations existing under the USA federal, state and local legislation.

Beneficial and relevant interest of directors of the Responsible Entity in units

As at the date of this report, details of directors of the Responsible Entity who hold units or notes for their own benefit are listed as follows:

Director	No. of units	No. of notes	No. of CPUs
Stuart Nisbett	18,462	–	–
Mike Adams	–	–	–
Warwick Keneally	22,559	–	250
Peter Shear	–	–	–

Other relevant information

The following is a list of other relevant information required to be reported under the *Corporations Act 2001*:

- fees paid to the Responsible Entity — refer to note 23 to the financial statements
- units held by the directors of the Responsible Entity at the reporting date — refer to note 23 to the financial statements
- capital raisings completed during the financial year — refer to note 17 to the financial statements
- the value of the Group's assets and basis of valuation — refer to Consolidated Statement of Financial Position and note 2 respectively, and
- interests in the Group as at 31 December 2019, including movements in units on issue during the year — refer to note 17 to the consolidated financial statements.

Indemnifying officers or auditor

Under the Fund's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Insurance premiums have been paid, during or since the end of the financial year for all of the directors of the Responsible Entity of the Group. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the Group.

Non-audit services

During the year Deloitte Touche Tohmatsu (**Deloitte**), the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board of the Responsible Entity has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor, and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, Deloitte, and its related practices for audit and non-audit services provided during the year are set out in note 27.

Auditor's independence declaration

The auditor's independence declaration is set out on page 15 and forms part of the directors' report for the financial year ended 31 December 2019.

Signed in accordance with a resolution of the Directors:

Stuart Nisbett
Director

Dated this 26th day of February 2020

Auditor's Independence Declaration

For the year ended 31 December 2019

Deloitte.

Deloitte Touche Tohmatsu
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Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Walsh & Company Investments Limited
as Responsible Entity for
US Masters Residential Property Fund
Level 15, 100 Pacific Highway
North Sydney NSW 2060

26 February 2020

Dear Board Members

Auditor's Independence Declaration to US Masters Residential Property Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity of US Masters Residential Property Fund.

As lead audit partner for the audit of the financial statements of US Masters Residential Property Fund for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

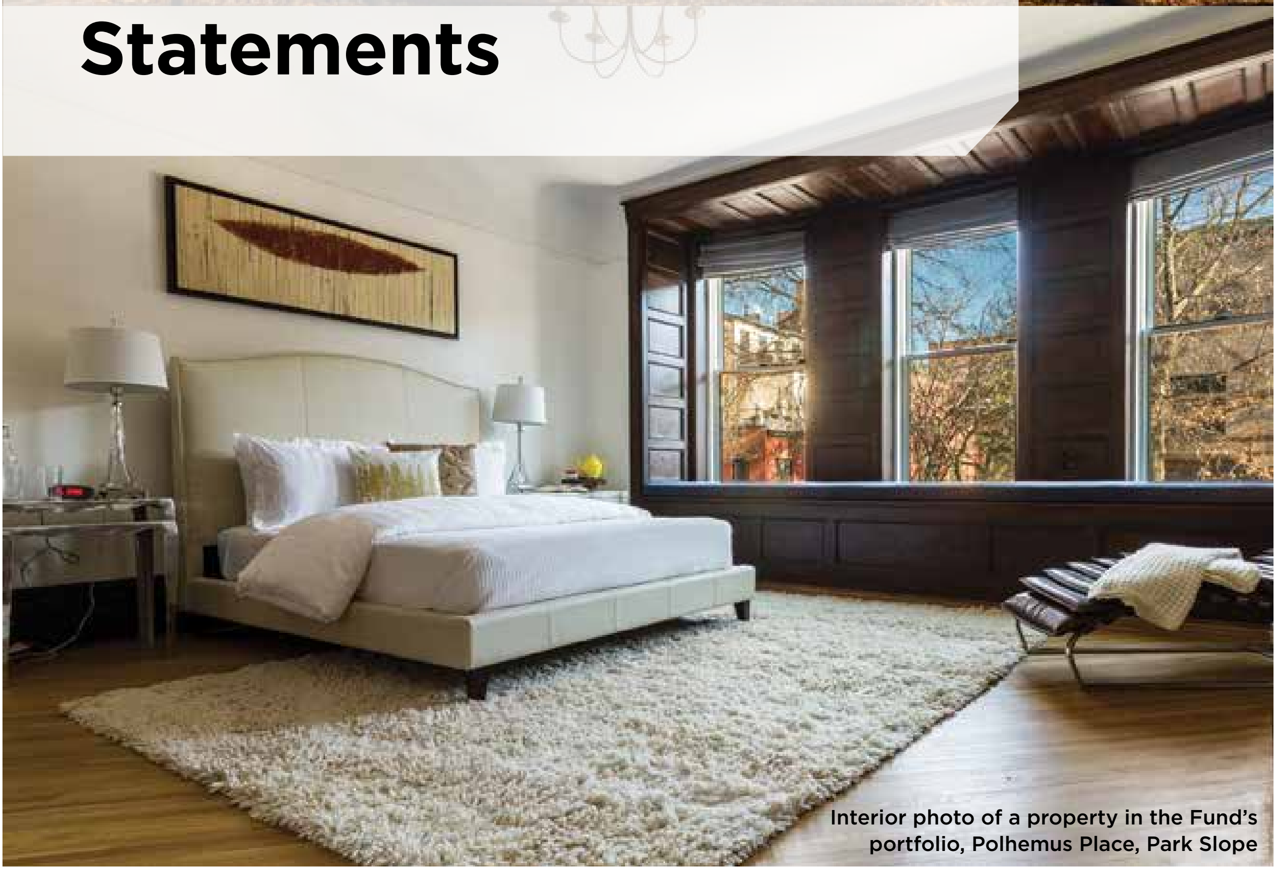
Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants

Consolidated Financial Statements

Photo of Jersey City Heights



Interior photo of a property in the Fund's portfolio, Polhemus Place, Park Slope

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 $	2018 $
Investment property rental income		48,288,483	37,396,617
Interest income		1,289,557	1,446,269
Dividends from equity investments		327,195	239,090
Other income	*23*	1,107,250	418,720
Fair value movement of investment properties	*9*	(150,094,732)	2,015,941
Fair value movement of equity investments		(4,582,086)	2,279,227
Share of profits of jointly controlled entities	*8*	3,662,013	4,514,901
Investment property expenses		(19,060,327)	(17,100,548)
Net foreign currency gain		1,664,612	16,908,512
Listing fees		(319,296)	(360,517)
Professional fees		(3,484,722)	(3,234,341)
Marketing		(321,646)	(242,610)
Rent expense	*23*	–	(458,489)
IT expenses		(580,793)	–
Management fees	*23*	(5,228,246)	(5,134,459)
Salaries and wages	*23*	(9,039,295)	(10,249,882)
Office administration costs	*23*	(858,056)	(3,372,835)
Administration fees	*23*	–	(598,317)
Interest expense	*9*	(40,959,692)	(37,106,290)
Investment property disposal costs	*23*	(4,348,867)	(3,581,286)
Allowance for expected credit losses		(410,503)	(237,514)
Insurance expense	*23*	(834,427)	(439,139)
Depreciation and amortisation expense		(1,116,334)	(240,238)
Impairment of right-of-use asset	*12*	(1,168,723)	–
Impairment of property, plant and equipment	*11*	(1,338,291)	–
Other expenses		(819,246)	(346,641)
Loss before income tax		**(188,226,172)**	**(17,483,829)**
Income tax benefit/(expense)	*13*	33,713,220	(10,651,211)
Loss for the year attributable to Unitholders		**(154,512,952)**	**(28,135,040)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operation (nil tax)		3,830,495	83,413,600
Share of jointly controlled entity's reserve movements (nil tax)	*8*	(153,995)	(7,863)
Other comprehensive income for the year, net of tax		**3,676,500**	**83,405,737**
Total comprehensive (loss)/income for the year attributable to Unitholders		**(150,836,452)**	**55,270,697**
Earnings per unit			
Basic loss per unit (dollars)	*18*	(0.44)	(0.11)
Diluted loss per unit (dollars)	*18*	(0.44)	(0.11)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents	*4*	85,875,027	106,992,735
Receivables	*5*	770,822	542,884
Prepayments		1,211,307	1,110,103
Other financial assets	*6*	9,160,343	–
Other assets	*7*	2,345,206	2,584,535
Investments in jointly controlled entities	*8*	5,524,908	–
Investment properties held for sale	*9*	123,383,421	54,827,990
Total current assets		**228,271,034**	**166,058,247**
Non-current assets			
Investment properties	*9*	1,018,547,242	1,238,514,815
Investments in jointly controlled entities	*8*	-	34,562,762
Other financial assets	*6*	27,153,745	38,541,755
Other assets	*7*	16,576,187	17,570,605
Right-of-use asset	*12*	4,811,959	–
Property, plant and equipment	*11*	162,155	1,557,678
Security deposits	*10*	434,411	432,699
Total non-current assets		**1,067,685,699**	**1,331,180,314**
Total assets		**1,295,956,733**	**1,497,238,561**
Current liabilities			
Payables	*14*	14,585,509	17,466,665
Borrowings	*15*	22,494,544	782,569
Lease liability	*12*	789,934	–
Total current liabilities		**37,869,987**	**18,249,234**
Non-current liabilities			
Deferred tax liabilities	*13*	41,826,121	75,871,554
Borrowings	*15*	649,926,286	669,523,204
Lease liability	*12*	5,328,968	–
Other non-current liabilities	*16*	189,164	188,413
Total non-current liabilities		**697,270,539**	**745,583,171**
Total liabilities		**735,140,526**	**763,832,405**
Net assets		**560,816,207**	**733,406,156**
Equity			
Unit capital	*17*	448,400,079	457,711,657
Convertible step-up preference units	*17*	194,822,929	194,822,929
Reserves		187,699,473	184,022,973
Accumulated losses		(270,106,274)	(103,151,403)
Total equity		**560,816,207**	**733,406,156**

The Consolidated Statement of Financial Position is to be read in conjunction with Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Unit capital	Convertible step-up preference units	Foreign currency translation reserve	Share of jointly controlled entity's cash flow hedging reserve	Accumulated losses	Total equity
		$	$	$	$	$	$
Balance at 1 January 2018		**455,858,921**	**194,994,876**	**100,455,378**	**161,858**	**(62,542,487)**	**688,928,546**
Loss for the year		–	–	–	–	(28,135,040)	(28,135,040)
Other comprehensive (loss)/income, net of income tax							
Foreign operation currency translation gain	*17*	–	–	83,413,600	–	–	83,413,600
Jointly controlled entity interest rate swap hedge loss	*17*	–	–	–	(7,863)	–	(7,863)
Total other comprehensive income/(loss)		–	–	83,413,600	(7,863)	–	83,405,737
Total comprehensive income/(loss) for the year		**-**	**-**	**83,413,600**	**(7,863)**	**(28,135,040)**	**55,270,697**
Transactions with owners in their capacity as owners							
Issue costs	*17*	–	(171,947)	–	–	–	(171,947)
Issue of ordinary units	*17*	19,893,393	–	–	–	–	19,893,393
Distributions to ordinary unitholders	*17*	(18,040,657)	–	–	–	–	(18,040,657)
Distributions to CPU unitholders		–	–	–	–	(12,473,876)	(12,473,876)
Total transactions with owners		**1,852,736**	**(171,947)**	**-**	**-**	**(12,473,876)**	**(10,793,087)**
Balance at 31 December 2018		**457,711,657**	**194,822,929**	**183,868,978**	**153,995**	**(103,151,403)**	**733,406,156**
Balance at 1 January 2019		**457,711,657**	**194,822,929**	**183,868,978**	**153,995**	**(103,151,403)**	**733,406,156**
Loss for the year		–	–	–	–	(154,512,952)	(154,512,952)
Other comprehensive income/(loss), net of income tax							
Foreign operation currency translation gain	*17*	–	–	3,830,495	–	–	3,830,495
Jointly controlled entity interest rate swap hedge loss	*17*	–	–	–	(153,995)	–	(153,995)
Total other comprehensive income/(loss)		–	–	3,830,495	(153,995)	–	3,676,500
Total comprehensive income/(loss) for the year		**-**	**-**	**3,830,495**	**(153,995)**	**(154,512,952)**	**(150,836,452)**
Transactions with owners in their capacity as owners							
Issue costs	*17*	–	–	–	–	–	–
Issue of ordinary units	*17*	12,883,614	–	–	–	–	12,883,614
Distributions to unitholders	*17*	(22,195,192)	–	–	–	–	(22,195,192)
Disributions to CPU unitholders		–	–	–	–	(12,441,919)	(12,441,919)
Total transactions with owners		**(9,311,578)**	**-**	**-**	**-**	**(12,441,919)**	**(21,753,497)**
Balance at 31 December 2019		**448,400,079**	**194,822,929**	**187,699,473**	**-**	**(270,106,274)**	**560,816,207**

The Consolidated Statement of Changes in Equity is to be read in conjunction with Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash receipts from customers		49,014,448	38,093,734
Cash paid to suppliers		(44,736,180)	(38,216,073)
Interest received		1,306,424	1,499,647
Interest paid (i)		(34,671,549)	(33,828,962)
Net income tax paid		(128,460)	–
Net cash used in operating activities		**(29,215,317)**	**(32,451,654)**
Cash flows from investing activities			
Acquisition of investment property, including improvements (i)		(60,338,322)	(103,441,472)
Investment in financial assets		(385,301)	(3,407,801)
Refunds/(payments) for property-related deposits		587,317	(587,317)
Proceeds from sale of investment properties		67,408,891	50,681,352
Disposal costs on sale of investment properties		(4,348,867)	(3,581,286)
Distributions received from jointly controlled entity investments (ii)		33,006,958	780,068
Distributions received from equity investments		327,195	239,090
Amounts advanced to third parties		(1,821,728)	–
Net cash provided by/(used in) investing activities		**34,436,143**	**(59,317,366)**
Cash flows from financing activities			
Gross proceeds from secured bank loans and loan notes		184,510,106	352,199,621
Bank loan repayments		(118,890,683)	(287,078,112)
Unsecured Note repayments		(67,904,625)	(18,943,026)
Refund/(payment) of interest reserve and escrow accounts		705,409	(7,315,514)
Payment of transaction costs related to loans and borrowings		(2,381,047)	(5,580,637)
Distributions paid		(21,748,629)	(22,419,376)
Withholding tax paid		(614,265)	(390,229)
Lease payments		(745,876)	–
Payments of issue costs		–	(171,947)
Net cash (used in)/provided by financing activities		**(27,069,610)**	**10,300,780**
Net decrease in cash and cash equivalents		(21,848,784)	(81,468,240)
Cash and cash equivalents at beginning of year		106,992,735	182,798,770
Effect of exchange rate fluctuations on cash held		731,076	5,662,205
Cash and cash equivalents at end of year	*4*	**85,875,027**	**106,992,735**

(i) Interest paid in respect of expenditure on Qualifying Assets has been classified as an “Acquisition of investment property” cash flow in the Consolidated Statement of Cash Flows.

(ii) Distributions received from jointly controlled entity investments are net of promote interest payments.

The Consolidated Statement of Cash Flows is to be read in conjunction with Notes to the Consolidated Financial Statements.

Exterior photo of a property
in the Fund's portfolio,
Barrow Street, Jersey City

Notes To The Consolidated Financial Statements

Interior photo of a property
in the Fund's portfolio,
Montgomery Street, Jersey City

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. General information

US Masters Residential Property Fund (**the Fund**) is a registered management investment scheme under the *Corporations Act 2001* domiciled in Australia. The financial statements comprise the Fund and its subsidiaries, collectively referred to as the **Group**.

The consolidated financial statements were authorised for issue by the Board of Directors on 26 February 2020. For the purposes of preparing the consolidated financial statements, the Fund is a for-profit entity.

The Group is primarily involved in investing in the US residential property market.

2. Basis of preparation

A) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the consolidated financial statements comply with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

B) Basis of measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical cost with the exception of certain financial instruments and investment property assets, which are measured at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

C) Use of estimates and judgements

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies which are subject to significant accounting estimates and judgements at the reporting date and have a significant risk of causing material adjustments to the financial statements in the next annual reporting period include:

i) Fair value of investment property assets

The Fund estimates the fair value of investment properties at each reporting date primarily based on assessment of current market sale prices at or around balance date of comparable properties using available market data. The Fund engages with external licensed property valuers and agents to assist in this assessment — refer note 3D and note 9(i).

ii) Deferred tax liability recognition

The Fund recognises a deferred tax liability in respect of tax obligations which may arise in connection with the realisation and distribution of taxation capital gains associated with its property assets. The US tax consequences relating to property sales are complicated and the tax position which would apply depends on specific circumstances which can only be determined at a future disposal date. The Group has measured its deferred tax liability at balance date at a rate of 24.95% (incorporating both corporate and branch taxes) which may be applicable. The actual rate of tax may be lower, or even reduced to zero, depending on the structure of the realisation and other criteria and circumstances which can only be determined at a future disposal date. The Group has adopted a policy of recording its estimate of the likely amount of tax that may be applicable based on its expected manner of disposal — refer note 3I.

3. Significant accounting policies

The accounting policies set out below have been applied in the preparation of the consolidated financial statements.

A) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and entities controlled by the Fund (**its subsidiaries**). Control is achieved when the Fund:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Fund and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

B) Foreign currency

i) Translation of foreign currency transactions

The functional and presentation currency of the Fund is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

Exchange differences on monetary items are recognised in the profit or loss in the period in which they arise. Differences arising on a monetary item forming part of the net investment in a foreign operation are taken to the foreign currency translation reserve on consolidation.

ii) Translation of financial reports of foreign operations

The functional currency of the Fund's subsidiaries is United States dollars. As at the reporting date, the assets and liabilities of those entities are translated into Australian dollars at the rate of exchange ruling at the Statement of Financial Position date, and other than fair value gains/losses on investment properties, the Statement of Profit or Loss and Other Comprehensive Income is translated at the average exchange rates for the period. Fair value gains/losses on investment properties are translated using the exchange rate prevailing on the date the directors of the Group determined the fair value of the underlying properties. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

C) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i) Non-derivative financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (**FVTOCI**):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (**FVTPL**).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met, and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group has the following non-derivative financial assets: receivables, cash and cash equivalents, and equity investments.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method.

The Group recognises a lifetime loss allowance for expected credit losses (**ECL**) on receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the receivables. The ECL on receivables is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed into liquidation or has entered bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity 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.

Equity investments

The Fund's interest in 515 West 168th Venture LLC, 30–58/64 34th Street Venture LLC and 523 West 135th Street Venture LLC (refer to note 6) are designated as financial assets at fair value through profit or loss (**FVTPL**). Financial assets at FVTPL are measured at fair value at the end of each reporting period with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value has been determined as outlined in note 6.

ii) Non-derivative financial liabilities

Classification of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

The Group has the following non-derivative financial liabilities: trade and other payables, borrowings and preference unit capital.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Borrowing costs directly relating to the acquisition or construction of investment properties that take a substantial period of time to get ready for its intended use (i.e., "qualifying assets") are capitalised to the carrying value of the underlying investment property until such time as the assets are considered substantially ready for their intended use. Where funds are borrowed specifically to finance the acquisition or construction of investment properties, the amount capitalised represents the actual borrowing costs incurred.

Where the funds used to finance the acquisition or construction of investment properties form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the year. All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest rate method.

Preference unit capital

Preference unit capital is classified as a financial liability if it is redeemable on a specific date or at the option of the unitholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

iii) Unit capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Ordinary units

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of ordinary units are recognised as a deduction from equity.

Distributions to unitholders

Distributions are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Board of the Responsible Entity.

Convertible step-up preference units (CPUs)

CPUs are recognised as equity at the proceeds received, net of direct costs. Distributions are recognised in the reporting period in accordance with the distribution rate and terms disclosed in Note 17(b). Distributions declared during the year are presented in the Accumulated Losses in the Consolidated Statement of Changes in Equity.

D) Investment property

i) Recognition and measurement

Investment property comprising residential real estate assets held to earn rental income and/or for capital appreciation is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, representing the assessed amount that would be received to sell the asset in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. The best evidence of fair value is given by current prices in an active market for a similar property in the same location and condition. Changes in the fair value of investment property are recorded in profit or loss as and when they arise.

As outlined in accounting policy C(ii), borrowing costs incurred in respect of the acquisition or construction of investment properties that are "qualifying assets" are capitalised to the carrying value of investment properties.

ii) Determination of fair value

At each reporting date, the fair values of investment properties are assessed using management's knowledge of relevant market factors impacting the residential markets in which the Fund invests, supported by engagement of suitably qualified external property valuers and agents to assist in determination of active market prices (fair values). Properties are categorised into homogeneous groupings displaying similar characteristics for the purpose of assessing fair value movements.

iii) Held for sale

At balance date, investment properties that are under contract for sale or are otherwise designated to be sold are classified as held for sale. These contracts are expected to be settled within 12 months of the balance date. Investment properties classified as held for sale are presented separately in the consolidated statement of financial position as a current asset.

E) Interests in jointly controlled (joint venture) entities

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when key decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

F) Impairment of assets

The directors of the Responsible Entity assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, through profit or loss.

G) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared or publicly recommended on or before balance date.

H) Income

i) Rental income

Rental income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term.

Costs that are directly associated with negotiating and executing the ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are deferred and amortised on a straight-line basis over the lease term.

ii) Interest income

Interest income is recognised as the interest accrues using the effective interest rate method.

I) Income tax

Under current Australian income tax legislation, the Fund is not liable to pay income tax provided unitholders are presently entitled to the Fund's distributable income and its taxable income (including assessable realised capital gains) is fully distributed to unitholders.

The US subsidiary has elected to be taxed as a US real estate investment trust (**REIT**) under US federal taxation law, and on this basis will generally not be subject to US income taxes on that portion of the US REIT's taxable income or capital gains which are distributed to the US REIT's unitholders, provided that the US REIT complies with the requirements of the Code and maintains its REIT status.

A deferred tax liability is recognised based on the temporary difference arising between the recorded carrying amount of investment property assets in the Consolidated Statement of Financial Position and their associated tax cost bases (refer note 2 C(ii)).

J) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (**GST**), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (**ATO**) is included as a current asset or liability in the consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

The Fund qualifies for reduced input tax credits at a rate of 75%. Hence, expenses are recognised net of the amount of GST recoverable from the ATO.

K) Earnings per unit

Earnings per unit is calculated by dividing the profit or loss attributable to ordinary unitholders of the Fund (excluding distributions on CPUs) by the weighted average number of ordinary units outstanding during the period.

L) Operating segments

The Group operates in a single operating segment, being in the business of investing in residential real estate assets associated with the New York metropolitan area in the United States of America.

M) Derivative financial instruments

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

The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 20.

N) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits, are measured at their normal values using the remuneration rate expected to apply at the time of settlement.

O) Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment loss.

The depreciation rates for office equipment range from 20% to 33%.

Leasehold improvements are amortised based on the shorter of the lease term of useful lives of the assets.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

P) New accounting standards and interpretations

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to their operations and effective for the current year.

AASB 16 Leases

In the current period, the Group has applied AASB 16 Leases for the first time. The date of initial application of AASB 16 for the Group is 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of AASB 16 on the Group's condensed consolidated financial statements is described below.

The Group has changed its accounting policy for lease contracts as detailed in Note 12. In accordance with the transitional provisions in AASB 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated. The details of the changes in accounting policies are disclosed below.

Impact of the new definition of a lease

The change to the definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for the period of time in exchange for consideration.

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low value asset, the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within other expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

These lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured as if AASB 16 had always been applied but using the incremental borrowing rate as at 1 January 2019.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months to end of lease term
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application, and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on financial statements

The impact of the adoption as at the transition date 1 January 2019 is as follows:

	1 January 2019 **$**
Operating lease commitments as at 1 January 2019 (AASB 117)	(7,996,598)
Net impact of discounting* not accounted for under AASB 117	1,130,843
Lease liabilities (AASB 16)	**(6,865,755)**
Right-of-use assets (AASB 116)	6,865,755
Impact on opening retained profits as at 1 January 2019	–

** The lease payments have been discounted based on the incremental borrowing rate of 4.18%.*

The adoption of the standard also resulted in a decrease in rent of $458K and increase in interest and depreciation expense of $248K and $904K respectively during the year.

Impact on Lessor Accounting

Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets. Based on preliminary assessment, AASB 16 is not expected to result in a material impact on the Group's accounting for the rental income from lease of its investment properties.

Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the following IASB Standards and International Financial Reporting Interpretations Committee (**IFRIC**) Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-6 Amendments – Definition of a Business	1 January 2020	31 December 2020
AASB 2018-7 Amendments – Definition of Material	1 January 2020	31 December 2020
AASB 2019-1 Amendments – References to Conceptual Framework	1 January 2020	31 December 2020
AASB Conceptual Framework for Financial Reporting	1 January 2020	31 December 2020

4. Cash and cash equivalents

	2019 $	2018 $
Cash at bank	85,875,027	106,992,735
	85,875,027	**106,992,735**

Cash at bank earns interest at floating rates based on the bank deposit rates. The effective interest rate on bank deposits was 1.21% (2018: 1.15%).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 20.

Reconciliation of cash flows from operating activities	2019 $	2018 $
Loss for the year	(154,512,952)	(28,135,040)
Adjustments for:		
Net unrealised loss on foreign exchange	(1,664,612)	(16,908,512)
Change in fair value of investment property	150,094,732	(2,015,941)
Change in fair value of equity investments	4,582,086	(2,279,227)
Share of profits of jointly controlled entities	(3,662,013)	(4,514,901)
Non-cash interest expense	6,462,677	10,394,170
Investment property disposal costs	4,348,867	3,581,286
Dividends from equity investments	(327,195)	(239,090)
Depreciation and amortisation expense	1,116,334	240,238
Impairment of right-of-use asset	1,168,723	–
Impairment of property, plant and equipment	1,338,291	–
Change in trade and other receivables	(227,938)	171,042
Change in other assets	(317,930)	571,713
Change in prepayments	(101,204)	(665,486)
Change in trade and other payables	(3,080,081)	(2,848,735)
Change in deferred tax liability (excluding foreign exchange impact)	(34,433,102)	10,196,829
Net cash used in operating activities	**(29,215,317)**	**(32,451,654)**

Reconciliation of liabilities arising from financing activities

				Non-cash changes			
	Note	1 Jan 2019 $	Financing cash flows $	Payment of transaction costs $	Amortisation of borrowing costs $	Exchange rate differences on translation $	31 Dec 2019 $
Secured bank loans	*15*	408,336,779	65,619,423	(2,381,047)	5,137,244	326,743	477,039,142
Unsecured notes	*15*	261,968,994	(67,904,625)	–	1,325,433	(8,114)	195,381,688
		670,305,773	**(2,285,202)**	**(2,381,047)**	**6,462,677**	**318,629**	**672,420,830**

	Note	1 Jan 2018 $	Financing cash flows $	Payment of transaction costs $	Non-cash changes Amortisation of borrowing costs $	 Exchange rate differences on translation $	31 Dec 2018 $
Secured bank loans	*15*	308,804,827	65,121,509	(5,580,637)	9,397,793	30,593,287	408,336,779
Unsecured notes	*15*	279,915,643	(18,943,026)	–	996,377	–	261,968,994
		588,720,470	**46,178,483**	**(5,580,637)**	**10,394,170**	**30,593,287**	**670,305,773**

5. Receivables

	2019 $	2018 $
Current		
Receivables – rental debtors	666,349	309,263
Loss allowance for rental debtors	(208,798)	(61,998)
Other receivables	313,271	295,619
	770,822	**542,884**

Rent is receivable in advance on the first day of each month. Late fees are levied on tenants if rent is not paid by the sixth day of the month. No interest is charged on trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (**ECL**). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. A loss allowance of $208,798 (2018: $61,998) has been recognised in respect of outstanding amounts at balance date that, based on historical experience, are unlikely to be collected at their recorded amounts.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Amounts owing from tenants that have since departed the property are written off as a bad debt in profit or loss.

Before accepting any new tenants, the Group assesses the prospective tenants ability to pay rent as and when due with reference to the applicants financial position, current earning capacity and previous landlord references.

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed in note 20.

6. Other financial assets

	2019 $	2018 $
Current assets		
Loan to other entity	9,160,343	–
	9,160,343	–
Non-current assets		
Equity investments – fair value	27,153,745	31,232,291
Loan to other entity	–	7,309,464
	27,153,745	**38,541,755**

A) Loan to other equity

The Group provided vendor financing in respect of a property disposed of during 2018.

The loan is secured by a first mortgage over the underlying property and cash collateral totalling US$57,517. The loan bears interest at 2.625% per annum and has a maturity date of 24 July 2020. No principal repayments are due until the maturity date of the loan. An amount of US$467,680 (A$666,116) remains undrawn by the borrower pursuant to the terms of the loan agreement.

B) Equity investments – fair value

Investee	Country of Incorporation	Principal activity	Principal place of business	Ownership Interest 2019 %	Ownership Interest 2018 %
515 West 168th Venture LLC (i)	USA	Property investment	Washington Heights, NY	63.7%	63.7%
30–58/64 34th Street Venture LLC (i)	USA	Property investment	Astoria, NY	65.0%	65.0%
523 West 135th Street Venture LLC (i)	USA	Property investment	Hamilton Heights, NY	64.7%	64.7%

(i) The Fund does not have existing rights that give it the current ability to direct the relevant activities of the Investee and therefore does not exercise control of the Investee. Similarly, the Fund does not have significant influence over the Investee. Accordingly, the investment has been designated as a financial asset at fair value through profit or loss.

515 West 168th Venture LLC

During the year, Jones Lang LaSalle was appointed to value the investment property owned by 515 West 168th Venture LLC. In determining the fair value of the property, Jones Lang LaSalle adopted a discounted cash flow approach.

The fair value of the property as at 30 June 2019 was US$23,200,000 (A$33,048,433). The directors of the Group are satisfied that the valuation completed at 30 June 2019 reflects the fair value of the property at balance date. The Investee had borrowings totalling US$13,400,000 (A$19,085,600) at balance date.

30–58/64 34th Street Venture LLC

During the year, Jones Lang LaSalle was appointed to value the investment properties owned by 30–58/64 34th Street Venture LLC. In determining the fair value of the portfolio, Jones Lang LaSalle adopted a discounted cash flow approach.

The fair value of the property as at 30 June 2019 was US$20,510,000 (A$29,216,524). The directors of the Group are satisfied that the valuation completed at 30 June 2019 reflects the fair value of the property at balance date. The Investee had borrowings totalling US$8,231,729 (A$11,724,440) at balance date.

523 West 135th Street Venture LLC

During the year, Jones Lang LaSalle was appointed to value the investment property owned by 523 West 135th Street Venture LLC. In determining the fair value of the property, Jones Lang LaSalle adopted a discounted cash flow approach.

The fair value of the property as at 30 June 2019 was US$7,610,000 (A$10,840,456). The directors of the Group are satisfied that the valuation completed at 30 June 2019 reflects the fair value of the property at balance date. The Investee had borrowings totalling US$4,627,990 (A$6,591,639) at balance date.

The Group has classified its equity investments as a Level 3 hierarchy level asset due to the fair value measurement of the Investees' investment properties being based on inputs that are not observable for the assets, either directly or indirectly, as follows:

Class of investment	Fair value hierachy level	Fair value ($) 2019	Fair value ($) 2018	Inputs
Equity investments - fair value	Level 3	27,153,745	31,232,291	- Net market income of $15.92 - $26.00 per square foot - 10-year annual compound growth rate of 2.83% - 3.10% - Discount rates of 8.01% - 10.66% - Terminal yields of 4.35% - 5.00%

There were no transfers between the fair value hierarchy levels during the year.

7. Other assets

	2019 $	2018 $
Current assets		
Property related deposits	–	587,317
Deferred leasing fee	260,522	534,367
Other assets (escrow deposits and receivables)	2,084,684	1,462,851
	2,345,206	**2,584,535**
Non-current assets		
Facility interest reserve and escrow accounts (i) (ii)	15,614,785	16,392,613
Interest rate cap derivative instrument	–	185,984
Other assets (escrow deposits and receivables)	961,402	992,008
	16,576,187	**17,570,605**

(i) Under the terms of the Centennial Bank loan facility (refer note 15(iii)), the Group is required to:

- maintain interest reserve accounts equivalent to six months of interest on the outstanding principal loan balances. At balance date, the amount of interest on reserve with Centennial Bank was US$2,452,248 (A$3,492,734).
- maintain a property tax and insurance reserve. At balance date, the amount on reserve with Centennial Bank in relation to property taxes and insurance reserves was US$619,013 (A$881,659).
- maintain a collection reserve. At balance date, the amount on reserve with Centennial Bank in relation to collection reserves was US$964,480 (A$1,373,708).

(ii) Under the terms of the Wells Fargo Bank loan facility (refer note 15(i)), the Group is required to:

- maintain an interest reserve equivalent to the greater of three times the previous months interest and 1.5 times the succeeding months projected interest expense. At balance date, the amount of interest on reserve with Wells Fargo Bank was US$2,389,478 (A$3,403,330).
- maintain a property tax and insurance reserve equivalent to six months worth of tax and insurance expense. At balance date, the amount on reserve with Wells Fargo Bank in relation to property taxes and insurance reserves was US$2,654,167 (A$3,780,326).
- maintain a property management reserve equivalent to 6% of gross rent for a six month period calculated with reference to the current rent roll. At balance date, the amount on reserve with Wells Fargo Bank in relation to the property management reserve was US$885,754 (A$1,261,578).
- maintain a capital expenditure reserve equivalent to US$2,000 per property. At balance date, the amount on reserve with Wells Fargo Bank in relation to the capital expenditure reserve was US$998,000 (A$1,421,450).

8. Investments in jointly controlled entities

Jointly controlled entities	Country of incorporation	Principal activity	Principal place of business	Ownership Interest 2019 %	Ownership Interest 2018 %
Golden Peak II LLC (i)	USA	Property Investment	Hudson County, NJ	67.5%	67.5%
Hudson Gardens LLC (i) (ii)	USA	Property Investment	Hudson County, NJ	90.0%	90.0%
Gold Coast Equities LLC (i) (ii)	USA	Property Investment	Hudson County, NJ	92.5%	92.5%
DXEX Brooklyn I LLC (i) (ii)	USA	Property Investment	Brooklyn, NY	92.5%	92.5%
DXEX Brooklyn II LLC (i) (ii)	USA	Property Investment	Brooklyn, NY	92.5%	92.5%
DXEX Brooklyn III LLC (i) (ii)	USA	Property Investment	Brooklyn, NY	92.5%	92.5%

(i) The Fund does not have existing rights that give it the current ability to direct the relevant activities of the jointly controlled entity and therefore does not exercise control of the jointly controlled entity.

(ii) The investment properties owned by all Excelsior jointly controlled entities were disposed of and the net assets of each jointly controlled entity were fully distributed to the joint venture partners prior to the end of the 2016 financial year. These entities are in the process of being dissolved.

	2019 $	2018 $
Carrying amount of interest in jointly controlled entities		
Balance at beginning of year	34,562,762	27,859,205
Distributions received and receivable	(33,006,958)	(780,068)
Share of profits of jointly controlled entities	3,662,013	4,514,901
Share of reserves of jointly controlled entities	(153,995)	(7,863)
Exchange rate differences on translation	461,086	2,976,587
Balance at end of year	**5,524,908**	**34,562,762**

During the year, the investment properties owned by Golden Peak II LLC were disposed of and the net assets have begun to be distributed to the joint venture partners. As of balance date, US$22,658,302 (A$32,272,186) had been received by the Group. A further amount of US$3,300,000 (A$4,700,185) was received post balance date. The remaining share of net assets is expected to be received by 31 December 2020 and therefore the balance at year end totalling $5,524,908 has been recognised as a current asset.

Summary of financial information for equity accounted investees presented in Australian dollars in accordance with Australian Accounting Standards, but not adjusted for the percentage ownership held by the Fund, is set out in the following page.

	2019 $ Golden Peak II LLC	2018 $ Golden Peak II LLC
Cash and cash equivalents	10,725,022	1,929,447
Other current assets	626,978	389,483
Derivatives	_	228,140
Current assets	**11,352,000**	**2,547,070**
Investment properties at fair value	–	85,728,472
Non-current assets	**-**	**85,728,472**
Total assets	**11,352,000**	**88,275,542**
Borrowings	–	28,983,909
Other current liabilities	302,182	954,907
Current liabilities	**302,182**	**29,938,816**
Non-current liabilities	**-**	**-**
Total liabilities	**302,182**	**29,938,816**
Net assets	**11,049,818**	**58,336,726**
Ownership interest	**67.5%**	**67.5%**
Equity accounted interest before Promote Interest	**7,458,627**	**39,377,290**
Promote Interest attributable to joint venture partner	**1,933,719**	**4,814,528**
Equity accounted interest	**5,524,908**	**34,562,762**
Revenue	7,337,170	6,922,149
Fair value movement of investment properties	6,205,688	5,769,045
Interest income	24,103	60,776
Interest expense	(1,116,280)	(1,006,468)
Other expenses	(5,976,210)	(3,780,076)
Profit	**6,474,471**	**7,965,426**
Equity accounted interest before Promote Interest	**4,370,268**	**5,376,663**
Promote Interest attributable to joint venture partner	**708,255**	**861,762**
Equity accounted interest	**3,662,013**	**4,514,901**
Other comprehensive gain	**(228,140)**	**(11,649)**
Equity accounted interest	**(153,995)**	**(7,863)**
Total comprehensive income before Promote Interest	**6,246,331**	**7,953,777**
Equity accounted interest before Promote Interest	**4,216,273**	**5,368,800**
Promote Interest attributable to joint venture partner	**708,255**	**861,762**
Equity accounted interest	**3,508,018**	**4,507,038**
Distributions received	**33,006,958**	**780,068**

9. Investment properties

	2019 $	2018 $
Disclosed on the Consolidated Statement of Financial Position as:		
Current assets		
Investment properties held for sale	123,383,421	54,827,990
Non-current assets		
Investment properties	1,018,547,242	1,238,514,815
	1,141,930,663	**1,293,342,805**

	2019 $	2018 $
At fair value		
Balance at beginning of year	1,293,342,805	1,118,404,055
Acquisitions, including improvements and interest on qualifying properties	62,972,354	108,427,751
Fair value movement of investment properties to market	(150,094,732)	2,015,941
Disposals	(69,234,600)	(61,776,965)
Exchange rate differences on translation	4,944,836	126,272,023
Balance at end of year	**1,141,930,663**	**1,293,342,805**

	2019 $	2018 $
Interest expense	48,840,363	53,954,087
Interest capitalised to carrying value of qualifying investment properties	(7,880,671)	(16,847,797)
Interest expense reflected in profit or loss	**40,959,692**	**37,106,290**

The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.13% (2018: 2.35%).

Investment properties that are either under contract or actively being marketed for sale at balance date have been classified as "Investment properties held for sale" and are shown as a current asset on the Consolidated Statement of Financial Position. Settlement is expected to occur within 12 months of balance date.

i) Valuation basis

In determining the fair value of the Group's investment properties at balance date, the portfolio of properties has been dissected into groupings by location (neighbourhood), being the principal characteristic assessed as impacting fair values. A sample of properties within each location grouping was selected for independent appraisal ensuring a representative coverage was obtained. The Group has a policy of ensuring each property is independently appraised on at least a three-year rotation basis.

A panel of the following appraisers were appointed to appraise the residential properties selected for appraisal during the period. The appraisers were selected in consideration of their certification as either licensed residential appraisers or licensed real estate agents, as well as their experience and independence to the Group. Where completed by a licensed appraiser, residential appraisals were conducted under the Uniform Standards of Professional Appraisal Practice as required by the Appraisals Standards Board of The Appraisal Foundation in the USA.

- County Appraisals, LLC (licensed residential appraiser)
- Accurate Appraisals Associates, LLC (licensed residential appraiser)
- FJR Appraisal Service (licensed residential appraiser)
- Platinum Coast Appraisal & Co. (licensed residential appraiser)
- Glenn A. Gabberty Appraisals, Inc. (licensed residential appraiser)
- Douglas Elliman Real Estate (licensed real estate agent)
- Eric Sidman Hudson Advisory Team (licensed real estate agent)

The appraisals of all properties have been completed using the "direct comparison" approach. Under this approach, the appraiser identifies at least three relevant and appropriate comparable location sales in relative close time proximity to valuation date, which sales evidence is used in conjunction with consideration of other relevant property specific or general market factors to assess the estimated market value of the subject property.

The average result of appraised properties for each location grouping, excluding outliers has then been extrapolated over the properties which were not subject to individual appraisal, thereby achieving an overall valuation outcome for each grouping and therefore the entire portfolio.

The Group has classified its property portfolio as a Level 2 hierarchy level asset due to its fair value measurement being based on inputs (other than unadjusted quoted prices in active markets for identical assets) that are observable for the assets, either directly or indirectly, as follows:

Class of property	Fair value hierachy level	Fair value ($) 2019	Fair value ($) 2018	Valuation technique	Inputs
Residential use investment property	Level 2	1,141,930,663	1,293,342,805	Direct comparable sales	- Selling price - Geographic location - Property age and condition - Size of property - Number of rooms

There were no transfers between the fair value hierarchy levels during the year. There were no significant unobservable inputs in the valuation technique applied.

ii) Leasing arrangements

Investment properties are leased to tenants under operating leases. Generally, the operating leases have a duration of 12-18 months with rentals payable monthly.

Minimum lease payments receivable on leases of investment properties are as follows:

	2019 $	2018 $
Not later than one year	26,946,855	24,109,433
Later than one year and not later than five years	2,309,219	2,618,864
	29,256,074	**26,728,297**

iii) Contractual obligations

The Group has contracted to spend an amount of $8,466,171 in respect of property refurbishments.

10. Security deposits

	2019 $	2018 $
Security deposits	434,411	432,699

The Group is party to a letter of credit arrangement with Investors Bank. Under the terms of the facility, the Group is required to provide security in the form of a US$305,000 (A$434,411) deposit.

11. Property, plant and equipment

	2019 $	2018 $
Leasehold improvements and office equipment – at cost	287,556	3,004,463
Accumulated amortisation and depreciation	(125,401)	(1,446,785)
	162,155	1,557,678

In November 2019, the Fund relocated from its US premises at 140 Broadway, New York to Harborside Financial Center, New Jersey. As a consequence of the relocation, the carrying value of leasehold improvements at 140 Broadway, New York totalling $1,338,291 (Cost of $2,716,907 less accumulated amortisation of $1,378,616) was impaired and an impairment charge recognised in profit or loss.

12. Leases

The balances below reflect the adoption of AASB 16, which came into effect 1 January 2019.

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

	2019 $
Right-of-use asset	
Balance at 1 January 2019	6,865,755
Depreciation charge for the year	(904,156)
Impairment charge	(1,168,723)
Exchange rate differences on translation	19,083
Balance at 31 December 2019	**4,811,959**

The right-of-use asset is recognised at cost less accumulated depreciation. The asset is depreciated on a straight line basis over the term of the lease.

In November 2019, the Fund relocated from its US premises at 140 Broadway, New York to Harborside Financial Center, New Jersey. As a consequence of the relocation, the recoverable amount of the right-to-use asset in relation to the lease of 140 Broadway, New York at 31 December 2019 was assessed based on the future net cash inflows from expected sub-leasing arrangements and which resulted in an impairment charge recognised in profit or loss of $1,168,723. In addition, the carrying value of leasehold improvements at 140 Broadway, New York was also impaired by $1,338,291 (refer to Note 11).

	2019 $
Lease liability	
Balance at 1 January 2019	6,865,755
Interest expense	248,644
Lease repayments	(994,520)
Exchange rate differences on translation	(977)
Balance at 31 December 2019	**6,118,902**
Disclosed as:	
Current	789,934
Non-current	5,328,968
	6,118,902

Minimum lease payments payable in respect of the lease liability are as follows:

	2019 $
Lease liability – contractual undiscounted cash flows	
Not later than one year	1,030,684
Later than one year and not later than five years	4,195,066
Later than five years	1,808,218
	7,033,968

13. Deferred tax liabilities

	2019 $	2018 $
Investment properties	41,826,121	75,871,554
Movements		
Balance at beginning of year	75,871,554	59,043,747
(Credited)/charged to profit or loss as income tax (benefit)/expense	(34,433,102)	10,196,829
Taken to profit and loss as unrealised foreign exchange loss	387,669	6,630,978
Balance at end of year	**41,826,121**	**75,871,554**

Income tax expense is comprised of:

	2019 $	2018 $
Deferred tax (credited)/charged to profit or loss	(34,433,102)	10,196,829
State and withholding tax payable	719,882	454,382
Income tax (benefit)/expense	**(33,713,220)**	**10,651,211**

The Group recognises a deferred tax liability in respect of tax obligations which may arise in connection with the realisation and distribution to the Fund of taxation capital gains associated with its property assets.

The liability has been measured at a rate of 24.95% (incorporating both corporate and branch profit taxes) which may be applicable. The actual rate of tax may be lower, or even reduced to zero, depending on the structure of the realisation and other criteria and circumstances which can only be determined at a future disposal date. The Group has adopted a policy of recording its estimate of the likely amount of tax that may be applicable based on its expected manner of disposal.

14. Payables

	2019 $	2018 $
Current		
Trade payables	2,161,016	3,833,604
Distribution payable	6,313,342	6,308,474
Other payables	6,111,151	7,324,587
	14,585,509	**17,466,665**

The average credit period on trade payables is 30 days. No interest is charged on trade payables from the date of invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

15. Borrowings

	2019 $	2018 $
Current liabilities		
Secured bank loans – at amortised cost	–	782,569
Unsecured notes	22,494,544	–
	22,494,544	**782,569**
Non-current liabilities		
Secured bank loans – at amortised cost	477,039,142	407,554,210
Unsecured notes	172,887,144	261,968,994
	649,926,286	**669,523,204**

Bank borrowings are carried at amortised cost. Details of maturity dates and security for bank facilities are set out below:

Financial institution	Interest rate	Maturity date	Security	Property security value – fair value	2019 Principal amount – amortised cost	2018 Principal amount – amortised cost
Wells Fargo	LIBOR 1 month + 1.80% (ii)	(i)	(i)	878,052,069	370,320,707	232,561,464
Centennial Bank	(iii) (ii)	(iii)	(iii)	256,769,427	106,718,435	175,775,315
					477,039,142	**408,336,779**

Disclosed as:	2019 $	2018 $
Current	–	782,569
Non-current	477,039,142	407,554,210
	477,039,142	**408,336,779**

(i) The facility with Wells Fargo Bank dated 15 June 2018 was amended on 3 April 2019 to increase the facility limit from US$200,000,000 to US$300,000,000, and, subject to meeting certain terms may be increased up to US$400,000,000. Amounts available to be drawn under the facility are based on providing collateral property security meeting specified conditions and meeting other facility terms and conditions. The amount available to be drawn under the facility at any point in time is the lesser of:

- The facility limit
- The loan advance amount that supports a debt yield of 5.75% (ongoing requirement of 5.50%)
- The loan advance amount that supports a debt service cover ratio of at least 1.50 to 1.00 (ongoing requirement of 1.25 to 1.00), and
- 45% of the market value of the collateral property (ongoing requirement of 50% of the market value of collateral property).

The facility is secured by the following:

a. A charge over the following subsidiaries of the Fund in which collateralized property assets are held:
   - NY Oakland LLC
   - NJ Penelope LLC
   - Melbourne LLC
   - Geelong LLC
   - NRL URF LLC
   - Brisbane URF LLC
   - Essendon URF LLC
   - St. Kilda LLC
   - Collingwood URF LLC
   - Carlton URF LLC
   - Fremantle URF LLC

b. A guarantee given by US Masters Residential Property (USA) Fund.

c. A guarantee given by US Masters Residential Property Fund.

d. US$6,927,399 (A$9,866,684) placed in interest, taxes, insurance and property management reserves. Refer Note 7(ii).

   The total value of the security at balance date in respect of the Wells Fargo Bank facility is A$889,264,248, including property assets valued at A$878,052,069.

   The facility is subject to specific covenant and other reporting obligations. The facility is also subject to Event of Default clauses, breach of which at the option of the lender results in all unpaid principal and interest amounts being immediately due and payable.

   The interest rate on the facility is 1 month LIBOR plus 1.80%. Other than in specific circumstances, principal repayments are not required under the terms of the facility.

   The maturity date of the facility is 15 July 2021.

(ii) As of 31 December 2019, LIBOR 1 month was 1.70%.

(iii) The facility with Centennial Bank dated 23 February 2016 was amended on 26 September 2017 to extend the maturity date to 26 September 2022 (previously 22 February 2021). Subject to satisfying certain criteria, the Group has an option to extend the maturity date for an additional year. The 2017 amendment also increased the facility limit from US$125,000,000 to US$175,000,000. Amounts available to be drawn under the facility are based on pledged properties that meet specified conditions and meeting other facility terms and conditions. Funding against pledged properties is provided in accordance with the following:

Advances under the facility are limited to 50% of fair market value (as determined by Centennial Bank). Drawdown of renovation advances is limited to 45% of the renovation cost, subject to limitations imposed by Centennial Bank in certain circumstances.

The facility is subject to specific covenant and other reporting obligations. The facility is also subject to Event of Default clauses, breach of which at the option of the lender results in all unpaid principal and interest amounts being immediately due and payable. The facility is secured by the following:

a. A charge over the following subsidiaries of the Fund in which collateralised property assets are held:
   - USM URF AT Holdings LLC
   - USM Asset Trust

b. A guarantee given by US Masters Residential Property (USA) Fund.

c. A guarantee given by US Masters Residential Property Fund in limited circumstances.

d. US$4,035,741 (A$5,748,101) placed in interest, taxes and insurance and collection reserves. The interest reserve is non-interest bearing and is required to cover six monthly instalments of interest at the interest rate for the advances outstanding. Refer Note 7(i).

e. An interest rate cap agreement entered into by the Group with SMBC Capital Markets.

The total value of the security at balance date in respect of the Centennial Bank loan is A$261,961,193, including property assets valued at A$256,769,427.

The facility bears interest at 1 month LIBOR plus 4.50%. LIBOR is subject to a floor of 1.00%.

Effective December 2019, quarterly principal repayments are no longer required.

Unsecured Notes

Details of unsecured notes outstanding at balance date are set out below:

Notes issue	Interest rate	Maturity date	Early redemption date at discretion of issuer	Security	2019 Amortised cost	2018 Amortised cost
URF Notes II	7.75%	24 December 2020	24 December 2018	Unsecured	22,494,544	89,686,208
URF Notes III	7.75%	24 December 2021	24 December 2019	Unsecured	172,887,144	172,282,786
					195,381,688	**261,968,994**

A summary of drawn and available facilities at balance date is shown below:

Facility	Principal drawn	Principal available	Total
Centennial Bank	109,700,411	139,551,832 *	249,252,243
Wells Fargo	375,012,423	52,277,137 *	427,289,560
URF Notes II	22,634,875	–	22,634,875
URF Notes III	175,000,000	–	175,000,000
	682,347,709	**191,828,969**	**874,176,678**

** Available facilities are subject to provision of eligible property security meeting conditions set by lenders and meeting other conditions as noted above.*

16. Other non-current liabilities

	2019 $	2018 $
Redeemable preference units	178,037	177,330
Accrued interest	11,127	11,083
	189,164	**188,413**

Series A Preferred Units	2019 No of units	2019 $	2018 No of units	2018 $
Issued	125	189,164	125	188,413

The holders of the Series A Preferred units are entitled to receive cumulative preferential cash dividends. Such dividends shall accrue on a daily basis and be cumulative from the first date on which any Series A Preferred unit are issued. Series A Preferred units rank ahead of the ordinary units, do not carry the right to vote, except in relation to Series A Preferred unit matters, and are redeemable at the sole discretion of the Fund. Dividends accruing under the terms of the Series A Preferred units are disclosed as interest expense in the Statement of Profit or Loss and Other Comprehensive Income.

17. Capital and reserves

Ordinary Units

	2019 $	2018 $
379,724,845 fully paid ordinary units (2018: 368,540,188)	448,400,079	457,711,657
(a) Issued ordinary units		
Balance at beginning of the year	457,711,657	455,858,921
5,412,546 units issued at $1.65	–	8,930,701
June 2018 distribution	–	(18,040,657)
6,039,683 units issued at $1.41	–	8,515,953
1,687,406 units issued at $1.45	–	2,446,739
January 2019 distribution	(18,427,009)	–
1,782,148 units issued at $1.31	2,334,614	–
June 2019 distribution	(3,768,183)	–
6,495,945 units issued at $1.26	8,184,865	–
1,358,935 units issued at $0.84	1,141,495	–
1,547,629 units issued at $0.79	1,222,640	–
Balance at end of the year	**448,400,079**	**457,711,657**

(b) Movements in ordinary units

Date	Details	2019 No.	2018 No.
1 January	Balance at beginning of the year	368,540,188	355,400,553
5 February 2018	Distribution reinvestment	–	5,412,546
3 August 2018	Distribution reinvestment	–	7,727,089
5 February 2019	Distribution reinvestment	1,782,148	–
8 February 2019	Distribution reinvestment	6,495,945	–
23 August 2019	Distribution reinvestment	2,906,564	–
31 December		**379,724,845**	**368,540,188**

Convertible Step-Up Preference Units

	2019 $	2018 $
1,990,707 convertible step-up preference units fully paid (2018: 1,990,707)	194,822,929	194,822,929
(a) Issued convertible step-up preference units		
Balance at beginning of the year	194,822,929	194,994,876
Issue costs	–	(171,947)
Balance at end of the year	**194,822,929**	**194,822,929**

Face value of issued convertible step-up preference units at 31 December 2019: $199,070,700 (2018: $199,070,700).

(b) Movements in convertible step-up preference units

Date	Details	2019 No.	2018 No.
1 January	Balance at beginning of the year	1,990,707	1,990,707
31 December		**1,990,707**	**1,990,707**

The key terms of the CPUs are as follows:

- CPUs are perpetual instruments and remain on issue until converted into ordinary units or otherwise repurchased at their outstanding face value in accordance with the applicable law.
- The distribution rate is 6.25% per annum until 31 December 2022, at which point the rate steps up to 8.75% from 1 January 2023. Distributions are payable semi-annually and are at the discretion of the Responsible Entity. Distributions are cumulative. The Responsible Entity may not pay any distribution on ordinary units for so long as any distribution on CPUs remains outstanding for more than 40 business days after the end of the relevant distribution period (**Distribution Stopper**).
- CPU holders may elect to apply any cash distribution payable in respect of CPUs in subscriptions for ordinary units.
- CPUs may be converted to ordinary units on 1 January 2023, or on the first day of any subsequent distribution period at the election of the Responsible Entity. CPU holders may convert to ordinary units only if the Responsible Entity breaches its obligations under the Distribution Stopper requirement.
- CPUs convert to the aggregate of the number of Units determined by dividing the outstanding face value of the CPUs and any accumulated unpaid distributions by the Volume Weighted Average Price (**VWAP**) over the 10 business days prior to conversion less a discount of 2.50%.
- CPU holders receive distributions of capital on a winding up of the Group in priority to Unitholders up to the outstanding face value of CPUs and any accumulated unpaid distributions.
- CPU holders may elect to apply any cash distribution payable in respect of CPUs in subscription for Ordinary Units.
- CPUs carry the right to attend and vote at meetings of members of the Group.

Ordinary units

All issued units are fully paid. The holders of ordinary units are entitled to receive distributions as declared from time to time by the Responsible Entity and are entitled to one vote per unit at meetings of the Fund.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share of jointly controlled entity's cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in the fair value of the effective interest rate swap held by Golden Peak II, LLC an entity over which the Group has joint control (refer note 8). The Group accounts for its share of fair value movements through reserves.

As of balance date, the investment properties owned by Golden Peak II, LLC had been disposed and the corresponding bank debt and interest rate swap had been settled.

18. Earnings per unit

(a) Weighted average number of ordinary units	2019 No.	2018 No.
Weighted average number of ordinary units used to calculate basic and diluted earnings per unit	376,983,635	363,454,775

(b) Loss attributable to ordinary unitholders	2019 $	2018 $
Loss for the year attributable to unitholders	(154,512,952)	(28,135,040)
Less: distributions on CPUs	(12,441,919)	(12,473,876)
Loss used in the calculation of basic and diluted loss per unit	**(166,954,871)**	**(40,608,916)**
Basic loss per unit (dollars)	(0.44)	(0.11)
Diluted loss per unit (dollars)	(0.44)	(0.11)

Basic earnings/(loss) per unit amounts are calculated by dividing profit/(loss) for the year attributable to ordinary unit holders (after deducting CPU distributions) by the weighted average number of ordinary units outstanding during the year.

Diluted earnings/(loss) per unit amounts are calculated by dividing profit/(loss) for the year attributable to ordinary unit holders (after deducting CPU distributions) by the weighted average number of ordinary units outstanding during the year, plus the weighted average number of ordinary units that would be issued on the conversion of all the dilutive potential ordinary units (from CPUs) into ordinary units. As a result of current and prior year loss for the year, there were no dilutive potential ordinary units.

19. Operating segments

The Group operates solely in the business of investing in residential real estate assets associated with the New York metropolitan area in the United States of America. Revenue, profit, net assets and other financial information reported to and monitored by the Chief Operating Decision Maker (**CODM**) for the single identified operating segment are the amounts reflected in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows.

The Responsible Entity, which is the CODM for the purposes of assessing performance and determining the allocation of resources, operates and is domiciled in Australia.

20. Financial risk management and financial instruments

Overview

The Group's principal financial instruments comprise cash and cash equivalents, receivables, payables, loan notes, bank loans and derivatives. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market (currency risk and interest rate risk)
- Capital management

Financial risk and risk management framework

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Group's risk management framework.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Group to make a financial loss. The Group has exposure to credit risk on all its financial assets included in the Group's Statement of Financial Position.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Summary exposure	***Note***	**2019 $**	**2018 $**
Cash and cash equivalents	*4*	85,875,027	106,992,735
Trade and other receivables	*5*	770,822	542,884
Loan receivable	*6*	9,160,343	7,309,464
Interest reserve and security deposit escrows	*7*	18,660,871	19,033,456
Security deposits	*10*	434,411	432,699
		114,901,474	**134,311,238**

Cash and cash equivalents

Cash and cash equivalents are only deposited with reputable financial institutions. The majority of funds at year end were deposited with Macquarie Bank and ANZ in Australia, and Centennial Bank and Investors Bank in the USA.

Trade and other receivables

The Group manages its credit risk by performing credit reviews of prospective tenants and performing detailed reviews on tenant arrears.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. A loss allowance of $208,798 (2018: $61,998) has been recognised in respect of outstanding amounts at balance date that, based on historical experience, are unlikely to be collected at their recorded amounts.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Amounts owing from tenants that have since departed the property are written off as a bad debt in profit or loss.

Before accepting any new tenants, the Group assesses the prospective tenant's ability to pay rent as and when due with reference to the applicant's financial position, current earning capacity and previous landlord references.

The aging of trade receivables at the reporting date was:

	2019 $	2018 $
Current	298,174	178,625
Past due 31-60 days	131,387	68,640
Past due 61-90 days	7,603	6,381
More than 90 days	229,185	55,617
	666,349	**309,263**

Movement in loss allowance for trade receivables

	2019 $	2018 $
Balance at beginning of the year	61,998	19,303
Increase in loss allowance	410,503	237,514
Amounts written off during the year	(262,519)	(199,221)
Exchange rate differences on translation	(1,184)	4,402
Balance at end of the year	**208,798**	**61,998**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following is the contractual maturity of non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

31 December 2019	Carrying amount $	Contractual cash flows $	12 months or less $	1-5 years $	5 years and more $
Payables	14,585,509	14,585,509	14,585,509	–	–
Interest on series A preference units*	189,164	189,164	22,255	89,019	77,890
Secured bank loans**	477,039,142	523,621,955	19,970,740[i]	503,651,215	–
Unsecured notes	195,381,688	226,220,333	37,917,936	188,302,397	–
	687,195,503	**764,616,961**	**72,496,440**	**692,042,631**	**77,890**

(i) As disclosed on the balance sheet, the Fund has $123,383,421 of properties that are held for sale on the expectation that they will be sold within 12 months. If these sales are successfully executed, $52,336,493 of the sales proceeds may be required to be repaid to either Wells Fargo or Centennial Bank, as applicable.

31 December 2018	Carrying amount $	Contractual cash flows $	12 months or less $	1-5 years $	5 years and more $
Payables	17,466,665	17,466,665	17,466,665	–	–
Interest on series A preference units*	188,413	188,413	22,166	88,665	77,582
Secured bank loans**	408,336,779	490,984,713	23,309,062	467,675,651	–
Unsecured notes	261,968,994	319,865,951	20,579,311	299,286,640	–
	687,960,851	**828,505,742**	**61,377,204**	**767,050,956**	**77,582**

** Redeemable preference shares are redeemable at the sole discretion of the Fund, and as such have not been included as a contractual liability in the table above. Only cumulative interest payments accruing under the terms of the instruments have been included.*

*** The cash flows shown above are based on interest rates prevailing at year end.*

Market risk (currency risk and interest rate risk)

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies that are different to the functional currency of the respective entities undertaking the transactions, hence exposures to exchange rate fluctuations arise which are recorded through profit or loss. The Group may use foreign currency exchange contracts to hedge these risks.

The carrying amount of the Group's foreign currency denominated assets and liabilities at the reporting date that are denominated in a currency different to the functional currency of the respective entities holding the monetary assets and liabilities are as follows:

External group exposure *	USD exposure converted to AUD	
	2019 $	2018 $
Assets		
Cash	864,594	16,766,818
Total assets	**864,594**	**16,766,818**
Liabilities		
Payables	(443,188)	(2,613,417)
Total liabilities	**(443,188)**	**(2,613,417)**
Net external exposure	**421,406**	**14,153,401**

** External group exposure predominantly relates to external party USD denominated balances recorded in the Australian Parent entity where foreign exchange gains and losses are recognised in profit or loss.*

Internal group exposure **	USD exposure converted to AUD	
	2019 $	2018 $
USD denominated convertible notes issued by the US REIT to the Australian parent entity	136,143,366	208,530,175
USD denominated interest receivable on convertible note	2,500,364	4,337,314
Net internal exposure	**138,643,730**	**212,867,489**
Total net exposure	**139,065,136**	**227,020,890**

*** Internal group exposure predominantly relates to inter-group balances where foreign exchange gains and losses are recognised in profit or loss.*

Sensitivity analysis

A 10% movement of the AUD against the USD at 31 December would have increased or decreased profit or loss by the amounts shown below. This analysis is based on foreign exchange rate variances that the Group considered to be reasonable at the end of the reporting period, and includes the effects of currency exposure to profit or loss arising from both internal and external transactions and assumes all other variables, in particular interest rates, remain unchanged.

	2019 $	2018 $
Impact on profit or (loss)/equity		
+ 10% - Strengthening	(12,648,873)	(20,647,328)
- 10% - Weakening	15,458,504	25,233,928

In Management's opinion the above sensitivity analysis is not representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

In addition, the Group's operating subsidiary is based in the USA and has a USD functional currency which is different to the Group's presentation currency of AUD. As stated in the Group's accounting policies in note 3, on consolidation the assets and liabilities of the USD entity are translated into Australian dollars at exchange rates prevailing on the balance date. The income and expenses of this entity are translated at the average exchange rates for the year, with the exception of fair value movements recognised in respect of the Group's investment properties. Exchange differences arising are classified as equity and are transferred to a foreign currency exchange reserve.

The significant USD denominated assets and liabilities in respect of which the above exposure relates are shown below:

	USD exposure converted to AUD	
	2019	**2018**
	$	**$**
Assets		
Cash	76,827,501	84,975,287
Receivables and other assets	35,358,425	31,022,758
Investments in jointly controlled entities	5,524,908	34,562,762
Other financial assets	27,153,745	31,232,291
Investment properties	1,141,930,663	1,293,342,805
Total assets	**1,286,795,242**	**1,475,135,903**
Liabilities		
Payables	13,707,782	8,308,394
Borrowings	651,628,728	681,822,073
Other payables	189,164	188,413
Total liabilities	**665,525,674**	**690,318,880**
Net exposure	**621,269,568**	**784,817,023**

Fair value of the Group's financial assets and liabilities that are not measured at fair value on an ongoing basis

The fair value of financial assets and financial liabilities which are not measured at fair value on a recurring basis materially approximates their carrying amount at the reporting date.

Interest rate risk

Management of Interest Rate Risk

The Group has both fixed interest rate and variable interest rate bank loans. Interest payable on the redeemable preference shares and the unsecured notes are fixed for the term of the loans at 12.5% and 7.75% respectively, and thus do not constitute an interest rate risk. The loans payable to Centennial Bank and Wells Fargo are variable rate loans, with Centennial interest rate of LIBOR 1 Month plus 4.50%, and Wells Fargo interest rate of LIBOR 1 Month plus 1.80%. The Group's bank deposits are exposed to both variable rates of interest and fixed rates of interest.

	2019	2018
	$	**$**
Variable rate instruments		
Cash and cash equivalents	85,875,027	106,992,735
Variable rate bank loans (Centennial Bank and Wells Fargo)	(477,039,142)	(408,336,779)
	(391,164,115)	**(301,344,044)**

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates (on both cash on hand and borrowings) at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2019 $	2018 $
Impact on profit before tax/equity		
+0.25% (25 basis points)	(977,910)	(753,360)
-0.25% (25 basis points)	977,910	753,360

Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to unitholders. The Group is not subject to any externally imposed capital requirements.

The capital structure of the Group consists of net debt (redeemable preference units in note 16 and borrowings as detailed in note 15) and equity of the Group (comprising issued unit capital).

The gearing ratio at the end of the reporting period was as follows:

	2019 $	2018 $
Debt	672,609,994	670,494,186
Equity	560,816,207	733,406,156
Debt to equity ratio*	**119.93%**	**91.42%**

** Debt to equity ratio has been calculated based on total equity as reflected in the Consolidated Statement of Financial Position.*

21. Capital commitments

The Group has a capital commitment of $8,466,171 in respect of properties that are either under construction/ refurbishment or are due to commence construction/refurbishment.

There are no further contributions contractually required to be made by the Group to any other jointly controlled entity.

22. Contingent liabilities

The Group is joint lessee of the premises located at 140 Broadway, New York, with Dixon Advisory USA Inc. The Group is jointly and severally liable for all lease charges, and thus has a contingent liability in respect of Dixon

Advisory USA Inc's share of future lease charges which are summarised below:

	2019 $	2018 $
Not later than one year	1,030,684	990,570
Later than one year and not later than five years	4,195,066	4,124,372
Later than five years	1,808,218	2,881,656
	7,033,968	**7,996,598**

The directors of the Responsible Entity are not aware of any other potential material liabilities or claims against the Group as at balance date.

23. Related parties

Key Management Personnel

Mr. Stuart Nisbett (appointment effective 19 December 2019), Mr. Mike Adams, Mr. Warwick Keneally and Mr. Peter Shear (appointment effective 19 December 2019) are directors of the Responsible Entity, Walsh & Company Investments Limited (**Walsh & Co.**) and deemed to be key management personnel. Mr. Alex MacLachlan resigned as a director of the Responsible Entity effective 19 December 2019. The directors of the Responsible Entity did not receive compensation from the Fund during the year.

On 1 August 2019, Mr. Kevin McAvey and Mr. Brian Disler were appointed joint CEOs of the US REIT and are also deemed to be key management personnel.

As at balance date, details of directors who hold units for their own benefit or who have an interest in holdings through a third party and the total number of such units held are listed as follows:

Director	No. of units	No. of notes	No. of CPUs
Stuart Nisbett	18,462	–	–
Mike Adams	–	–	–
Warwick Keneally	22,559	–	250
Peter Shear	–	–	–

Key management personnel remuneration

The remuneration of key management personnel during the year was as follows:

	2019 $
Short-term employee benefits	507,886
Post-employment benefits	25,002
	532,888

Payments made to the Responsible Entity and related parties

Management Fees

Responsible Entity fee (payable by the Fund)	**2019 $:** 5,228,246	**2018 $:** 4,933,550

The Responsible Entity's duties include establishing the Group's compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Group and overall administration of the Group. For these services, the Responsible Entity charged a Responsible Entity fee of 0.08% (exclusive of GST) of the gross assets of the Fund and an administration fee of 0.25% (exclusive of GST) of the gross assets of the Fund.

Total Responsible Entity and administration fee incurred during the year was $5,228,246 (2018: $4,933,550) and is included in management fees expense in the profit or loss. The amount owed to the Responsible Entity in respect of the responsible entity fee at 31 December 2019 is $404,188 (2018: $2,559,849).

Asset disposal fee (payable by the US REIT)	**2019 $:** Nil	**2018 $:** 200,909

During June 2019, it was announced that the Investment Manager agreed to waive the disposal fee for an indefinite period.

During the year, the Investment Manager oversaw the successful disposal of 53 properties for total sale proceeds of $67.4 million.

Of the total number of property disposals during the period, Dixon Realty Advisory LLC ('Dixon Realty', a wholly owned subsidiary of Dixon Advisory USA Inc) acted as real estate broker on 46 transactions. On disposal transactions where Dixon Realty acts as broker on behalf of the Group, the Group pays a total brokerage commission based on 4% of the sales price, which is split between participating brokers (where relevant). All brokerage commission paid to Dixon Realty by the Group was subsequently passed on to the relevant sales agents. No benefits are received by either Dixon Realty, the Responsible Entity or the Investment Manager on the sale of Group properties.

During the period, the Group paid brokerage commission of $1,369,805 (2018: $1,121,509) to Dixon Realty, which is included in investment property disposal costs in the profit or loss. As all brokerage commission was passed on to the relevant sales agent and not retained by Dixon Realty (or any other related party to the Responsible Entity), the brokerage commission paid to Dixon Realty from the Group has been excluded from the table.

Debt arranging fee (payable by the US REIT)	**2019 $:** 738,041	**2018 $:** 1,201,529

The Investment Manager oversees the provision of debt arranging services to the Group, including contacting and liaising with capital providers, negotiating borrowing terms, and executing documentation. The Investment Manager has been successful in securing debt at attractive terms for the Group, providing significant diversification to the Group's capital sources. For this service, the Investment Manager is entitled to receive a debt arranging fee of 2.00% of the gross amount of external borrowings obtained by the US REIT. During the period, the Investment Manager oversaw the successful negotiation of an increase in the Wells Fargo Bank facility from US$200 million to US$300 million, along with an additional drawdown of US$102.6 million. At the discretion of the Investment Manager, the debt arranging fee in respect of Wells Fargo Bank facility was calculated based on 0.50% of proceeds drawn during the period.

During 2019, it was announced that the Investment Manager agreed to waive the debt arranging fee for an indefinite period.

Total debt arranging fee incurred during the year was $738,041 (2018: $1,201,529). Debt arranging fees form part of the amortised cost of the underlying loan balance, or are added to the carrying value of the Group's investments in financial assets where applicable. The capitalised fee forms part of the effective interest rate of the associated borrowing and is amortised over the loan expiry period. To the extent the associated borrowing relates to qualifying assets, the amortisation charge is capitalised to the qualifying asset.

The amount owed to the Investment Manager in respect of the debt arranging fee at 31 December 2019 was nil (2018: $464,927).

Total debt arranging fees amortised during the year, including fees capitalised in prior years, is $1,985,030 (2018: $4,316,271).

Other services provided by the Responsible Entity and related parties of the Responsible Entity

Fund administration services (payable by the Fund)	**2019 $:** 120,000	**2018 $:** 120,000

Australian Fund Accounting Services Pty Limited (a related party of the Responsible Entity) provides administration and accounting services to the Fund. Time spent by staff is charged to the Fund at agreed rates under a Services Agreement.

A total of $120,000 (2018: $120,000) was charged by Australian Fund Accounting Services in relation to fund administration services, pursuant to a Service Agreement. Time spent by administrative staff is charged to the Fund at agreed rates under the agreement, capped at $120,000 (exclusive of unclaimable GST) per annum. This expenditure of $120,000 is included in Office Administration Costs in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Custodian services (payable by the Fund)	**2019 $:** Nil	**2018 $:** Nil

Effective 2 April 2019, the Responsible Entity changed the Fund's custodian and entered into a custody arrangement with Walsh & Company Investments Limited in its personal capacity (**Custodian**) to provide custodial services to the Fund.

The services are provided on commercial terms and more favourable terms compared to the Fund's previous arrangement. The Custodian receives fees equivalent to the greater of 0.02% per annum (exclusive of GST) of the gross asset value of the Fund less a 10% discount, or $15,000 (exclusive of GST) indexed to the CPI annually less a 10% discount. The fees are payable quarterly in arrears. During the period, there were no fees paid to the Custodian.

Architecture, design and construction services (payable by the US REIT)

Dixon Projects LLC (a subsidiary of Evans Dixon Limited, who is the parent entity of the Responsible Entity) provides architecture, design, and construction services to the Fund, including procurement and inventory management, permitting and approval process management and construction project management. Dixon Projects provides on-site project administration and management, overseeing and coordinating all aspects of the construction process, working closely with contractors to control quality and costs for the Group.

These services are provided under the Property Services and the Design and Architectural Services Master Agreements. These agreements were amended on July 1, 2018. Prior to the amendments, the agreements entitled Dixon Projects to on charge the direct cost of renovations plus a development fee of 5% and architectural and quantity surveyor services at agreed hourly rates. The cost of renovation included direct labour and materials and an on-cost charge of 16.25% on direct labour and materials, represented by General Conditions fees of 15% and insurance fees of 1.25%. Effective July 1, 2018 the Group incurs and settles all direct labour and materials directly. The fee charged by Dixon Projects (i.e. a development fee of 5%, General Conditions fee of 15% and insurance fees of 1.25%) is unchanged.

During the period, the Group invested $51,454,049 (2018: $68,593,930) in renovation work across 39 large-scale renovations and 37 small-scale renovations. These renovations were managed by Dixon Projects.

The renovation costs in relation to direct labour and materials incurred from unrelated third-party contractors during the year totalled $38,580,223 (2018: $50,672,814 renovation costs of which $27,506,625 were incurred by Dixon Projects and recharged to the Group prior to 1 July 2018).

2019 $: Nil	**2018 $:** 27,506,625

The remaining renovation costs of $12,873,526 (2018: $17,921,116) includes $6,201,846 of General Conditions and insurance costs (2018: $8,288,725), a development fee of $2,160,022 (2018: $2,886,855), and architectural, quantity surveyor and interior design services of $4,511,958 (2018: $6,745,536) charged by Dixon Projects. These costs are capitalised to the relevant investment properties.

2019 $: 12,873,526	**2018 $:** 17,921,116

In order to provide these services to the Group, Dixon Projects incurs payroll related costs as well as office and related outgoings such as office rent and administration. During the period, Dixon Projects employed 35 full-time staff who were entirely dedicated to completing Fund projects, as well as 16 staff resources on an as-needed basis. In making these resources available to the Group, Dixon Projects incurred payroll related costs of $6,294,909, as well as office and related outgoings totalling $3,904,759 during the period. These costs are born by Dixon Projects and not by the Group and therefore not included in the table.

Recoveries and recharges paid to (or received from) the Responsible Entity

Responsible Entity and Dixon Advisory USA Inc expense recharge (payable by the Fund and the US REIT)

2019 $: Nil	**2018 $:** 4,992,190

Prior to 1 July 2018, staff engaged to provide administrative and property management related services to the Group were employed by Dixon Advisory USA Inc and the associated direct payroll and payroll related costs recharged to the Group in accordance with the terms of the management agreement between the US REIT and Dixon Advisory USA, Inc. With effect from 1 July 2018, these staff were employed directly by the Group and accordingly payroll and payroll related costs were no longer recharged to the Group.

2019 $: Nil	**2018 $:** 2,339,924

On 1 July 2018, the Group also became joint lessee with Dixon Advisory USA Inc of the office space at 140 Broadway, New York, US. Prior to 1 July 2018, for the comparative period ended 30 June 2018, rent and related occupancy and office administrative costs totaling $2,339,924 were borne by Dixon Advisory USA Inc and recharged to the Group in accordance with the terms of the management agreement between the US REIT and Dixon Advisory USA, Inc and recognised in 'Office administrative costs' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

With effect from 1 July 2018, rent and related occupancy and office administrative costs were borne directly by the Group and not recharged to the Group. These costs were recognised separately in the consolidated statement of profit or loss and other comprehensive income according to the nature of the expenditure.

From time to time, the Group may share resources with the Investment Manager and/or the Responsible Entity. Where this occurs, the relevant party may recover the costs of the resources.

	2019 $: (1,038,842)	**2018 $:** (457,068)

During the period, the Group recovered $1,038,842 (2018: $457,068) from Dixon Advisory USA, Inc and its subsidiaries in respect of certain shared payroll and office related costs. The total amount owed to the Group at 31 December 2019 is $289,636 (31 December 2018: $210,069).

	2019 $: 508,252	**2018 $:** 501,693

Pursuant to the agreements, the Responsible Entity is entitled to recover direct expenses incurred in the management of the Group's activities. During the year, $508,252 (2018: $501,693) was charged by the Responsible Entity to the Group. These costs were in relation to various regulatory and professional services provided by external vendors and are recognised in 'Office administrative costs' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

	2019 $: 33,924	**2018 $:** Nil

In November 2019, the Fund relocated from its US premises at 140 Broadway, New York to Harborside Financial Center, New Jersey which is leased by Dixon Advisory USA, Inc. The Fund reimbursed Dixon Advisory USA, Inc for its share of the rental expense for the two months totalling $33,924 (2018: nil).

24. Controlled entities

Walsh & Co. is the Responsible Entity of both the Fund and the US REIT. URF Investment Management Pty Limited is the Investment Manager of both the Fund and the US REIT.

		Ownership interest	
		2019	2018
Parent entity			
US Masters Residential Property Fund	Australia		
Subsidiary			
US Masters Residential Property (USA) Fund	United States	100%	100%
US Masters Residential Property LLC	United States	–	100%
Melbourne LLC	United States	100%	100%
Wallaroo 2 LLC	United States	100%	100%
EMU LLC	United States	100%	100%
Geelong LLC	United States	100%	100%
Hawthorn Properties LLC	United States	100%	100%
North Sydney LLC	United States	100%	100%
Parramatta LLC	United States	100%	100%
South Sydney LLC	United States	100%	100%
St Kilda LLC	United States	100%	100%
Canberra Raiders LLC	United States	100%	100%
Newtown Jets LLC	United States	100%	100%
Morben Finance LLC	United States	100%	100%
Steuben Morris Lending LLC	United States	100%	100%
Morris Finance LLC	United States	100%	100%
Essendon LLC	United States	100%	100%
Carlton URF LLC	United States	100%	100%
Collingwood URF LLC	United States	100%	100%
Cronulla URF LLC	United States	–	100%
New South Wales URF LLC	United States	100%	100%
Freemantle URF LLC	United States	100%	100%
Richmond URF LLC	United States	100%	100%
AFL URF LLC	United States	100%	100%
Decatur URF LLC	United States	–	100%
MacDonough URF LLC	United States	–	100%
NRL URF LLC	United States	100%	100%
Grand Hill URF LLC	United States	100%	100%
Rogers Marks URF LLC	United States	–	100%
Balmain Tigers URF LLC	United States	100%	100%
Newcastle URF LLC	United States	100%	100%

		Ownership interest	
		2019	2018
Canterbury URF LLC	United States	100%	100%
Manly Waringah URF LLC	United States	100%	100%
Penrith URF LLC	United States	100%	100%
NJ Prop 1 URF LLC	United States	100%	100%
NY Prop 1 URF LLC	United States	100%	100%
NY Prop 2 URF LLC	United States	100%	100%
NY Prop 3 URF LLC	United States	100%	100%
Brisbane URF LLC	United States	100%	100%
USM URF AT Holdings LLC	United States	100%	100%
USM Asset Trust	United States	100%	100%
TRS URF LLC	United States	100%	100%
W168 Investors LLC	United States	100%	100%
34 Astoria Investors LLC	United States	100%	100%
Essex URF LLC	United States	100%	100%
523 W. 135th Investors LLC	United States	100%	100%
NY Oakland LLC	United States	100%	100%
NJ Penelope LLC	United States	100%	100%
Jett URF Holdings LLC	United States	100%	100%
Kenny URF Holdings LLC	United States	100%	100%

25. Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2019 the parent entity of the Group was US Masters Residential Property Fund.

	2019 $	2018 $
Result of parent entity		
Loss for the year	(22,829,998)	(29,246,579)
Total comprehensive loss for the year	**(22,829,998)**	**(29,246,579)**
Financial position of parent entity at year end		
Current assets	11,661,855	26,439,971
Total assets	695,573,022	831,633,545
Current liabilities	6,962,624	9,104,700
Total liabilities	245,483,180	348,466,507
Total equity of the parent entity comprising of:		
Unit capital	448,400,079	457,711,657
Convertible step-up preference units	194,822,929	194,822,929
Accumulated losses	(192,197,546)	(169,367,548)
Total equity	**450,089,842**	**483,167,038**

26. Subsequent events

A distribution of $3.15 per Convertible Preference Unit totalling $6,270,727 was declared on 12 December 2019 and was paid to unitholders on 25 February 2020. 1,345,971 units were issued under the Group's Distribution Reinvestment Plan.

On 21 February 2020, the Group announced the final repayment of the URF Notes II remaining principal of $25 per note, totalling $22,634,875. The final repayment of the remaining principal is scheduled to be paid on 31 March 2020 plus all interest accrued up to the interest payment date.

Other than the matters discussed above, there has not arisen in the interval between the balance date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

27. Auditors' remuneration

	2019 $	2018 $
Auditors of the Group		
Deloitte Touche Tohmatsu		
Audit and review of Group financial statements	215,500	211,500
Audit and review of subsidiary financial statements	52,300	52,000
	267,800	**263,500**
Other audit firms		
Deloitte Tax LLP		
Taxation compliance services	332,555	234,212
Taxation advisory services	131,345	390,141
	463,900	**624,353**

Directors' Declaration

For the year ended 31 December 2019

The directors of the Responsible Entity for US Masters Residential Property Fund (**the Group**) declare that:

1. The financial report as set out in pages 17 to 65, are in accordance with the *Corporations Act 2001*, including:
    a. Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, for the financial year ended on that date;
    b. In compliance with International Financial Reporting Standards as stated in note 2 to the financial statements; and
    c. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001.*
3. As at the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the Group 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 Board of Directors made pursuant to Section 295(5) of the *Corporations Act 2001:*

Signed in accordance with a resolution of directors of the Responsible Entity.

Stuart Nisbett
Director

Dated this 26th day of February 2020

Independent Auditor's Report

Exterior photo of a property in the Fund's portfolio, Prospect Place, Crown Heights

Interior photo of a property in the Fund's portfolio, Bradhurst Avenue, Harlem

Independent Auditor's Report

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Independent Auditor's Report to the Unitholders of US Masters Residential Property Fund

Opinion

We have audited the financial report of US Masters Residential Property Fund (the "Fund") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and

(ii) 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 Group 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 (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Walsh & Co Investments Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

continued

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Fair Value of Investment Properties	
As at 31 December 2019 the Group has determined the fair value of the investment properties to be $1,142 million as disclosed in Note 9. The basis of valuation of the portfolio is disclosed in Note 9(i) and is performed during each reporting period. Significant judgement is required in respect of the following: • The selection, by management, of a sample of properties for independent appraisal in each period, within each location grouping; and • The extrapolation of these valuations to properties which were not subject to individual independent appraisals.	Our procedures included, but were not limited to: • Obtaining an understanding of the basis of valuation and key processes adopted by management, and engaging our property specialist to assist in our assessment of the appropriateness of management's basis of valuation and processes; • Evaluating management's selection of properties for independent appraisal to assess that appropriate coverage of location groupings is achieved, and, is in compliance with management's policy of independently appraising each property at least once every three years; • Assessing the independence, competence and objectivity of the independent appraisers; • Making enquiries of a selection of the independent appraisers to obtain an understanding of their valuation methodology and prevailing market conditions; • Evaluating on a sample basis, the inputs used by the independent appraisers, including location proximity, selling prices, size and condition of the comparable properties to the property appraised; • Evaluating on a sample basis, management's extrapolation basis for each location grouping applied to the properties which were not subject to individual independent appraisals during the reporting period; • Recalculating the mathematical accuracy of management's extrapolation computation; and • Assessing the appropriateness of the disclosures included in Notes 2(C)(i) and 9 to the financial statements.
Taxation	
As at 31 December 2019 the Group has recognised a deferred tax liability of $42 million in respect of withholding tax obligations which may arise in connection with the realisation and distribution of capital gains associated with its property assets. As disclosed in Note 2(C)(ii), the timing of the deferred tax liability is dependent on circumstances which can only be determined at future disposal dates which are uncertain at balance date. The deferred tax liability is based on management's judgement on the most likely outcome based on their assessment of the likely disposal outcomes and the likelihood of the Group meeting other relevant qualifying US taxation legislation.	Our procedures included, but were not limited to: • Obtaining an understanding of and evaluating management's assessment and judgements of the most likely disposal outcome of the Group's property assets and the likelihood of the Group meeting other relevant qualifying US taxation legislation; • Making enquiries of management's taxation experts to assist in our assessment of management's application of the applicable US taxation legislation used in management's assessment; and • Assessing the appropriateness of the disclosures included in Notes 2(C)(ii) and 12 to the financial statements.

Independent Auditor's Report
continued

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Other Information

The directors of the responsible entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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.

Independent Auditor's Report

continued

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants
Sydney, 26 February 2020

Interior photo of a property in the Fund's portfolio, Decatur Street, Brooklyn

Interior photo of a property in the Fund's portfolio, Decatur Street, Brooklyn

Stock Exchange Information

Statement of quoted securities as at 31 January 2020

Fully paid ordinary units

- There are 4,753 unitholders holding a total 379,725,845 ordinary units
- The 20 largest unitholders between them hold 8.466% of the total units on issue

Convertible Step-Up Preference Units (CPU)

- There are 3,079 CPU holders holding a total 1,990,707 CPUs
- The 20 largest CPU holders between them hold 8.165% of the total CPUs on issue

Distribution of quoted units as at 31 January 2020

Fully paid ordinary units

Distribution of unitholders category (size of holding)	Number of unitholders	%
1 - 1,000	182	0.01
1,001 - 5,000	224	0.16
5,001 - 10,000	201	0.41
10,001 - 100,000	3,003	38.71
100,001 and over	1,143	60.72
Totals	**4,753**	**100.00**
Holding less than a marketable parcel	173	

Convertible Step-Up Preference Units

Distribution of unitholders category (size of holding)	Number of unitholders	%
1 - 1,000	2,652	56.69
1,001 - 5,000	418	37.51
5,001 - 10,000	5	1.72
10,001 - 100,000	4	4.08
100,001 and over	0	0.00
Totals	**3,079**	**100.00**

Substantial unitholdings as at 31 January 2020

There are no substantial unitholders pursuant to the provisions of section 671B of the *Corporations Act 2001.*

Directors' unitholdings

As at 31 January 2020 directors of the Group held a relevant interest in the following securities on issue by the Group.

Director	Ordinary units	URF notes	URF CPUs
Stuart Nisbett	18,462	–	–
Mike Adams	–	–	–
Warwick Keneally	22,559	–	250
Peter Shear	–	–	–

Restricted Securities

There are no restricted securities on issue by the Group.

Top 20 holders of ordinary units at 31 January 2020

Unitholder Name	Number of units held	% of total
Mr Orange Pty Limited	11,738,782	3.091
J P Morgan Nominees Australia	2,907,467	0.766
GB & JA Cameron Holdings Pty Ltd G & J Cameron S/F A/C	1,710,521	0.450
National Nominees Limited	1,661,556	0.438
Leanganook Pty Ltd Leanganook S/F A/C	1,573,075	0.414
HSBC Custody Nominees (Australia) Limited	1,431,781	0.377
Assess Pty Ltd Aristides Family A/C	1,136,601	0.299
Mr Daryl Albert Dixon & Mrs Katharine Dixon	1,033,762	0.272
Darmal Pty Limited	951,157	0.250
C & J Vonwiller 2 Pty Ltd Vonwiller Super Fund A/C	922,123	0.243
ISS Nominees Pty Limited ISS Superannuation Fund A/C	841,999	0.222
Crimson Permanent Assurance Company Pty Ltd S Dykes & R Maguire S/F A/C	816,654	0.215
Raining Roubles Pty Ltd Crimson Skies S/F A/C	800,000	0.211
J & V King Pty Ltd John G King S/F A/C	731,542	0.193
Mr Damien Joseph Kenneally & Mrs Candace Lynn Kenneally The Kenneally Family S/F A/C	702,649	0.185
Mr Alan Cochrane Dixon & Mrs Katharine Dixon Kate Dixon Pension Fund A/C	688,724	0.181
Luton Pty Ltd	635,661	0.167
Theropod Pty Ltd AM And YC Thomson S/F A/C	628,445	0.166
JLWA Holdings Pty Ltd ADS Superannuation Fund A/C	621,119	0.164
Aldwood Investments Pty Ltd Wood Family Super Fund A/C	616,849	0.162
Total Securities of Top 20 Holdings	**32,150,467**	**8.466**

Top 20 holders of CPUs at 31 January 2020

Unitholder Name	Number of units held	% of total
Mr Orange Pty Limited	27,650	1.389
J P Morgan Nominees Australia	27,465	1.380
BNP Paribas Nominees Pty Ltd IB AU Noms Retailclient DRP	13,517	0.679
Sargon CT Pty Ltd Charitable Foundation	12,586	0.632
Citicorp Nominees Pty Limited	7,667	0.385
Hoff Company No 1 Pty Limited Hoff Family No 2 A/C	7,590	0.381
Racing Victoria Limited Credit A/C	6,771	0.340
Sargon Ct Pty Ltd Bipeta	6,250	0.314
Darmal Pty Limited	6,000	0.301
Mr Mango Pty Ltd	5,000	0.251
Assess Pty Ltd Aristides Family A/C	5,000	0.251
Luton Pty Ltd	4,839	0.243
HSBC Custody Nominees (Australia) Limited	4,094	0.206
Pocry Investments Pty Limited Pocry Investment A/C	4,085	0.205
Marks & Mcewen Holdings Pty Ltd	4,020	0.202
Niemali Pty Ltd R & U Norris S/F A/C	4,000	0.201
Rosebank Staff Super Fund Pty Ltd Rosebank Staff S/Fund A/C	4,000	0.201
Focus Management Services Pty Ltd GDW Curlewis S/F A/C	4,000	0.201
G & L Kerr Family Super Pty Ltd The Kerr Family S/Fund A/C	4,000	0.201
Rosenshul SMSF Investments Pty Ltd Rosenshul S/F A/C	4,000	0.201
Total Securities of Top 20 Holdings	**162,534**	**8.165**

Corporate Directory

The Group's units are quoted on the official list of the Australian Securities Exchange Limited (**ASX**).

ASX Code is URF.

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Auditor

Deloitte Touche Tohmatsu

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Photo of a courtyard in the Fund's portfolio, West Hamilton Place, Jersey City


Interior photo of a property in the Fund's portfolio, Polhemus Place, Park Slope


Interior photo of a property in the Fund's portfolio, West Hamilton Place, Jersey City


Interior photo of a property in the Fund's portfolio, MacDonough Street, Bed-Stuy