Appendix 4E

Preliminary Final Report
For the year ended 31 December 2021

Name of entity

US Masters Residential Property Fund

ARSN	Reporting period	Previous corresponding period
150 256 161	1 January 2021 to 31 December 2021	1 January 2020 to 31 December 2020

Results for announcement to the market

		31-Dec-21
Total revenue ("revenue from ordinary activities – investment property income and interest income")	Down by 15% to	$38,794,223
Net operating profit for the year ("profit from ordinary activities after tax attributable to unitholders")	Up by 122% to	$21,140,021
Total comprehensive income ("net income for the year attributable to unitholders")	Up by 132% to	$45,095,079

Commentary on results

Refer to attached Annual Financial Report, including the Directors' Report to Unitholders. Additional Appendix 4E disclosure requirements can be found in the notes to the financial statements.

Distributions

Convertible Preference Units	Amount per unit	Franked amount
Distribution (paid on 23 February 2021)	$3.15	-
Distribution (paid on 25 August 2021)	$3.10	-
Distribution (paid on 23 February 2022)	$3.15	-
Total distribution	$9.40	-

A further distribution of $3.15 per convertible preference unit was declared on 14 December 2021.
There is a distribution reinvestment plan in operation in respect of this distribution.

Distribution dates:

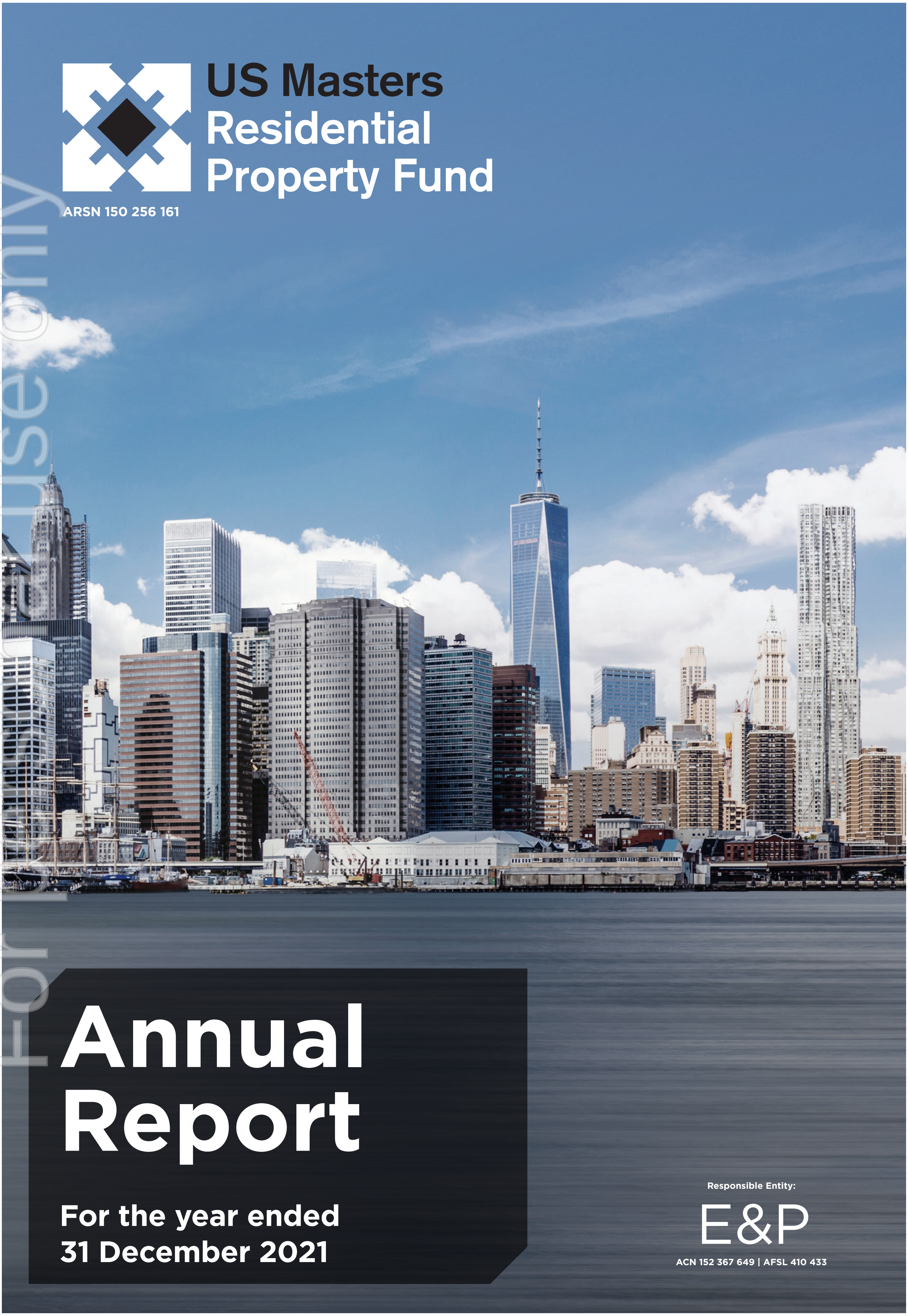
Ex-Distribution date:	Thursday, December 30, 2021
Record date:	Friday, December 31, 2021
Payment date:	Wednesday, February 23, 2022

Net tangible assets per ordinary unit	31-Dec-21	31-Dec-20
Pre-tax attributable to ordinary units	$0.71	$0.66
Post-tax attributable to ordinary units	$0.62	$0.55

Earnings per unit	31-Dec-21	31-Dec-20
Basic earnings/(loss) per unit	0.02 cents	(28.2 cents)
Diluted earnings/(loss) per unit	0.01 cents	(28.2 cents)

Annual Financial Report

This report is based on the 31 December 2021 Annual Financial Report and has been audited by Deloitte Touche Tohmatsu.



US Masters Residential Property Fund

ARSN 150 256 161

Annual Report

For the year ended 31 December 2021

Responsible Entity:

E&P

ACN 152 367 649 | AFSL 410 433

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CHAIR'S LETTER

FOR THE YEAR ENDED 31 DECEMBER 2021

Dear Investors,

I am pleased to provide you with the full-year report for the US Masters Residential Property Fund (**URF** or **Fund**) for the year ended 31 December 2021.

The Fund recorded a total comprehensive income of A$45.1 million for 2021. This was assisted by the 1-4 Family property portfolio achieving asset growth of 4.2% for the 2021 year, led by the New Jersey Workforce segment which grew 9.8%. Favourable currency movements also provided a tailwind for the Fund's results in Australian-dollar terms. As outlined in the 2021 half year accounts, the Fund's deferred tax liability was also reduced during the year, reflecting updated assumptions surrounding the potential tax liability of the Group.

Throughout the year, the Responsible Entity and local US management team have been executing the Fund's stated strategic goals, and the result has been a productive period for the Fund. Despite the ongoing disruption caused by COVID-19, significant operational improvements have been achieved. The management team delivered US$91.7 million of sales throughout the year, largely completing the Fund's targeted asset sales program set in 2019. This facilitated the full early repayment of the Global Atlantic Bridge Loan, with over A$117.6 million in debt being repaid throughout the year. The Fund's operating results continued to improve, with the month of December 2021 seeing both the portfolio occupancy and monthly rent collection rate (relative to expected income) at their strongest levels since the Fund began reporting such statistics. General and Administrative (**G&A**) costs for the year reduced 14%, and the Fund's interest expense fell 33%. These factors resulted in a 34% improvement in Funds from Operations (**FFO**) for the year[1]. We anticipate further improvements in Net Operating Income and G&A cost savings throughout 2022, and the Fund is expected to achieve a positive FFO run-rate by the end of the 2022 calendar year.

As has been detailed in the Fund's investor communications throughout 2021, the Fund continues to work closely with Ackman-Ziff to review corporate opportunities that may be available. This has been a robust process, with in excess of 80 potential investors being contacted and 21 Confidentiality Agreements being executed to facilitate detailed due diligence and discussions. In early 2022 the Fund entered into a period of exclusive negotiations with a single party in relation to a whole-of-portfolio sale. This process is ongoing, remains incomplete and confidential, with key aspects of the negotiations remaining outstanding, and there is no guarantee that a transaction will eventuate. We will advise of the outcome of the process when it is appropriate to do so. Were a transaction to proceed, it would likely be effected through a sale of the major undertaking, after which the Fund would be expected to be wound up, with distributions payable in the first instance to URFPA holders (in accordance with the URFPA terms) and the residual amount then payable to URF holders.

Throughout this capital markets process we have been receiving feedback on the portfolio from potential investors. Broadly speaking, the feedback has been that the Fund's portfolio is unusual in its composition (1-4 Family townhomes), location (greater New York City metropolitan area) and scale (888 units across 483 properties). This means that it defies easy categorisation for many institutional investors; it is not directly comparable to single family rental portfolios in other geographical locations in the United States, nor to the more common large scale, multi-family apartment buildings typically found in New York City. Investors have been drawn to the Fund's scale and existing operating platform, while the Fund's relatively low yield (compared to other institutional property exposures) and operating complexity (given the large number of relatively small assets) has made it a more difficult portfolio to easily incorporate into an existing investment structure.

---

[1] Funds From Operations (**FFO**) is calculated as revenue from ordinary operations less; investment property expenses, general & administrative expenses, and net interest expense (excluding amortised finance costs). Disposal costs associated with the sales program and one-off refinancing costs have been removed to normalise the operational result. Refer to the accompanying Q4 2021 URF Report for additional details on this metric.

CHAIR'S LETTER

FOR THE YEAR ENDED 31 DECEMBER 2021

This process has converged around assessing potential options for a whole-of-portfolio sale of the Fund's 1-4 Family assets. In such a scenario it is expected that a bulk transaction discount will be applied to the current book value of the portfolio. Any such offer will be compared to the forward-looking prospects for the business, including comparing such an offer to the net realisable value of the 1-4 Family property assets on an accelerated one-by-one sale basis, and the time, tax leakage and execution risks associated with such an approach. We note that transaction costs in the range of 5% - 7.5% have been realised during the Fund's recently completed asset sale program, which equates to a 10% equity cost based on the Fund's level of gearing. This program saw US$188.4 million in assets sold since the beginning of the sales program, with US$645 million in 1-4 Family assets remaining.

The Board is conscious of investor desire for liquidity within the short to medium term, and is committed to completing this robust capital markets process with the goal of providing a liquidity option to investors that maximises the equity value of the Fund across both URF ordinary and URFPA securities (and accessing that value within a reasonable time period).

In the event of a transaction being proposed to investors, an independent expert's opinion will be sought, and the expert's findings will be shared with investors along with transaction documentation for a unitholder vote. Should this process not result in a commercially acceptable offer the Board will promptly inform investors.

Buybacks of ordinary and/or preference securities and further proactive debt repayments are currently on hold, pending conclusion of the Fund's ongoing assessment and consideration of capital markets options.

We thank investors for their patience as these options are thoroughly investigated, and look forward to sharing further updates shortly.

Sincerely,

Stuart Nisbett

Independent Chair of the Responsible Entity

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CHIEF EXECUTIVE OFFICERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Dear Investors,

Throughout 2021, the Fund's management team has worked diligently with the Board of the Responsible Entity to progress two parallel paths designed to create value for unitholders. First and foremost, we have continued to execute on each of the core elements of the strategic plan implemented following the change in management in 2019, and we provide further details on this progress below. In addition, at the direction and request of the Board, we have simultaneously been exploring capital market opportunities, with real estate capital advisory firm Ackman-Ziff being retained to evaluate a wide range of solutions for the Fund, including a full-portfolio or sub-portfolio sale.

With the Fund now at this inflection point, it is worth revisiting the progress that has been made both during FY21 and over the course of the last two years since the management change, as well as how these improvements position the business moving forward. As was outlined in 2019, we believe that the changes that have been implemented have not only made the portfolio more marketable to external parties (due to improvements made in Net Operating Income and yield) but have also transformed the cash flow profile of business, which has ultimately given the Fund the ability to evaluate capital market transactions in an orderly way.

The underlying improvements to the business have been driven by the execution of the strategic plan announced to the market in August 2019 after we were jointly appointed to the CEO role by the Directors of the Responsible Entity. The plan was designed to stabilise the financial position of the Fund, with a focus on the following core principles:

- Executing a targeted sales program, focused on selling assets from the Fund's lower-yielding New York Premium and New Jersey Premium segments to rebalance the portfolio and improve the overall portfolio yield;
- Utilising the proceeds generated by the sales program to reduce the Fund's gearing level;
- Improving property-level operations to increase the portfolio's Net Operating Income (**NOI**) margin; and
- Reducing General & Administrative (**G&A**) expenses.

We believe the results that have been achieved against these performance goals across the last two years are exceedingly positive:

- US$188.4 million worth of property was sold from the portfolio since the beginning of the sales program, including US$91.7 million during FY21. Of this sales volume, 82% came from the lower-yielding New York and New Jersey Premium segments of the portfolio, which has rebalanced the 1-4 Family portfolio and will increase the portfolio weighting of the higher-yielding workforce segment from 22% in mid-2019 to 30% at the conclusion of the sales program.
- At balance date, the Fund had US$18.9 million worth of property under contract, the settlement of which would conclude the Fund's targeted asset sales program. US$8.0 million settled in January, with the remaining US$10.9 million expected to settle in the coming months, bringing the total sales volume on completion of the asset sales program to US$207.3 million.
- The Fund has reduced its total debt by A$245.4 million since the change in Management, including the full repayment of URF Notes II and URF Notes III. Of this total, A$117.6 million worth of debt was repaid during FY21, highlighted by the full repayment of the Global Atlantic Bridge Loan in Q3 2021. Beyond the significant reduction in debt levels, the Fund has also materially reduced its cost of debt, from 5.79% in 2019 to its current rate of 4%.
- Despite pressure on rental collections during the COVID-19 pandemic and increased repairs and maintenance expenses incurred as a result of historic flooding caused by Hurricane Ida, continued operational improvements on the Fund's stabilised portfolio kept NOI in line with 2020 and 12% above 2019.
- G&A costs continued to fall, with the FY21 total of A$15.2m representing a 14% reduction year-on-year. These overhead costs have been a critical focus since the change in management, and 2021's figure equates to a 41% reduction compared to 2019.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CHIEF EXECUTIVE OFFICERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Over the course of the last two years the operating portfolio has been transformed from being cash flow negative in 2019 (FFO loss of A$37 million) to now being on a path to reach an FFO positive run rate in 2022.

In the event that the capital markets process does not result in a commercially acceptable outcome for investors, a business plan detailing the steps required to reach this FFO positive run rate will be implemented. We believe that the remaining improvements are not reliant on market-related factors but will instead be driven by further reductions in overhead costs and tailoring the operating platform and management structure to align with the smaller, now fully stabilised property portfolio.

As the Fund entered this capital markets process, we were cognisant of keeping the operating platform unchanged, which would allow us to appeal to the widest universe of counterparties, including insurance groups, pension funds, and other parties new to the single family rental space that would be unable to manage the investment internally. Keeping the platform intact would not only allow these groups to participate in the process, but would also allow the Fund to point to its platform having previously managed a substantially larger portfolio, therefore giving it the ability to accommodate potential growth capital to purchase more high-yield workforce properties without adding incremental overhead costs. In the event of no transaction and the continuation of the current operating portfolio, the operating platform will be scaled down, and the business will also move from a co-CEO model to a single CEO model.

Despite the challenges that the Fund has faced in the past, investor feedback and support has been a constant presence as the Fund has worked through its strategic turnaround since late 2019, and we are proud of the improvements that have been made to date. We thank investors for their continued support and we look forward to continuing to work diligently with the Board of the Responsible Entity to provide value for unitholders in 2022. We would also like to thank all URF staff for their hard work and dedication to the day-to-day execution of the Fund's strategic initiatives.

Sincerely,

Brian Disler & Kevin McAvey

Co-CEOs US REIT

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

US Masters Residential Property Fund (**Fund**) and the entities it controls (**Group**) is a listed managed investment scheme whose units are traded on the Australian Securities Exchange (**ASX**). The responsible entity of the Group is E&P Investments Limited (**E&P**) (**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 Fourth 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 ASX 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 acts as a charter and 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 2021 financial year and as at the date of this report are:

Stuart Nisbett – Independent, Non-Executive Chairperson
Warwick Keneally – Non-Independent, Executive Director
Mike Adams – Non-Independent, Non-Executive Director (retired 9 December 2021)
Peter Shear – Independent, Non-Executive Director

The company secretaries of the Responsible Entity during the 2021 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 3 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 one non-independent director, Warwick Keneally, with the independent Chairperson holding the casting vote[1]. The Board however has established a Compliance Committee with a majority of external members who are responsible for monitoring the extent to which the Responsible Entity complies with the Group's constitutions, compliance plan and any relevant regulations. The Compliance Committee must provide a report to the Board at least on a quarterly basis and report to ASIC if it is of the view that the Responsible Entity has not complied with the Group's constitutions, Compliance Plan or any relevant regulations.

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.

---

[1] Prior to his appointment as a director of the Board, Stuart Nisbett was remunerated for services on investment committees for two of the Responsible Entity's unlisted funds. The Board is of the view that this association does not compromise Stuart Nisbett's independence because one of the investment committees was dissolved in 2017 and he ceased to be remunerated for the other investment committee prior to his appointment as director.

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.

Whistleblower Policy

The Board is subject to a Whistleblowing Policy which is available at eap.com.au/shareholder-centre/corporate-governance.

Anti-Bribery and Corruption Policy

The Board is subject to a Fraud and Corruption Policy which is available at eap.com.au/shareholder-centre/corporate-governance.

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, following 36 years as a financial services and regulatory lawyer with The Fold Legal and Phillips Fox (now DLA Piper). She chairs the Aware Financial Services board and is a non-executive director of Youi, Athena Home Loans, Auditcover and The Stella Prize. Claire also sits on advisory boards to a number of startups including Ignition Advice, Snug Technologies and Kleu.

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 Orca Global Fund, the Orca Global Disruption Fund, the Orca Asia Fund, the CD Private Equity Fund Series, the Venture Capital Opportunities Fund and the FSREC Property Fund. Barry is a Director of Sherman Group Pty Limited, a privately owned investment company, and is responsible for managing the investment, legal, financial and operational affairs of Sherman Group of companies. Barry has 37 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, Phoslock Environmental Technologies Limited an Australian company listed on the ASX which provides innovative water technologies and engineering solutions to manage nutrients and other water pollutants, 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 7.

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 in the Corporate Governance Charter on the Group's 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 and 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 at 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 is reviewed annually.

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 Group does not have any material exposure to environmental or social risks.

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. The Board does not release to the market any periodic corporate reports which are not audited or reviewed by an external auditor.

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 constitutions, 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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors of E&P 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 2021.

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)
Chair

Stuart is currently Executive Director and Principal at Archerfield 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.

Mike Adams BLaws (resigned effective 9 December 2021)
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 E&P 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 E&P Investments Limited, the Funds Management division of E&P Financial Group Limited. Before joining E&P Investments Limited, 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

Peter has significant expertise in funds management, financial advisory and complex lending arrangements including leveraged finance, property development and debt workout situations. Peter is currently a Managing Partner of Archibald Capital which specialises in Opportunistic Credit and Special Situations. Before that he was 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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 a pre-tax profit of $12.2 million for the year, a post-tax profit of $21.1 million and a total comprehensive income of $45.1 million.

Distributions paid or recommended

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 Dividend Reinvestment Plan, $5.1 million was paid on 23 February 2021.

A second distribution of $3.10 per Convertible Preference Unit totalling $6.2 million was declared on 8 June 2021. After accounting for the Group's Dividend Reinvestment Plan, $4.8 million was paid on 25 August 2021.

A third distribution of $3.15 per Convertible Preference Unit, totalling $6.3 million was declared on 14 December 2021. After accounting for the Group's Distribution Reinvestment Plan, $4.8 million was paid on 23 February 2022.

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 2021.

After balance date events

The distribution of $3.15 per Convertible Preference Unit totalling $6,270,727 which was declared on 14 December 2021 was paid to unitholders on 23 February 2022. 5,025,261 units were issued under the Group's Distribution Reinvestment Plan.

While the Fund's results have to date proven to be resilient against the disruption and economic impacts caused by COVID-19, the impact on the Group's performance of future developments regarding the virus cannot be known as of reporting 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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments, prospects and business strategies

Details of future developments in the Group are contained in the Chair's Letter and the Chief Executive Officer's report included in pages (i) through (iv). 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	-	-
Warwick Keneally	26,191	-	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 24 to the financial statements
- units held by the directors of the Responsible Entity at the reporting date – refer to note 24 to the financial statements
- capital raisings completed during the financial year – refer to note 18 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 2021, including movements in units on issue during the year – refer to note 18 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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 28.

Auditor's independence declaration
The auditor's independence declaration is set out on page 12 and forms part of the directors' report for the financial year ended 31 December 2021.

Signed in accordance with a resolution of the Directors:

Stuart Nisbett
Director

Dated this 28th day of February 2022

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

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

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

28 February 2022

Dear Board Members

Auditor's Independence Declaration to the Directors of E&P Investments Limited as Responsible Entity for 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 2021, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Haynes

David Haynes
Partner
Chartered Accountants

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 $	2020 $
Investment property rental income		38,472,466	45,155,666
Interest income		321,757	498,469
Other income		606,533	218,548
Grant income	*16*	-	1,876,521
Fair value movement of investment properties	*9*	36,790,902	(54,502,742)
Fair value movement of investment properties due to damage	*9*	(960,431)	-
Fair value movement of equity investments	*6*	(2,816,545)	(8,414,242)
Share of losses of jointly controlled entities	*8*	(150,853)	(152,978)
Investment property expenses		(12,311,606)	(14,148,033)
Net foreign currency gain/(loss)		172,831	(782,171)
Listing fees		(177,093)	(222,794)
Professional fees		(1,209,811)	(1,666,054)
Marketing		(39,755)	(134,448)
IT expenses		(418,451)	(510,875)
Management fees	*24*	(3,422,463)	(4,324,856)
Salaries and wages		(8,279,362)	(7,834,197)
Administrative costs		(315,523)	(438,857)
Interest expense	*9*	(24,557,059)	(36,470,372)
Investment property disposal costs		(7,330,559)	(5,663,626)
Allowance for expected credit losses		(760,979)	(719,706)
Insurance expense		(823,694)	(772,040)
Depreciation and amortisation expense		(244,027)	(629,316)
Impairment reversal on right-of-use asset	*12*	-	95,447
Other expenses		(320,121)	(600,056)
Profit/(loss) before income tax		12,226,157	(90,142,712)
Income tax benefit/(expense)	*13*	8,913,864	(5,377,012)
Profit/(loss) for the year attributable to Unitholders		21,140,021	(95,519,724)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operation (nil tax)		23,955,058	(45,482,853)
Other comprehensive income/(loss) for the year, net of tax		23,955,058	(45,482,853)
Total comprehensive income/(loss) for the year attributable to Unitholders		45,095,079	(141,002,577)
Earnings/(loss) per unit			
Basic earnings/(loss) per unit (dollars) *	*19*	0.02	(0.28)
Diluted earnings/(loss) per unit (dollars) *	*19*	0.01	(0.28)

* Basic and diluted earnings/(loss) is calculated as profit for the period less distributions to convertible preference unitholders.

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 2021

	Note	2021 $	2020 $
Current assets			
Cash and cash equivalents	*4*	56,714,776	74,720,179
Receivables	*5*	950,634	1,692,312
Prepayments		626,697	208,372
Other financial assets	*6*	-	8,451,331
Other assets	*7*	346,703	935,246
Net investment in sublease	*12*	795,614	464,506
Investments in jointly controlled entities	*8*	-	615,193
Investment properties held for sale	*9*	31,583,368	127,333,702
Total current assets		91,017,792	214,420,841
Non-current assets			
Investment properties	*9*	857,260,267	790,037,967
Other financial assets	*6*	14,197,771	16,696,096
Other assets	*7*	8,373,057	8,072,902
Right-of-use asset	*12*	952,479	-
Net investment in sublease	*12*	2,901,188	3,489,716
Property, plant and equipment	*11*	56,028	106,046
Security deposits	*10*	599,768	396,413
Total non-current assets		884,340,558	818,799,140
Total assets		975,358,350	1,033,219,981
Current liabilities			
Payables	*14*	10,404,960	10,912,638
Borrowings	*15*	-	16,418,515
Lease liability	*12*	1,218,989	768,350
Total current liabilities		11,623,949	28,099,503
Non-current liabilities			
Deferred tax liabilities	*13*	37,190,334	44,011,090
Borrowings	*15*	477,758,714	547,560,316
Lease liability	*12*	3,803,849	3,700,294
Other non-current liabilities	*17*	182,861	172,618
Total non-current liabilities		518,935,758	595,444,318
Total liabilities		530,559,707	623,543,821
Net assets		444,798,643	409,676,160
Equity			
Unit capital	*18*	453,173,851	450,704,528
Convertible step-up preference units	*18*	194,822,929	194,822,929
Reserves		166,171,678	142,216,620
Accumulated losses		(369,369,815)	(378,067,917)
Total equity		444,798,643	409,676,160

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

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Unit capital	Convertible step-up preference units	Foreign currency translation reserve	Accumulated losses	Total equity
		$	$	$	$	$
Balance at 1 January 2020		**448,400,079**	**194,822,929**	**187,699,473**	**(270,106,274)**	**560,816,207**
Loss for the year		-	-	-	(95,519,724)	(95,519,724)
Other comprehensive loss, net of income tax						
Foreign operation currency translation loss	*18*	-	-	(45,482,853)	-	(45,482,853)
Total other comprehensive loss		-	-	(45,482,853)	-	(45,482,853)
Total comprehensive loss for the year		**-**	**-**	**(45,482,853)**	**(95,519,724)**	**(141,002,577)**
Transactions with owners in their capacity as owners						
Issue of ordinary units	*18*	2,304,449	-	-	-	2,304,449
Distributions to CPU unitholders		-	-	-	(12,441,919)	(12,441,919)
Total transactions with owners		**2,304,449**	**-**	**-**	**(12,441,919)**	**(10,137,470)**
Balance at 31 December 2020		**450,704,528**	**194,822,929**	**142,216,620**	**(378,067,917)**	**409,676,160**
Balance at 1 January 2021		**450,704,528**	**194,822,929**	**142,216,620**	**(378,067,917)**	**409,676,160**
Profit for the year		-	-	-	21,140,021	21,140,021
Other comprehensive profit, net of income tax						
Foreign operation currency translation gain	*18*	-	-	23,955,058	-	23,955,058
Total other comprehensive profit		-	-	23,955,058	-	23,955,058
Total comprehensive profit for the year		**-**	**-**	**23,955,058**	**21,140,021**	**45,095,079**
Transactions with owners in their capacity as owners						
Issue of ordinary units	*18*	2,469,323	-	-	-	2,469,323
Distributions to CPU unitholders		-	-	-	(12,441,919)	(12,441,919)
Total transactions with owners		**2,469,323**	**-**	**-**	**(12,441,919)**	**(9,972,596)**
Balance at 31 December 2021		**453,173,851**	**194,822,929**	**166,171,678**	**(369,369,815)**	**444,798,643**

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

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Cash receipts from customers		39,324,095	44,009,548
Cash receipts from government grants		-	1,876,521
Cash paid to suppliers and employees		(27,852,470)	(32,083,056)
Interest received		270,583	505,471
Interest paid (i)		(21,745,548)	(27,128,560)
Net cash used in operating activities	*4*	(10,003,340)	(12,820,076)
Cash flows from investing activities			
Payments for improvements to investment properties (i)		(6,024,388)	(19,237,579)
Proceeds from sale of investment properties		121,123,482	105,381,674
Disposal costs on sale of investment properties		(7,330,559)	(5,663,626)
Distributions received from jointly controlled entity investments		479,197	4,775,672
Distributions received from equity investments		635,452	-
Amounts received from/(advanced to) third parties		8,350,258	(92,250)
Net cash provided by investing activities		117,233,442	85,163,891
Cash flows from financing activities			
Gross proceeds from secured bank loans and loan notes		-	590,907,775
Bank loan repayments		(100,099,554)	(476,785,241)
Unsecured Note repayments		(17,500,000)	(180,134,875)
Refund of interest reserve and escrow accounts		8,321,367	5,617,794
Payment of interest reserve and escrow accounts		(8,148,404)	-
Payment of transaction costs related to loans and borrowings		(17,407)	(6,212,279)
Distributions paid		(9,973,316)	(10,143,689)
Withholding tax paid		(32,233)	(477,202)
Lease payments		(845,285)	(820,559)
Cash receipts from net investment in sublease		484,929	-
Payment of security deposit		(180,527)	-
Net cash used in financing activities		(127,990,430)	(78,048,276)
Net decrease in cash and cash equivalents		(20,760,328)	(5,704,461)
Cash and cash equivalents at beginning of year		74,720,179	85,875,027
Effect of exchange rate fluctuations on cash held		2,754,925	(5,450,387)
Cash and cash equivalents at end of year	*4*	56,714,776	74,720,179

[(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. In the current period, the amount of interest capitalised to investment properties was nil (2020: $3,091,520).

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

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 28 February 2022. 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).

2. Basis of preparation *(continued)*

C) Use of estimates and judgements *(continued)*

ii) Deferred tax liability recognition

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 taxable gains associated with its property assets. Depending on the structure of the realisation and other criteria and circumstances which can only be determined at a future disposal date, the rate may range from 0% to 24.95%, incorporating both corporate and branch profit taxes. 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, as well as other conditions reasonably expected to prevail in the year 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.

3. Significant accounting policies *(continued)*

B) Foreign currency

The functional and presentation currency of the Fund is Australian dollars.

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in the profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items other than fair value gains/losses are translated at the average exchange rates for the period. Fair value gains/losses on non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

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) 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.

3. Significant accounting policies *(continued)*

C) Financial instruments *(continued)*

i) Financial assets *(continued)*

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.

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

Receivables

Short term trade receivables and short term loan receivables are recognised at amortised cost.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund'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.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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.

3. Significant accounting policies *(continued)*

C) Financial instruments *(continued)*

i) Financial assets *(continued)*

Equity investments

The Fund's interests 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 'fair value movement of equity investments' line item. Fair value has been determined as outlined in note 6.

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.

ii) Financial liabilities

Classification of financial liabilities

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

The Group has the following 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.

3. Significant accounting policies *(continued)*

C) Financial instruments *(continued)*

ii) Financial liabilities *(continued)*

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.

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.

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.

3. Significant accounting policies *(continued)*

C) Financial instruments *(continued)*

iii) Unit Capital *(continued)*

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 18(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. 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 which are 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 current asset.

3. Significant accounting policies *(continued)*

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.

3. Significant accounting policies *(continued)*

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 Consolidated 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 is recognised as income over the lease term. Where a lease has fixed annual increases, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. When the Fund provides lease incentives to tenants, the cost of the incentives are initially capitalised and then recognised over the lease term on a straight-line basis, as a reduction in rental income.

Costs that are directly associated with negotiating and executing ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are expensed over the lease term on the same basis as the rental income.

ii) Interest income

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

iii) Grant income

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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)).

3. Significant accounting policies *(continued)*

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 minimum rate of 55%.

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) Employee benefits

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

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

N) 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.

3. Significant accounting policies *(continued)*

O) Leases

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

The right-of-use assets are presented as a separate line in the Consolidated Statement of Financial Position. The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 3F.

3. Significant accounting policies *(continued)*

O) Leases (*continued)*

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

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.

Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations that will be effective for years ending on or after 31 December 2022 have not yet been determined.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date	1 January 2023	31 December 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements to 2018-2020 and Other Amendments	1 January 2022	31 December 2022
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	31 December 2023
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	31 December 2023

4. Cash and cash equivalents

	2021	2020
	$	$
Cash at bank	56,635,554	74,720,179
Restricted cash (i)	79,222	-
	56,714,776	74,720,179

Cash at bank earns interest at floating rates based on the bank deposit rates. The effective interest rate on bank deposits was 0.07% (2020: 0.25%).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

(i) Restricted cash relates to a deposit account into which all tenant rent is received (Rent Deposit Account). The Rent Deposit Account is beneficially owned by the Group but is controlled by Global Atlantic as part of its security over the loan facility. Amounts are swept daily from the Rent Deposit Account by the loan servicer to cover interest, replenishment of required reserves and any other amount due to Global Atlantic.

Reconciliation of cash flows from operating activities	2021	2020
	$	$
Profit/(loss) for the year	21,140,021	(95,519,724)
Adjustments for:		
Net unrealised (gain)/loss on foreign exchange	(172,831)	782,171
Change in fair value of investment property	(36,790,902)	54,502,742
Change in fair value of investment property due to damage	960,431	-
Change in fair value of equity investments	2,816,545	8,414,242
Share of profits of jointly controlled entities	150,853	152,978
Non-cash interest expense	2,889,331	8,790,153
Investment property disposal costs	7,330,559	5,663,626
Depreciation and amortisation expense	244,027	629,316
Impairment reversal of right-of-use asset	-	(95,447)
Change in trade and other receivables	741,678	(921,490)
Change in other assets	30,087	(595,655)
Change in prepayments	(418,325)	1,002,935
Change in trade and other payables	39,243	(827,890)
Change in deferred tax liability (excluding foreign exchange impact)	(8,964,057)	5,201,967
Net cash used in operating activities	(10,003,340)	(12,820,076)

4. Cash and cash equivalents *(continued)*

Reconciliation of liabilities arising from financing activities

					Non-cash changes		
		1 Jan 2021	**Financing cash flows**	**Payment of transaction costs**	**Amortisation of borrowing costs**	**Exchange rate differences on translation**	**31 Dec 2021**
	Note	**$**	**$**	**$**	**$**	**$**	**$**
Secured bank loans	*15*	547,560,316	(100,099,554)	(17,407)	1,766,802	28,548,557	477,758,714
Unsecured notes	*15*	16,418,515	(17,500,000)	-	1,122,529	(41,044)	-
		563,978,831	(117,599,554)	(17,407)	2,889,331	28,507,513	477,758,714

					Non-cash changes		
		1 Jan 2020	**Financing cash flows**	**Payment of transaction costs**	**Amortisation of borrowing costs**	**Exchange rate differences on translation**	**31 Dec 2020**
	Note	**$**	**$**	**$**	**$**	**$**	**$**
Secured bank loans	*15*	477,039,142	114,122,534	(6,212,279)	7,925,484	(45,314,565)	547,560,316
Unsecured notes	*15*	195,381,688	(180,134,875)	-	1,078,196	93,506	16,418,515
		672,420,830	(66,012,341)	(6,212,279)	9,003,680	(45,221,059)	563,978,831

5. Receivables

	2021	**2020**
	$	**$**
Current		
Receivables - rental debtors	1,414,811	866,553
Loss allowance for rental debtors	(1,069,703)	(454,074)
Other receivables	605,526	1,279,833
	950,634	1,692,312

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, at the discretion of the Group. 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 $1,069,703 (2020: $454,074) 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 21.

6. Other financial assets

	2021 $	2020 $
Current assets		
Loan to other entity	-	8,451,331
	-	8,451,331
Non-current assets		
Equity investments — fair value	14,197,771	16,696,096
	14,197,771	16,696,096

a) Loan to other entity – amortised cost

The Group provided vendor financing in respect of a property disposed in a prior year.

The loan was repaid in the current year.

b) Equity investments – fair value

Investee	Country of Incorporation	Principal activity	Principal place of business	Ownership Interest 2021 %	Ownership Interest 2020 %
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.

6. Other financial assets (*continued*)

515 West 168th Venture LLC

Walker & Dunlop were appointed to value the property owned by 515 West 168th Venture LLC at both 30 June 2021 and 31 December 2021. In determining the fair value of the property at 31 December 2021, the appraiser adopted a capitalisation of income approach.

The fair value of the property at 31 December 2021 was USD$17,430,000 (A$23,998,348), resulting in a total fair value decrement recognised during the year of USD$1,290,000 (A$1,758,433), of which the Group's economic share was USD$821,730 (A$1,120,122). The investee had borrowings totaling USD$13,400,000 (A$18,449,676).

30–58/64 34th Street Venture LLC

Walker & Dunlop were appointed to value the property owned by 30-58/64 34th Street Venture LLC at both 30 June 2021 and 31 December 2021. In determining the fair value of the property at 31 December 2021, the appraiser adopted a capitalisation of income approach.

The fair value of the property at 31 December 2021 was USD$15,510,000 (A$21,354,812) resulting in a total fair value decrement recognised during the year of USD$870,000 (A$1,187,927), of which the Group's economic share was USD$565,500 (A$772,153). The investee had borrowings totaling USD$7,852,636 (A$10,811,835).

523 West 135th Street Venture LLC

Walker & Dunlop were appointed to value the property owned by 523 West 135th Street Venture LLC at both 30 June 2021 and 31 December 2021. In determining the fair value of the property at 31 December 2021, the appraiser adopted a capitalisation of income approach.

The fair value of the property at 31 December 2021 was USD$5,280,000 (A$7,269,723), resulting in a total fair value decrement recognised during the year of USD$950,000 (A$1,278,224), of which the Group's economic share was USD$614,475 (A$827,139). The investee had borrowings totaling USD$4,441,399 (A$6,115,103).

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 hierarchy level	Fair value ($) 2021	Fair value ($) 2020	Inputs
Equity investments — fair value	Level 3	14,197,771	16,696,096	- Net market income of US$14.86 - US$20.60 (2020: US$15.69 - US$22.46) per square foot - Capitalisation rates of 4.75% (2020: 4.5% - 5%)

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

7. Other assets

	2021 $	2020 $
Current assets		
Deferred leasing fee	11,289	45,077
Other assets (escrow deposits and receivables)	335,414	890,169
	346,703	935,246

	2021 $	2020 $
Non-current assets		
Facility interest reserve and escrow accounts (i)	8,373,057	8,072,902
	8,373,057	8,072,902

(i) The Group had the following balances held on reserve with Global Atlantic ('GA') as required under the terms of the facility (refer note 15(i)):

- An interest reserve totalling US$3,600,000 (A$4,956,629) at balance date.

  On each anniversary of the loan closing date (November 19, 2020), an audit of the interest reserve account will be completed by GA and if the balance of the account exceeds 3 months' worth of debt service payments, the excess will be returned to the Group.

- A property tax reserve totalling US$1,689,029 (A$2,325,525) at balance date.

  Under the terms of the facility, the Group is required to make monthly payments equivalent to 1/12th of the estimated annual property tax liability for deposit into the property tax reserve.

  At the date of review by GA, subject to the Group providing evidence satisfactory to GA that the Group is current with its quarterly property tax obligations and there being no Events of Default, the Group will be reimbursed out of the reserve account for property tax payments made.

- An insurance reserve totalling US$231,239 (A$318,380) at balance date.

  Under the terms of the facility, the Group is required to make monthly insurance premium reserve payments equivalent to 1/12th of the estimated annual premium into the insurance reserve account. At all times, the Group is required to maintain a minimum balance representing two months' worth of insurance premium in the insurance reserve account.

  At the date of review by GA, subject to the Group providing evidence satisfactory to GA that the Group is current with its insurance obligations, a two month minimum reserve balance requirement and there being no Events of Default, the Group will be reimbursed out of the reserve account for insurance premium payments made.

- A capital expenditure reserve totalling US$561,083 (A$772,523) at balance date.

  Each month, the Group is required to make payments into the capital expenditure reserve equivalent to 1/12th of $1,000 multiplied by the number of properties pledged as security under the Term Loan facility. Once the capital expenditure reserve reflects a balance equivalent to $1,000 per Term Loan property, monthly payments of capital expenditure reserve are not required.

  At the date of review by GA, subject to the Group providing evidence acceptable to Lender that capital work has been completed in a satisfactory manner and there being no Events of Default, the Group will be reimbursed out of the capital reserve account for repairs and maintenance work completed on the properties pledged as security under the Term Loan facility.

8. Investments in jointly controlled entities

Jointly controlled entities	Country of incorporation	Principal activity	Principal place of business	Ownership Interest 2021 %	Ownership Interest 2020 %
Golden Peak II LLC (i) (iii)	USA	Property Investment	Hudson County, NJ	67.5%	67.5%
Hudson Gardens LLC (i) (ii)	USA	Property Investment	Hudson County, NJ	-	90.0%
Gold Coast Equities LLC (i) (ii)	USA	Property Investment	Hudson County, NJ	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 in prior years. These entities are in the process of being dissolved.

(iii) Golden Peak II LLC

Carrying amount of interest in jointly controlled entities	**2021 $**	**2020 $**
Balance at beginning of year	615,193	5,524,908
Distributions received	(479,197)	(4,775,672)
Share of losses of jointly controlled entities	(150,853)	(152,978)
Exchange rate differences on translation	14,857	18,935
Balance at end of year	-	615,193

9. Investment properties

	2021 $	2020 $
Disclosed on the Consolidated Statement of Financial Position as:		
Current assets		
Investment properties held for sale	31,583,368	127,333,702
Non-current assets		
Investment properties	857,260,267	790,037,967
	888,843,635	917,371,669

	2021 $	2020 $
At fair value		
Balance at beginning of year	917,371,669	1,141,930,663
Payments for improvements to investment properties	5,465,246	18,974,844
Fair value movement of investment properties to market	36,790,902	(54,502,742)
Fair value movement of investment properties due to damage	(960,431)	-
Disposals	(119,711,746)	(104,295,649)
Exchange rate differences on translation	49,887,995	(84,735,447)
Balance at end of year	888,843,635	917,371,669

	2021 $	2020 $
Interest expense	24,557,059	39,561,892
Interest capitalised to carrying value of qualifying investment properties	-	(3,091,520)
Interest expense reflected in profit or loss	24,557,059	36,470,372

The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was nil (2020: 0.49%).

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.

Fair value has been measured on a property by property basis, that being the Unit of Account under AASB 13 Fair Value. As has been disclosed in previous communications, the Group is currently conducting a capital markets process. It is Management’s view that in the current market if the portfolio were sold in a bulk sale transaction, a discount to book value would likely apply. Factors relevant to Management forming this view include individual property disposal costs, liquidity discounts for large portfolios, financing and transaction costs, and time value of money.

The fair value movement of investment properties due to damage relates to impairments caused to the Group’s investment properties by Hurricane Ida ($960,431).

9. Investment properties *(continued)*

i) Valuation basis

In determining the fair value of the Group's investment properties at balance date, the portfolio 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 was 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. 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)
- Patrick Southern Coldwell Banker (licensed real estate agent)
- Tamara Marotta Corcoran Group (licensed real estate agent)
- Leslie J. Garfield & Co., Inc. (licensed real estate agent)

The appraisals of all properties have been completed using the "direct comparable sales" 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 valuation results of the appraised properties, excluding outliers are used to determine the average result for each neighbourhood. The average result for each neighbourhood is then extrapolated over the properties which were not subject to individual appraisal, thereby achieving an overall valuation outcome for each neighbourhood and accordingly the entire portfolio.

At 31 December 2021, 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 hierarchy level	Fair value ($) 2021	Fair value ($) 2020	Valuation technique	Inputs
Residential use investment property	Level 2	888,843,635	917,371,669	Direct comparable sales	- Selling price - Geographic location - Property age and condition - Size of property - Number of rooms

9. Investment properties *(continued)*

The fair value of the Group's portfolio of investment properties at 31 December 2021 was determined based on market conditions existing at balance date. Due to the impact that the COVID-19 pandemic could have on valuations of investment properties, a sensitivity analysis has been performed on the fair value adopted at 31 December 2021 below to consider the movement in the fair value of the portfolio of investment properties if the percentage fair value movements in each neighbourhood were to increase or decrease.

	Key Assumptions	
	5% decrease in % FV movement	5% increase % FV movement
Change in total value ($'000)	(44,443)	44,443

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:

	2021	**2020**
	$	**$**
Not later than one year	23,949,161	20,864,145
Later than one year and not later than five years	2,278,467	1,703,522
	26,227,628	22,567,667

iii) Contractual obligations

The Group has no contractual obligations in respect of property refurbishments (2020: nil).

10. Security deposits

	2021	**2020**
	$	**$**
Security deposits	599,768	396,413

The Group is required to provide deposits to secure letters of credit in respect of the Group's lease of Harborside Financial Center and credit card facilities.

11. Property, plant and equipment

	2021	**2020**
	$	**$**
Leasehold improvements and office equipment - at cost	307,975	290,721
Accumulated amortisation and depreciation	(251,947)	(184,675)
	56,028	106,046

12. Leases

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

	2021	2020
Right-of-use asset	**$**	**$**
Opening balance	-	4,811,959
Recognition of right-of-use asset	1,053,897	-
Depreciation charge	(189,584)	(551,103)
Impairment reversal	-	95,447
Reassessment of lease liability	23,434	(378,084)
Reclassification to net investment in sublease	-	(3,603,742)
Exchange rate differences on translation	64,732	(374,477)
Closing Balance	952,479	-

During the year, the Group became lessee of the premises at Harborside Financial Center, Jersey City, New Jersey. In regards to these premises, a right-of-use asset has been recognised at cost less accumulated depreciation. The asset is depreciated on a straight line basis over the term of the lease.

During the prior year, the Group executed a sublease in respect of its lease at 140 Broadway, New York, New York which commenced on 1 October 2020. Upon commencement of the sublease, the balance of the right-of-use asset was reclassified to a net investment in sublease receivable as shown below.

Under the terms of the sublease, lease payments by the subtenant commenced on April 1, 2021.

	2021	2020
Net investment in sublease	**$**	**$**
Opening balance	3,954,222	-
Reclassification of right-of-use asset	-	3,603,742
Initial direct costs	-	284,886
Interest income	259,382	73,038
Lease payments received	(735,107)	-
Exchange rate differences on translation	218,305	(7,444)
Closing Balance	3,696,802	3,954,222

Disclosed as:		
	$	**$**
Current	795,614	464,506
Non-current	2,901,188	3,489,716
	3,696,802	3,954,222

12. Leases (continued)

	2021	2020
Lease liabilities	**$**	**$**
Opening Balance	4,468,644	6,118,902
Recognition of additional lease liability	1,053,897	-
Interest expense	196,132	226,679
Lease repayments	(1,027,140)	(1,047,238)
Reassessment of lease liability	23,434	(378,084)
Exchange rate differences on translation	307,871	(451,615)
Closing Balance	5,022,838	4,468,644

Disclosed as:		
	$	**$**
Current	1,218,989	768,350
Non-current	3,803,849	3,700,294
	5,022,838	4,468,644

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

	2021	2020
Lease liabilities — contractual undiscounted cash flows	**$**	**$**
Not later than one year	1,394,383	940,530
Later than one year and not later than five years	4,038,719	3,877,622
Later than five years	-	165,005
	5,433,102	4,983,157

13. Deferred tax liabilities

	2021 $	2020 $
Investment properties	37,190,334	44,011,090
Movements		
Balance at beginning of year	44,011,090	41,826,121
Charged to profit or loss as income tax expense	9,159,693	5,201,967
Impact of change in rate used to measure deferred tax liability	(18,123,750)	-
Unrealised foreign exchange loss/(gain)	2,143,301	(3,016,998)
Balance at end of year	37,190,334	44,011,090

Income tax expense is comprised of:

	2021 $	2020 $
Deferred tax (credited)/debited to profit or loss	(8,964,057)	5,201,967
State and withholding tax payable	50,193	175,045
Income tax (benefit)/expense	(8,913,864)	5,377,012

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 taxable gains associated with its property assets. Depending on the structure of the realisation and other criteria and circumstances which can only be determined at a future disposal date, the rate may range from 0% to 24.95%, incorporating both corporate and branch profit taxes. 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, as well as other conditions reasonably expected to prevail in the year of disposal.

In the current year, the Group has reduced the rate used to measure the deferred tax liability from 24.95% to 15%. One of the variables that will impact the rate of tax that will apply is the trading volume of the Group's units on the Australian Securities Exchange in the year of the realisation and distribution of the Fund's taxable gains. In the Directors' view, the Group has now established a sustained level of trading that exceeds the threshold to qualify for a reduced rate of tax. If the level of trading were to decline in future periods, and depending on other factors and variables that may prevail in the year of disposal, the rate of tax applicable may range from 0% to 24.95%.

14. Payables

	2021 $	2020 $
Current		
Trade payables	670,744	799,958
Distribution payable	6,306,643	6,307,363
Other payables	3,427,573	3,805,317
	10,404,960	10,912,638

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

	2021 $	2020 $
Current liabilities		
Unsecured notes	-	16,418,515
	-	16,418,515
Non-current liabilities		
Secured bank loans	477,758,714	547,560,316
	477,758,714	547,560,316

Bank borrowings

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	2021 Principal amount – amortised cost	2020 Principal amount – amortised cost
Global Atlantic	(i)	(i)	(i)	850,319,759	477,758,714	547,560,316
					477,758,714	547,560,316

15. Borrowings *(continued)*

(i) In November 2020, the Group refinanced its senior borrowing facilities with Wells Fargo Bank and Centennial Bank with a new Global Atlantic Financial Group ('GA') facility dated November 19, 2020. At inception, the loan facility was US$430,653,586. At balance date, the outstanding loan facility and balance was US$349,885,636.

The GA facility was initially comprised of two components, a Term Loan component (US$360M) and a Bridge Loan component (US$70,653,586). During the year the Group repaid the Bridge Loan component in full.

Term Loan component

The Term Loan component bears interest at a fixed rate of 4% per annum, and has a maturity date of May 19, 2026.

The facility is interest-only, and other than in specific circumstances (such as the sale of a property), principal repayments are not required.

Under the terms of the facility, there is a limit to the amount of Term Loan component that can be repaid early before incurring a Yield Maintenance Premium (refer paragraph below). This limit is referred to as the Free Prepayment Amount, and is US$54M during the Yield Maintenance Period of the facility. The US$54M Free Prepayment Amount is subject to a limit that can be repaid early in any one given year. This limit is referred to as the Free Prepayment Annual Amount, and is calculated as 5% of the initial balance of the Term Loan component, or US$18M per year. The annual repayment limit is cumulative, meaning that any unused repayment limit of one year is available to be carried forward to increase the Free Prepayment Annual Amount of subsequent years. For example, if in Year 1 the Group made early Term Loan component repayments equivalent to 2% of inception Term Loan component balance, then in Year 2 the Group can make early Term Loan repayments equivalent to 8% of inception Term Loan component balance before triggering a Yield Maintenance Premium.

The Yield Maintenance Premium is applicable only during the Yield Maintenance Period, which period covers the first 4.5 years of the loan facility. No Yield Maintenance Premium is payable on any early repayment following the cessation of the Yield Maintenance Period.

The Yield Maintenance Premium is calculated as the greater of (a) one percent (1%) of the amount of Term Loan component being repaid, and (b) the excess, if any, of (i) the sum of the present values of all then scheduled payments of interest and principal through maturity date over (ii) the principal amount of the Term Loan component being prepaid.

Bridge Loan component

The facility was interest-only and bore interest at a fixed rate of 5%. Other than in specific circumstances (such as the sale of a property), principal repayments were not required under the terms of the facility.

There were no penalties associated with the early repayment of the Bridge Loan.

15. Borrowings *(continued)*

The loan facility is secured by the following:

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

- A guarantee given by Jett URF Holdings LLC and Kenny URF Holdings LLC, as Equity Owners of the borrowing entities listed above.

- A guarantee given by US Masters Residential Fund (USA) Fund

- US$6,081,351 (A$8,373,057) placed in interest, taxes, insurance and capex reserves (refer note 7(i)).

- A Deposit Account Control Agreement in respect of the Rent Deposit Account, a deposit account into which all tenant rent is received and which is swept daily by the loan servicer to cover interest and replenishment of required reserves (refer note 4).

The total value of the security at balance date in respect of the GA facility is $860,488,029 including property assets valued at $850,319,759.

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.

15. Borrowings *(continued)*

Unsecured Notes

All unsecured notes were repaid by balance date. Details of unsecured notes outstanding at the prior balance date are set out below:

Notes issue	Interest rate	Maturity date	Early redemption date at discretion of issuer	Security	2021 Amortised cost	2020 Amortised cost
URF Notes III	7.75%	24 December 2021	24 December 2019	Unsecured	-	16,418,515
					-	16,418,515

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

Facility	Principal drawn $	Principal available $	Total $
Global Atlantic	481,737,073	-	481,737,073
	481,737,073	**-**	**481,737,073**

16. Grant income

During 2020, the Group was eligible for and received a forgiveable loan pursuant to the U.S. Government's COVID-19 stimulus program (Paycheck Protection Program). The Group received confirmation during the year that the conditions required for forgiveness of the loan were satisfied, and the loan has been forgiven in full.

17. Other non-current liabilities

	2021 $	2020 $
Redeemable preference units	172,105	162,464
Accrued interest	10,756	10,154
	182,861	172,618

Series A Preferred Units	2021 No of units	2021 $	2020 No of units	2020 $
Issued	125	182,861	125	172,618

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 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

18. Capital and reserves

Ordinary Units

	2021 $	2020 $
395,934,429 fully paid ordinary units (2020: 385,211,242)	453,173,851	450,704,528
(a) Issued ordinary units		
Balance at beginning of the year	450,704,528	448,400,079
1,345,971 units issued at $0.82	-	1,103,725
4,140,426 units issued at $0.29	-	1,200,724
5,211,755 units issued at $0.22	1,146,584	-
5,511,432 units issued at $0.24	1,322,739	-
Balance at end of the year	453,173,851	450,704,528

(b) Movements in ordinary units

Date	Details	2021 No.	2020 No.
1 January	Balance at beginning of the year	385,211,242	379,724,845
25 February 2020	Distribution reinvestment	-	1,345,971
25 August 2020	Distribution reinvestment	-	4,140,426
23 February 2021	Distribution reinvestment	5,211,755	-
25 August 2021	Distribution reinvestment	5,511,432	-
31 December		395,934,429	385,211,242

Convertible step-up preference units

	2021 $	2020 $
1,990,707 convertible step-up preference units fully paid (2020: 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	194,822,929
Balance at end of the year	194,822,929	194,822,929

Face value of issued convertible step-up preference units at 31 December 2021: $199,070,700 (2020: $199,070,700).

18. Capital and reserves *(continued)*

(b) Movements in convertible step-up preference units		**2021**	**2020**
Date	**Details**	**No.**	**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 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 by the Group 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 ordinary 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%, subject to a minimum conversion number of 44 units per CPU and a maximum conversion of 205 units per CPU.
- 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.
- 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.

19. Earnings per unit

(a) Weighted average number of ordinary units	2021 No.	2020 No.
Weighted average number of ordinary units used to calculate basic and diluted earnings per unit	391,584,719	382,312,893
Effect of dilution - convertible step-up preference units (CPUs) *	408,094,935	-
Weighted average number of ordinary units adjusted for dilution	799,679,654	382,312,893

(b) Profit/(loss) attributable to ordinary unitholders	2021 $	2020 $
Profit/(loss) for the year attributable to unitholders	21,140,021	(95,519,724)
Less: distributions on CPUs	(12,441,919)	(12,441,919)
Profit/(loss) used in the calculation of basic and diluted loss per unit	8,698,102	(107,961,643)
Basic earnings/(loss) per unit (dollars)	0.02	(0.28)
Diluted earnings/(loss) per unit (dollars)	0.01	(0.28)

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.

* In the prior year, there were no dilutive potential ordinary units as a result of the losses recorded by the Group.

20. 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.

21. Financial risk management and financial instruments

Overview

The Group's principal financial instruments comprise cash and cash equivalents, receivables, payables, loan notes and bank loans. 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		**2021**	**2020**
	Note	**$**	**$**
Cash and cash equivalents	*4*	56,714,776	74,720,179
Trade and other receivables	*5*	950,634	1,692,312
Loan receivable	*6*	-	8,451,331
Interest reserve and security deposit escrows	*7*	8,708,471	8,963,071
Security deposits	*10*	599,768	396,413
Net investment in sublease	*12*	3,696,802	3,954,222
		70,670,451	98,177,528

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.

21. Financial risk management and financial instruments *(continued)*

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 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 $1,069,703 (2020: $454,074) 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:

	2021	2020
	$	$
Current	253,895	327,620
Past due 31-60 days	181,751	145,454
Past due 61-90 days	10,105	1,236
More than 90 days	969,060	392,243
	1,414,811	866,553

Movement in loss allowance for trade receivables

	2021	2020
	$	$
Balance at beginning of the year	454,074	208,798
Increase in loss allowance	760,979	719,706
Amounts written off during the year	(191,852)	(426,266)
Exchange rate differences on translation	46,502	(48,164)
Balance at end of the year	1,069,703	454,074

21. Financial risk management and financial instruments *(continued)*

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 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 2021	Carrying amount	Contractual cash flows	12 mths or less	1-5 years	5 years and more
	$	$	$	$	$
Payables	10,404,960	10,404,960	10,404,960	-	-
Series A preference units	182,861	279,671	21,513 (ii)	86,053 (ii)	172,105 (ii)
Secured bank loans	477,758,714	567,429,029	19,537,115 (i)	547,891,914	-
Lease liability	5,022,838	5,433,102	1,394,383	4,038,719	-
	493,369,373	583,546,762	31,357,971	552,016,686	172,105

31 December 2020	Carrying amount	Contractual cash flows	12 mths or less	1-5 years	5 years and more
	$	$	$	$	$
Payables	10,912,638	10,912,638	10,912,638	-	-
Series A preference units	172,618	264,004	20,308 (ii)	81,232 (ii)	162,464 (ii)
Secured bank loans	547,560,316	661,671,202	22,983,330 (i)	164,690,874	473,996,998
Unsecured notes	16,418,515	18,830,240	18,830,240	-	-
Lease liability	4,468,644	4,983,157	940,530	3,877,622	165,005
	579,532,731	696,661,241	53,687,046	168,649,728	474,324,467

(i) As disclosed on the balance sheet, the Fund has $31,583,368 of properties that are held for sale on the expectation that they will be sold within 12 months. Two of these held for sale assets form part of the Global Atlantic security pool. If these sales are successfully executed, then principal repayments totalling $2,427,601 will be required to be made under the terms of the Global Atlantic facility.

(ii) Redeemable preference shares are redeemable at the sole discretion of the Fund, and as such only cumulative interest payments accruing under the terms of the instruments have been included in the '12 months or less' and '1-5 years' columns whereas the principal is included in the '5 years and more' column.

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.

21. Financial risk management and financial instruments *(continued)*

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	
	2021	**2020**
	$	**$**
Assets		
Cash	953,695	900,109
Total assets	953,695	900,109
Liabilities		
Payables	(352,353)	(387,340)
Total liabilities	(352,353)	(387,340)
Net external exposure	601,342	512,769

Internal group exposure **	USD exposure converted to AUD	
	2021	**2020**
	$	**$**
USD denominated convertible notes issued by the US REIT to the Australian parent entity	47,339,686	56,845,911
USD denominated interest receivable on convertible note	852,333	97,323
Net internal exposure	48,192,019	56,943,234
Total net exposure	48,793,361	57,456,003

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

21. Financial risk management and financial instruments *(continued)*

Currency risk *(continued)*

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.

	2021	2020
	$	$
Impact on profit or (loss) / equity		
+10% - Strengthening	(4,445,199)	(5,228,273)
-10% - Weakening	5,431,227	6,390,111

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 at balance date. The income and expenses of this entity are translated at the average exchange rate for the year, with the exception of fair value movements recognised in respect of the Group's investment properties and interests in equity investments. 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	
	2021	2020
	$	$
Assets		
Cash	44,510,962	65,077,059
Receivables and other assets	15,596,139	23,733,840
Investments in jointly controlled entities	-	615,193
Other financial assets	14,197,771	16,696,096
Investment properties	888,843,635	917,371,669
Total assets	963,148,507	1,023,493,857
Liabilities		
Payables	15,248,039	31,058,969
Borrowings	536,007,206	618,737,774
Other payables	182,861	172,618
Total liabilities	551,438,106	649,969,361
Net exposure	411,710,401	373,524,496

21. Financial risk management and financial instruments *(continued)*

Currency risk *(continued)*

Interest rate risk

Management of interest rate risk

As a result of the refinancing of the Wells Fargo and Centennial Bank facilities in 2020 (refer note 15), the Group is no longer exposed to interest rate risk in respect of bank borrowings. Because the Bridge Loan was repaid in full during the year, interest payable on the GA facility is fixed at 4%. Similarly, interest payable on redeemable preference shares is fixed at 12.5% and thus does not constitute interest rate risk.

The Group's bank deposits are exposed to variable interest rates.

	2021	2020
	$	$
Variable rate instruments		
Cash and cash equivalents	56,714,776	74,720,179
	56,714,776	74,720,179

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.

	2021	2020
	$	$
Impact on profit before tax / equity		
+0.25% (25 basis points)	141,787	186,800
-0.25% (25 basis points)	(141,787)	(186,800)

21. Financial risk management and financial instruments (continued)

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 17 and borrowings as detailed in note 15) and equity of the Group (comprising issued unit capital and convertible preference units). The gearing ratio at the end of the reporting period was as follows:

	2021	2020
	$	$
Debt	477,941,575	564,151,449
Equity	444,798,643	409,676,160
Debt to equity ratio *	107.45%	137.71%

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

22. Capital commitments

The Group had no capital commitments in respect of properties that are either under construction/refurbishment or are due to commence construction/refurbishment (2020: nil).

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

23. Contingent liabilities

The Group is joint lessee of the premises located at 140 Broadway, New York, with E&P Financial Group USA Inc. The Group is jointly and severally liable for all lease charges, and thus has a contingent liability in respect of E&P Financial Group USA Inc’s share of future lease charges which are summarised below:

	2021	2020
	$	$
Not later than one year	996,342	940,530
Later than one year and not later than five years	3,286,182	3,877,622
Later than five years	-	165,005
	4,282,524	4,983,157

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

24. Related parties

Key management personnel

Mr. Stuart Nisbett, Mr. Warwick Keneally and Mr. Peter Shear are directors of the Responsible Entity, E&P Investments Limited and are deemed to be key management personnel. Mr. Mike Adams resigned as a director of the Responsible Entity effective 9 December 2021. The directors of the Responsible Entity did not receive compensation from the Fund during the year.

Mr. Kevin McAvey and Mr. Brian Disler are joint CEOs of the US REIT and are also deemed to be key management personnel.

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	-	-
Warwick Keneally	26,191	-	250
Peter Shear	-	-	-

Key management personnel remuneration

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

	2021	2020
	$	$
Short-term employee benefits	2,316,166	2,470,535
Post-employment benefits	26,233	26,026
	2,342,399	2,496,561

24. Related parties *(continued)*

Payments made to the Responsible Entity and related parties

Management Fees	**2021**	**2020**
Responsible Entity fee (payable by the Fund) 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. From 1 January 2022, the administration fee will be waived indefinitely. The amount owed to the Responsible Entity in respect of the responsible entity fee at 31 December 2021 is $297,353 (2020: $332,340).	$3,422,463	$4,324,856
Other services provided by the Responsible Entity and related parties of the Responsible Entity	**2021**	**2020**
Fund administration services (payable by the Fund) 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 (2020: $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 Administrative Costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.	$120,000	$120,000
Architecture, design and construction services (payable by the US REIT) At balance date, the renovation of the Group's portfolio has been completed. Dixon Projects LLC (a subsidiary of E&P Financial Group 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. Under the terms of these agreements, Dixon Projects is entitled to charge a development fee of 5%, General Conditions fee of 15% and insurance fees of 1.25%. The fee in the current year includes $128,171 of General Conditions and insurance costs (2020: $1,421,671), a development fee of $44,640 (2020: $495,150), and architectural, quantity surveyor and interior design services of $nil (2020: $621,794) charged by Dixon Projects. These costs are capitalised to the relevant investment properties.	$172,811	$2,538,615

24. Related parties *(continued)*

Recoveries and recharges paid to (or received from) the Responsible Entity	**2021**	**2020**
Responsible Entity and E&P Financial Group USA Inc expense recharge (payable by the Fund and the US REIT)		
From time to time, the Group may share resources with E&P Financial Group USA, Inc and/or the Responsible Entity. Where this occurs, the Group may recover the costs of the resources.		
During the year, the Group recovered certain shared payroll and office related costs from E&P Financial Group USA, Inc and its subsidiaries. The total amount owed to the Group at 31 December 2021 is $48,227 (2020: $nil).	($696,061)	($405,221)
Pursuant to the agreements, the Responsible Entity is entitled to recover direct expenses incurred in the management of the Group's activities. These costs were in relation to various regulatory and professional services provided by external vendors and are recognised in 'Administrative costs' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.	$186,662	$222,377
Up until 31 May 2021, the office located at Harborside Financial Center, New Jersey was leased by E&P Financial Group USA, Inc. The Fund reimbursed E&P Financial Group USA, Inc for its share of the rental expense for the 5 months ended 31 May 2021, totalling $77,641 (2020: $202,587). From 1 June 2021, the Fund became lessee of the premises at Harborside Financial Center.	$77,641	$202,587
Consultancy services		
Effective 11 November 2019, the Responsible Entity of the Fund entered into an agreement with MA Law to provide advisory and transactional legal services, and legal consultancy services to the Responsible Entity and the investment schemes under its fiduciary. Mike Adams, a director of the Responsible Entity, is also a director of MA Law. On 9 December 2021, Mike Adams resigned as a Director of the Responsible Entity. Total consulting fees incurred in respect to the Fund for the year ended 31 December 2021 were $25,177 (31 December 2020: $43,080), exclusive of GST.	$25,177	$43,080

Related party investments in the Fund

As at 31 December 2021, E&P Private Investments Pty Limited (formerly Dixon Private Investments Pty Ltd), a wholly owned subsidiary of E&P Financial Group Limited, owned 3,650,453 ordinary units in the Group.

25. Controlled entities

E&P Investments Limited is the Responsible Entity of both the Fund and the US REIT. Below is a list of all subsidiaries owned by the Fund.

		Ownership interest	
		2021	2020
Parent entity			
US Masters Residential Property Fund	Australia		
Subsidiary			
US Masters Residential Property (USA) Fund	United States	100%	100%
Melbourne, LLC	United States	100%	100%
Wallaroo 2 LLC	United States	-	100%
EMU LLC	United States	100%	100%
Geelong LLC	United States	100%	100%
Hawthorn Properties LLC	United States	-	100%
North Sydney LLC	United States	-	100%
Parramatta LLC	United States	-	100%
South Sydney LLC	United States	-	100%
St Kilda LLC	United States	100%	100%
Canberra Raiders LLC	United States	-	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%
New South Wales URF LLC	United States	-	100%
Fremantle URF LLC	United States	100%	100%
Richmond URF LLC	United States	-	100%
AFL URF LLC	United States	100%	100%
NRL URF LLC	United States	100%	100%
Grand Hill URF LLC	United States	-	100%
Balmain Tigers URF LLC	United States	-	100%
Newcastle URF LLC	United States	100%	100%
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%
NY Prop 1 URF LLC	United States	-	100%
NY Prop 2 URF LLC	United States	-	100%
NY Prop 3 URF LLC	United States	-	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%

26. Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2021 the parent entity of the Group was US Masters Residential Property Fund.

	2021	2020
	$	$
Result of parent entity		
Profit/(loss) for the year	9,502,037	(30,276,212)
Distributions to CPU unitholders	(12,441,919)	(12,441,919)
Total movement in accumulated losses	(2,939,882)	(42,718,131)
Financial position of parent entity at year end		
Current assets	13,135,078	27,323,448
Total assets	453,593,802	478,319,922
Current liabilities	7,197,867	24,703,441
Total liabilities	44,388,201	68,643,762
Total equity of the parent entity comprising of:		
Unit capital	453,173,851	450,704,528
Convertible step-up preference units	194,822,929	194,822,929
Accumulated losses	(238,791,179)	(235,851,297)
Total equity	409,205,601	409,676,160

27. Subsequent events

A distribution of $3.15 per Convertible Preference Unit totalling $6,270,727 was declared on 14 December 2021 and was paid to unitholders on 23 February 2022. 5,025,261 units were issued under the Group's Distribution Reinvestment Plan.

While the Fund's results have to date proven to be resilient against the disruption and economic impacts caused by COVID-19, the impact on the Group's performance of future developments regarding the virus cannot be known as of reporting 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.

28. Auditors' remuneration

	2021	2020
	$	$
Auditors of the Group		
Deloitte Touche Tohmatsu		
Audit and review of Group financial statements	245,000	222,500
Audit of subsidiary financial statements (2020: Audit and review)	55,000	68,500
	300,000	291,000
Òther services		
Deloitte Tax LLP		
Taxation compliance services	178,539	248,282
Taxation advisory services	137,814	84,838
	316,353	333,120

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2021

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 13 to 60, 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 2021 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.

Mr. Stuart Nisbett
Director

Dated this 28th day of February 2022

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

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

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 2021, 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 2021 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of E&P Investments Limited as Responsible Entity (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 for 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Fair Value of Investment Properties As at 31 December 2021 the Group has determined the fair value of the investment properties to be $888.8 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 • Management's 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; • Comparing the recorded fair value of the investment properties to other market information, including in respect of the Fund's capital markets activities; and • Assessing the appropriateness of the disclosures included in Notes 2(C)(i) and 9 to the financial statements.

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 2021, 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.

Deloitte.

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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

(i) 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.

(ii) 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.

(iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(iv) 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.

(v) 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.

(vi) 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's 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, actions taken to eliminate threats or safeguards applied.

Deloitte.

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

David Haynes

David Haynes
Partner
Chartered Accountants
Sydney, 28 February 2022

STOCK EXCHANGE INFORMATION

Statement of quoted securities as at 31 January 2022

Fully paid ordinary units

- There are 3,867 unitholders holding a total 395,934,429 ordinary units
- The 20 largest unitholders between them hold 30.553% of the total units on issue

Convertible Step-Up Preference Units (CPU)

- There are 2,190 CPU holders holding a total 1,990,707 CPUs
- The 20 largest CPU holders between them hold 31.763% of the total CPUs on issue

Distribution of quoted units as at 31 January 2022

Fully paid ordinary units

Distribution of unitholders category (size of holding)	Number of unitholders	%
1-1,000	204	0.01
1,001-5,000	291	0.20
5,001-10,000	200	0.39
10,001-100,000	2,291	28.35
100,001 and over	881	71.05
Totals	**3,867**	**100.00**
Holding less than a marketable parcel	258	

Convertible Step-Up Preference Units

Distribution of unitholders category (size of holding)	Number of unitholders	%
1-1,000	1,859	38.93
1,001-5,000	306	27.63
5,001-10,000	12	4.68
10,001-100,000	12	21.16
100,001 and over	1	7.59
Totals	**2,190**	**100.00**

STOCK EXCHANGE INFORMATION

Substantial unitholdings as at 31 January 2022

The following holders are registered by the Fund as a substantial holder, having declared a relevant interest, in accordance with the Corporations Act, in the Units below:

Name	Number of Units	% of Ordinary Units
Investment Administration Services Pty Ltd (**IAS**)*^	25,189,897 Ordinary Units	6.36 %

* Note: Investment Administration Services Pty Ltd's unit holdings are held by JP Morgan as nominee for IAS Managed Discretionary Account clients.
^ Date of the last substantial holder notice lodged on 15 September 2021

Directors' unitholdings

As at 31 January 2022 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	-	-
Warwick Keneally	26,191	-	250
Peter Shear	-	-	-

Restricted Securities

There are no restricted securities on issue by the Group.

STOCK EXCHANGE INFORMATION

Top 20 holders of ordinary units at 31 January 2022

Unitholder Name	Number of units held	% of total
J P Morgan Nominees Australia Pty Limited	45,178,107	11.411
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP A/C	16,642,083	4.203
C & D Capital Investments Pty Ltd C & D Capital Unit A/C	12,818,885	3.238
Ocean Capital Pty Limited	10,900,000	2.753
Citicorp Nominees Pty Limited	7,487,617	1.891
BNP Paribas Nominees Pty Ltd IB AU Noms Retail client DRP	5,283,150	1.334
E&P Private Investments Pty Limited	3,650,453	0.922
HSBC Custody Nominees (Australia) Limited	2,428,056	0.613
Brispot Nominees Pty Ltd House Head Nominee A/C	2,197,406	0.555
Raining Roubles Pty Ltd Crimson Skies S/F A/C	2,000,000	0.505
Netwealth Investments Limited Wrap Services A/C	1,921,001	0.485
GB & JA Cameron Holdings Pty Ltd G & J Cameron S/F A/C	1,700,855	0.430
Leanganook Pty Ltd Leanganook S/F A/C	1,573,075	0.397
Jamplat Pty Ltd	1,430,000	0.361
CS Third Nominees Pty Limited HSBC Cust Nom AU Ltd 13 A/C	1,151,113	0.291
Assess Pty Ltd Aristides Family A/C	1,136,601	0.287
Cliffjoy Pty Limited Latimer Super Fund A/C	1,000,000	0.253
Abstat Pty Limited	900,000	0.227
ISS Nominees Pty Limited ISS Superannuation Fund A/C	841,999	0.213
Rosenshul SMSF Investments Pty Ltd Rosenshul S/F A/C	731,236	0.185
Total Securities of Top 20 Holdings	**120,971,637**	**30.553**

STOCK EXCHANGE INFORMATION

Top 20 holders of CPUs at 31 January 2022

Unitholder Name	Number of units held	% of total
J P Morgan Nominees Australia Pty Limited	151,051	7.588
HSBC Custody Nominees (Australia) Limited	63,597	3.195
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP A/C	63,154	3.172
Citicorp Nominees Pty Limited	58,344	2.931
Brispot Nominees Pty Ltd House Head Nominee A/C	55,451	2.785
BNP Paribas Nominees Pty Ltd IB AU Noms Retail client DRP	45,109	2.266
National Nominees Limited	33,995	1.708
Luton Pty Ltd	24,626	1.237
Mr Simon Robert Evans & Mrs Kathryn Margaret Evans Kamiyacho Super Fund A/C	21,139	1.062
CS Third Nominees Pty Limited HSBC Cust Nom Au Ltd 13 A/C	20,722	1.041
Certane Ct Pty Ltd Charitable Foundation	12,586	0.632
Netwealth Investments Limited Wrap Services A/C	12,310	0.618
Jamplat Pty Ltd	10,285	0.517
Jamejan Pty Ltd Jamejan Family A/C	10,000	0.502
Mr Christof Burlefinger	9,200	0.462
Ocean Capital Pty Limited	9,000	0.452
CS Fourth Nominees Pty Limited HSBC Cust Nom Au Ltd 11 A/C	8,500	0.427
Mr Sunny Yang & Mrs Connie Yang Yang's Family A/C	8,146	0.409
Hoff Company No 1 Pty Limited Hoff Family No 2 A/C	7,590	0.381
Summerview Management Pty Ltd R W PSF A/C	7,500	0.377
Total Securities of Top 20 Holdings	**632,305**	**31.763**

CORPORATE DIRECTORY

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

US Masters Residential Property Fund
(ARSN 150 256 161)
Level 15
100 Pacific Highway
North Sydney NSW 2060

Telephone 1300 027 055
Facsimile 1300 883 159
Email
URFInvestorRelations@usmrpf.com
Website: www.usmastersresidential.com.au

Responsible Entity
E&P Investments Limited
(ACN 152 367 649) (AFSL 410 433)
Level 15
100 Pacific Highway
North Sydney NSW 2060

Telephone 1300 454 801
Facsimile 1300 883 159
Email
info.funds@eap.com.au
Website: www.eap.com.au

Unit Register managed by
Boardroom Limited
Level 12
225 George Street
Sydney NSW 2000

Telephone (02) 9290 9600
Facsimile (02) 9279 0664
Website: www.boardroomlimited.com.au

Auditor
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Telephone (02) 9322 7000
Facsimile (02) 9322 7001
Website: www.deloitte.com.au