Appendix 4E

Preliminary Final Report
For the year ended 31 December 2023

Name of entity

US Masters Residential Property Fund

ARSN	Reporting period	Previous corresponding period
150 256 161	1 January 2023 to 31 December 2023	1 January 2022 to 31 December 2022

Results for announcement to the market

		31-Dec-23
Total revenue ("revenue from ordinary activities – investment property income and interest income")	Down by 1% to	$43,592,470
Net operating loss for the year ("loss from ordinary activities after tax attributable to unitholders")	Down by 376% to	($19,046,234)
Total comprehensive loss ("net loss for the year attributable to unitholders")	Down by 153% to	($18,646,475)

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 Step-up Preference Units	Amount per unit	Franked amount
Distribution (paid on 24 February 2023)	$3.22	-
Total distribution	$3.22	-

There was a distribution reinvestment plan in operation in respect of this Convertible Step-up Preference Units distribution.

Distribution dates:

Ex-Distribution date:	Thursday, 29 December 2022
Record date:	Friday, 30 December 2022
Payment date:	Friday, 24 February 2023

Ordinary Units	Amount per unit	Franked amount
Distribution (paid on 21 July 2023)	$0.01	-
Total distribution	$0.01	-

There was a distribution reinvestment plan in operation in respect of this ordinary units distribution.

Distribution dates:

Ex-Distribution date:	Thursday, 29 June 2023
Record date:	Friday, 30 June 2023
Payment date:	Friday, 21 July 2023

Net tangible assets per ordinary unit	31-Dec-23	31-Dec-22
Pre-tax attributable to ordinary units	$0.64	$0.67
Post-tax attributable to ordinary units	$0.58	$0.61

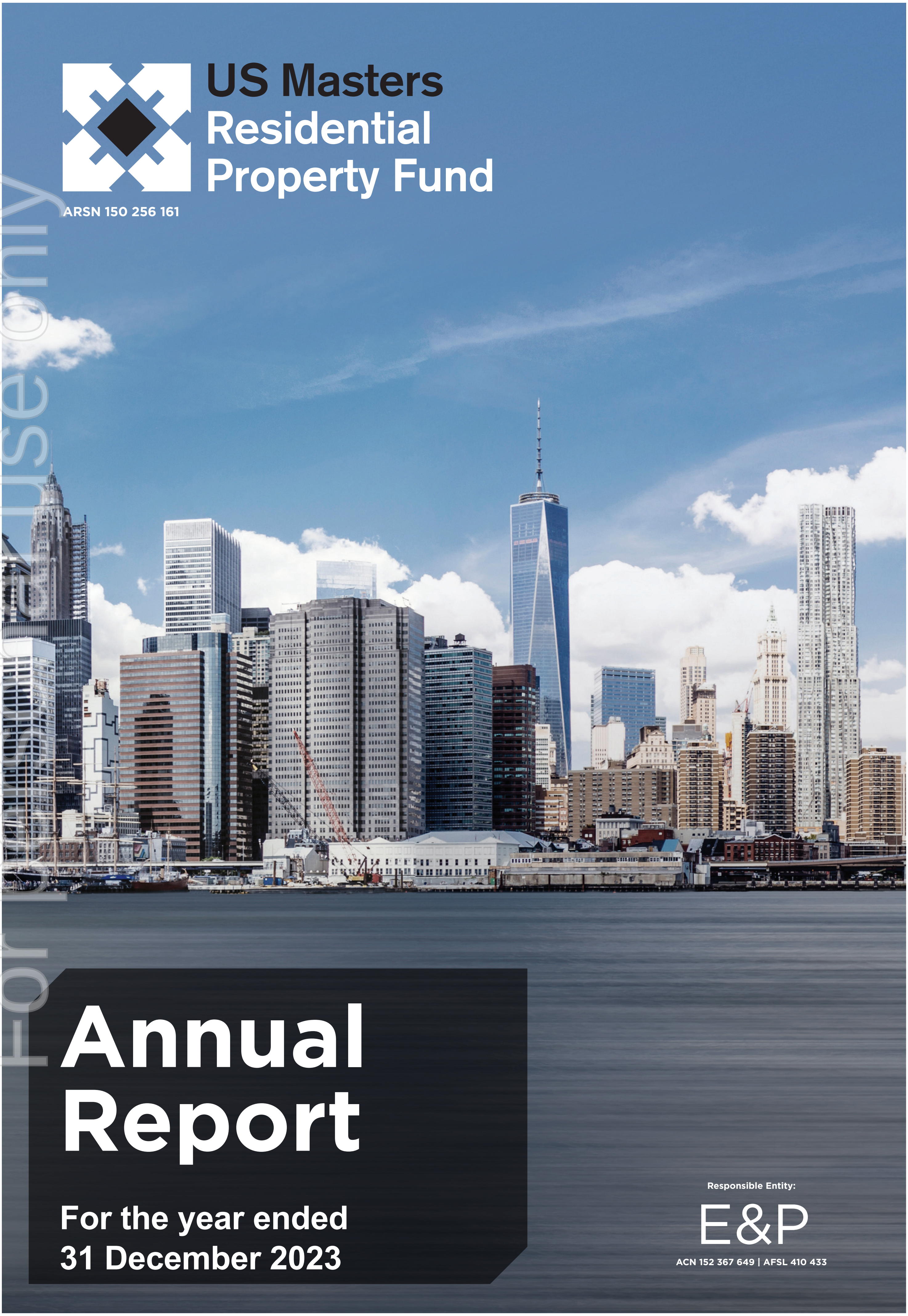
The net tangible assets per ordinary unit is calculated on a fully diluted basis.

Earnings per unit	31-Dec-23	31-Dec-22
Basic loss per unit	(2.6) cents	(1.3) cents
Diluted loss per unit	(2.6) cents	(1.3) cents

Basic and diluted loss per ordinary unit is calculated as profit for the period less distributions to convertible preference unitholders.

Annual Financial Report

This report is based on the 31 December 2023 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 2023

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 2023

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CHAIR'S LETTER

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

This set of accounts reflects the results recorded during the first 12 months of the Fund's partnership with Brooksville, a period that has largely been focused on transitioning the platform to the externally managed structure and re-starting the asset sales program. This selling program continues to be the key initiative for the Fund, as the vehicle moves forward with its strategic plan of selling assets and returning capital to unitholders.

Although the Fund recognised a total comprehensive loss of $18.6 million for the period, this was largely the result of reduced property price appreciation compared to the prior year, as well as the burden of increased disposal costs and lost rental revenue as the Fund vacates assets to progress the aforementioned asset sales program. As the Fund continues to increase its pace of sales, it is anticipated that it will continue to operate at a slight loss, excluding any potential impact of fair value or currency movement.

From a strategic perspective, the first year of the partnership's business plan was successful in testing each of the various submarkets and continuing to refine the best execution for the ongoing asset disposal strategy. To that end**,** during 2023 the Fund and Brooksville:

- Closed on the sale of US$53.8 million worth of property from the 1-4 family portfolio during the 12 month period;
- Listed and sold a wide variety of assets across 13 of the Fund's different submarkets, with transaction prices ranging from US$220,000 to US$4.95 million, including both vacant units and tenanted units;
- Explored the potential options available for a sub-portfolio bulk sale, which – because of the difficult interest rate environment that persisted throughout most 2023 – was unattractive for the time being relative to the results the Fund continues to be able to achieve on a one-by-one basis, and;
- Executed US$6.7 million worth of 'off-market' deals – representing 12% of the Fund's total transaction volume during the year – realising substantial transaction cost savings.

As was stated in the Chair's Letter of the 30 June 2023 accounts, as long as local property market conditions hold, the Fund expects that sales volume will continue to progressively increase over time (albeit non-linearly on a month-to-month basis). In other words, the Fund expected to sell more in 2H 2023 than in 1H 2023, and it also expects that the sales volume in 2024 will increase materially compared to 2023. The first part of this has already been realised, as the Fund sold US$32.0 million in 2H compared to US$21.8 million in 1H of 2023. The second part is already well underway, and as of the release of this set of accounts the Fund has already closed or placed under contract US$32 million worth of property, with a target of realising in the range of US$150 million during the 2024 calendar year. This sales volume obviously represents a sizeable increase compared to the 2023 sales volume and while this is a target figure (and not a forecast) it is representative of the Fund's commitment to increasing the pace of the asset sales program in an effort to return capital to investors as efficiently and expeditiously as possible.

Throughout 2023 and thus far in the beginning months of 2024, the continued resilience of local property market conditions amidst various headwinds has continued to be encouraging. Persistent increases in interest rates (and therefore, mortgage rates) put substantial pressure on homebuyer affordability during 2023, but as we turn the calendar to 2024, the prospect of a stabilising (or decreasing) interest rate environment – combined with continued lack of inventory across the Fund's various submarkets – could continue to buoy the Fund as it progresses through its sales program. Over the full year, the Fund realised a fair value increase of $2.1 million (excluding fair value movements of investment properties due to damage of $2.7 million) or 0.3% across the portfolio. During 1H the portfolio's fair value gain was largely driven by the New York Premium segment (2.9%), while the New Jersey Workforce segment recognised a minor decrease in value (1.3%). This weakness within the Workforce segment reversed during 2H, as the improved rate environment generally led to increased strength in workforce-style properties, a portion of the portfolio that is largely composed of multi-unit or entry-level price point homes that appeal to both homeowners and small investors who will live in one unit and rent the others to tenants. All told, over the course of the full year each of the three precincts largely remained stable, with the NY Premium segment and the New Jersey Workforce segment exhibiting slight gains (0.7% and 0.6%, respectively) and the New Jersey Premium segment recognising a slight decrement (1.4%).

Outside of the Brooksville partnership, the Fund has continued the process of exiting its multifamily assets with Urban American. As was previously announced, the Fund is currently under contract to sell the largest multifamily asset (in Astoria, Queens) to Urban American, with this asset representing $4.6 million of the $5.9 million total equity across all three partnerships. The contract calls for a backend closing date of June, and the Fund will continue to seek a resolution for the remaining two multifamily assets in the period leading up to that closing date, whether it be exiting to Urban American or a third party buyer.

As the Fund increases the pace of its sales program and exits these multifamily investments, the proceeds will continue to be returned to investors. Consistent with the previously released guidance, the manner of this return of capital (buybacks v. distributions) will be determined on an ongoing basis based on conditions at the time of determination. For the year ending 31 December 2023, the Fund repurchased 44,583,627 ordinary units, for a total consideration of $13.3 million. In addition, on 21 July of 2023 the Fund also paid a 1 cent special distribution to unitholders.

I would like to take this opportunity to thank our partners at Brooksville, who have worked to ensure a seamless transition during the first year of the partnership, both from an operational perspective and in terms of executing the business plan of selling assets. We look forward to continuing the business plan of increasing the pace of sales in 2024.

The Board continues to be committed to maximising value for all URF investors, and continues to believe that realising assets and returning capital to unitholders represents the best way to do so.

I look forward to continuing to execute on our business plan and providing investors with further updates in due course.

Regards,

Stuart Nisbett

Independent Chair of the Responsible Entity

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

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 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 2023 financial year and as at the date of this report are:

Stuart Nisbett – Independent, Non-Executive Chairperson
Warwick Keneally – Non-Independent, Executive Director
Peter Shear – Independent, Non-Executive Director

The company secretaries of the Responsible Entity during the 2023 financial year and as at the date of this report are:

Caroline Purtell (retired 30 June 2023)
Warwick Keneally (appointed 30 June 2023)

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. 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.

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 https://www.eandp.com.au/wp-content/uploads/2023/08/EP1-Whistleblowing-Policy-30-June-2023-v2.pdf.

Anti-Bribery and Corruption Policy

The Board is subject to a Fraud and Corruption Policy which is available at https://www.eandp.com.au/wp-content/uploads/2023/08/EP1-Fraud-and-Corruption-Policy-30-June-2023-v2.pdf.

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:

US MASTERS RESIDENTIAL PROPERTY FUND
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CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

Claire Wivell Plater (External Member) (**Chairperson**)

Claire Wivell Plater LLB. GAICD is an experienced company director and financial services lawyer. She commenced her career as an insurance law specialist with Phillips Fox (now DLA Piper) where she was a partner for 11 years. In 2003, Claire founded boutique law firm, The Fold Legal to provide regulatory and legal advice to a wide range of financial services businesses. The Fold was acquired by Hamilton Locke in 2021. Claire is currently non-executive chairman of Aware Financial Services, Valeur and AuditCover and a non executive director of Youi Insurance, Athena Home Loans and ZeroHash Australia. She also serves on the boards of The Stella Prize (as deputy chairman) and Pinchgut Opera.

Barry Sechos (External Member) (retired 30 June 2023)

Barry is one of two external members of the Compliance Committee. Barry is a member of the Compliance Committee for the CD Private Equity Fund Series and the Venture Capital Opportunities 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 38 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.

Michael Britton (External Member) (appointed 30 June 2023)

Michael is one of two external members of the Compliance Committee. He is a member of the compliance committee for the ASX listed US Masters Residential Property Fund (URF) and Chairs the Audit Committee. He is also an independent member of Compliance Committees for NorthWest Health Australia (Schemes 2 & 3), Angas Asset Management Fund, Angas Prime and Angas Direct.

Michael has over 42 years of commercial and financial services experience, initially with Boral Limited and culminating in 13 years as General Manager of the corporate businesses of The Trust Company Limited (now part of Perpetual Limited) (The Trust Company) where he established the company's reputation as a leader in the delivery of independent responsible entity services. He has represented The Trust Company as a director on the boards of both domestic and offshore operating subsidiary companies and a large number of special purpose companies delivering the responsible entity function in both conventional and stapled, ASX listed and unlisted managed investment schemes. Michael has acted as a Responsible Manager (as recognised by ASIC), a member of committees of inspection in relation to large insolvency administrations and as an independent compliance committee member for substantial investment managers with portfolios of managed investment schemes. He is a retired panel member for the Australian Financial Complaints Authority (formerly Financial Ombudsman Service Limited) having served for 9 years.

Currently Michael is an independent director on the boards of the now unlisted Westfield Corporation Limited and Westfield America Management Pty Limited (following the French/Dutch conglomerate, Unibail Rodamco, absorbing the Westfield offshore Shopping Malls). He is sole independent director of a special purpose company involved a high profile securitisation transaction in the mortgage financing industry.

Michael holds degrees in Jurisprudence and Law from the University of New South Wales and is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

Warwick Keneally (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:

Michael Britton (External Member) (**Chairperson**) (appointed 30 June 2023)
Barry Sechos (External Member) (**Chairperson**) (retired 30 June 2023)
Claire Wivell Plater (External Member)
Warwick Keneally (Internal Member)

The chairperson of the Audit Committee is an external member and is not the chair 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 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 has a limited environmental and social footprint. It operates out of relatively small office spaces that utilise renewable energy sources where available. The Group's portfolio was renovated using energy efficient heating, cooling and lighting systems wherever possible. The Directors continually assess opportunities to reduce its environmental footprint.

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 responsible entity and administration fee for services rendered. The administration fee has been waived indefinitely. 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
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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

The Responsible Entity's registered office and principal place of business is Level 32, 1 O'Connell Street, Sydney, NSW 2000.

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.

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.

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 the Chief Financial Officer for Sustainable Metal Cloud, a GPU Cloud for Generative AI. He was a founder 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
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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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 owns freestanding and multi-family properties in the New York metropolitan area, specifically Hudson County, New Jersey, and Brooklyn, and Manhattan, New York. There were no significant changes in the nature of the Group's activities during the year.

Results and review of operations

For the year ended 31 December 2023, the Group recorded a pre-tax loss of $19.2 million (2022: profit of $14.9 million), a post-tax loss of $19.0 million (2022: profit of $6.9 million) and a total comprehensive loss of $18.6 million (2022: income of $35.1 million).

Distributions paid or recommended

A distribution of $3.22 per Convertible Preference Unit, totalling $5.8 million was declared on 28 November 2022. After accounting for the Group's Distribution Reinvestment Plan, $3.4 million was paid on 24 February 2023.

A distribution of $0.01 per ordinary unit totalling $7,308,479 was declared on 26 June 2023 and was paid to unitholders on 21 July 2023. 10,135,767 units were issued under the Group's Distribution Reinvestment Plan.

Significant changes in state of affairs

On 3 July 2023, it was announced that E&P Investments Limited, the Responsible Entity of the Fund, entered into an Administrative Services Agreement (**ASA**) with K2 Asset Management Limited (**K2**) whereby K2 will provide the Responsible Entity with support and administration services. Under the ASA, K2 will also provide fund accounting services that were previously provided by Australian Fund Accounting Services Pty Limited (**AFAS**), a related party of the Responsible Entity.

The fees payable to K2 for these services do not represent any additional cost to the Fund. The Responsible Entity has foregone a part of the Responsible Entity fee, being 0.05% of the Gross Asset Value (**GAV**) of the Fund, subject to a minimum of $350,000 per annum (excluding GST). This has reduced the Responsible Entity's own fee from 0.08% to 0.03% of the GAV of the Fund (excluding GST). For the fund accounting services, K2 will be paid from the Fund the same amount as has been payable to AFAS, being $120,000 (exclusive of unclaimable GST) per annum.

Other than the matters discussed above, there were no significant changes in the state of affairs of the Group which occurred during the financial year ended 31 December 2023.

Business risks

The Board recognises the importance of continual monitoring of business risks. As part of this ongoing assessment, the Board has identified the following as significant business risks facing the Group.

Risk	Summary
Risks of the US residential property market	The Group has concentrated its exposure to US residential real estate in the New York metropolitan area, with a focus on Brooklyn and Manhattan, New York and Hudson County, New Jersey. The Group's performance is and will continue to be highly correlated to the performance of the residential property market in these areas.
Foreign Currency Risk	The Group's assets are and will continue to be denominated largely in US dollars. Changes in the value of the US dollar relative to the Australian dollar will impact the value, in Australian dollars, of the Group's assets, as the Fund does not hedge its foreign currency exposure.

Macroeconomic Risks	The value of the Group's assets can be affected by changes in various macroeconomic conditions including the economic, political and regulatory environments, as well as inflation and market sentiment. Some of the ways in which adverse changes in the macroeconomic environment may impact the Group's performance include the following: • The price at which the Group is able to sell its property assets. • The time taken to dispose of the portfolio in a property by property sell down scenario. • The creditworthiness of the tenant base, thus impacting the recoverability of outstanding tenant balances. • The price at which the Group is able to lease its properties. • The cost of maintaining the portfolio. Changes in the political and/or regulatory environment that directly or indirectly impact landlord/tenant relationships, such as rules surrounding the ability of the landlord to expeditiously evict delinquent tenants or the ability to set market rents, may also impact the Group's performance.
Refinancing and Deposit Risk	The Group's existing debt facility with Global Atlantic has a maturity date of May 19, 2026. There is a risk that the Group is unable to secure financing on similar terms to the existing facility, thereby impacting the financial performance of the Group. Additionally, the Group has US dollar denominated deposits. These cash deposits are insured by the US Federal Government up to $250K only. In the event of bank failure the deposits may not be recoverable in full.
Taxation Risk	Changes to the taxation laws in Australia, the US, or the double tax treaty that applies between Australia and the US may impact the value of returns to Unitholders.
Climate Change	The Group may be adversely impacted by the direct consequences of climate change, including property damage due to increases in the frequency, duration and severity of extreme weather events, such as hurricanes and floods. Increases in property damage due to these events may also impact the cost of property insurance to the Group, thereby impacting overall performance.
Key Personnel Risk	There is a risk that the departure of key staff or consultants that have particular expertise and knowledge will impact the performance of the Group.

Litigation Risk	In the course of its operations, the Group may become involved in disputes and litigation that may adversely affect the financial performance of the Group.
Pandemic Risk	A pandemic could negatively impact the global economy, disrupt financial markets and cause varying levels of employment, all of which could negatively impact the performance of the Group.

After balance date events

Subsequent to balance date, as of 23 February 2024, the Group has bought back 2,263,024 ordinary units for a total consideration of $655,409.

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

Future developments, prospects and business strategies

As detailed in the Chair's Letter in pages (i) through (ii), the Group plans to continue the sale of both its 1 – 4 family portfolio and its multifamily assets owned in partnership with Urban American. The net proceeds resulting from the sale of these assets will be returned to shareholders by either a return of capital or distributions.

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
Stuart Nisbett	18,462
Warwick Keneally	77,652
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 17 to the financial statements
- the value of the Group's assets and basis of valuation – refer to Consolidated Statement of Financial Position and note 2 respectively, and
- interests in the Group as at 31 December 2023, including movements in units on issue during the year – refer to note 17 to the consolidated financial statements.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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

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

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

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

Details of the amounts paid to the auditor of the Group, Deloitte, and its related practices for audit and non-audit services provided during the year are set out in note 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 2023.

Signed in accordance with a resolution of the Directors:

Stuart Nisbett
Director

Dated this 28th day of February 2024

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower
50 Bridge 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 32, 1 O'Connell Street
Sydney NSW 2000

28 February 2024

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 report of US Masters Residential Property Fund for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

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 2023

	Note	**2023**	**2022**
		$	**$**
Investment property rental income		43,131,259	43,716,861
Interest income		461,211	485,436
Dividends from equity investments		871,342	-
Insurance proceeds		1,374,865	-
Other income		110,716	626,840
Fair value movement of investment properties	*8*	(619,926)	32,243,083
Fair value movement of equity investments	*6*	(4,507,237)	(4,785,740)
Investment property expenses		(17,840,061)	(15,299,903)
Net foreign currency gain		242,054	953,325
Public company costs		(181,354)	(149,191)
Professional fees		(1,473,069)	(1,465,758)
Marketing		(15,769)	(29,839)
IT expenses		(372,716)	(436,643)
Management fees - related party	*24*	(852,634)	(847,514)
Management fees - external	*18*	(2,690,834)	-
Promote incentive	*18*	(1,377,638)	(2,138,553)
Salaries and wages		(472,981)	(8,530,472)
Recharged expenses	*18*	(3,882,980)	-
Administrative costs		(1,026,760)	(396,163)
Interest expense		(21,886,732)	(21,543,934)
Investment property disposal costs		(5,582,223)	(2,201,355)
Impairment loss on financial assets	*21*	(1,214,622)	(836,755)
Terminated transaction costs		-	(1,531,780)
Restructuring costs		-	(1,738,106)
Insurance expense		(247,489)	(595,068)
Depreciation and amortisation expense		(199,298)	(379,207)
Impairment of right-of-use asset		(489,974)	-
Other expenses		(426,595)	(191,710)
(Loss)/profit before income tax		(19,169,445)	14,927,854
Income tax benefit/(expense)	*12*	123,211	(8,017,784)
(Loss)/profit for the year		(19,046,234)	6,910,070
(Loss)/profit for the year attributable to:			
Unitholders of the Fund		(18,966,354)	6,910,070
Non-controlling interests		(79,880)	-
		(19,046,234)	6,910,070
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operation (nil tax)		399,759	28,164,135
Other comprehensive income for the year, net of tax		399,759	28,164,135
Total comprehensive (loss)/income for the year		(18,646,475)	35,074,205
Total comprehensive (loss)/income for the year attributable to:			
Unitholders of the Fund		(18,566,595)	35,074,205
Non-controlling interests		(79,880)	-
		(18,646,475)	35,074,205
(Loss)/earnings per unit			
Basic (loss)/earnings per unit (dollars) *	*19*	(0.03)	(0.01)
Diluted (loss)/earnings per unit (dollars) *	*19*	(0.03)	(0.01)

* Basic and diluted (loss)/earnings 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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 $	2022 $
Current assets			
Cash and cash equivalents	*4*	36,694,819	43,838,347
Receivables	*5*	673,700	779,978
Prepayments		1,299,904	1,372,497
Other financial assets held for sale	*6*	5,872,919	10,286,578
Other assets	*7*	195,478	191,822
Net investment in sublease	*11*	969,755	906,858
Investment properties held for sale	*8*	91,494,422	30,799,941
Total current assets		137,200,997	88,176,021
Non-current assets			
Investment properties	*8*	786,858,555	918,492,472
Other assets	*7*	11,076,206	11,274,311
Right-of-use asset	*11*	-	657,017
Net investment in sublease	*11*	1,216,520	2,185,954
Property, plant and equipment	*10*	16,243	31,413
Security deposits	*9*	191,737	558,654
Total non-current assets		799,359,261	933,199,821
Total assets		936,560,258	1,021,375,842
Current liabilities			
Payables	*13*	5,455,854	11,653,202
Lease liabilities	*11*	1,405,551	1,378,806
Total current liabilities		6,861,405	13,032,008
Non-current liabilities			
Provisions	*14*	3,844,600	2,138,553
Deferred tax liabilities	*12*	46,920,126	47,138,986
Borrowings	*15*	456,225,804	500,778,601
Lease liabilities	*11*	1,271,129	2,676,287
Other non-current liabilities	*16*	194,968	194,939
Total non-current liabilities		508,456,627	552,927,366
Total liabilities		515,318,032	565,959,374
Net assets		421,242,226	455,416,468
Equity			
Unit capital	*17*	617,998,091	449,222,526
Convertible step-up preference units	*17*	-	184,095,549
Reserves		194,735,572	194,335,813
Accumulated losses		(393,405,447)	(374,439,093)
Equity attributable to unitholders of the Fund		419,328,216	453,214,795
Non-controlling interests		1,914,010	2,201,673
Total equity		421,242,226	455,416,468

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

US MASTERS RESIDENTIAL PROPERTY FUND
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Unit capital $	Convertible step-up preference units $	Foreign currency translation reserve $	Accumulated losses $	Attributable to unitholders $	Non-controlling interests $	Total equity $
Balance at 1 January 2022		**453,173,851**	**194,822,929**	**166,171,678**	**(369,369,815)**	**444,798,643**	**-**	**444,798,643**
Profit for the year		-	-	-	6,910,070	6,910,070	-	6,910,070
Other comprehensive loss, net of income tax								
Foreign operation currency translation gain		-	-	28,164,135	-	28,164,135	-	28,164,135
Total other comprehensive income		-	-	28,164,135	-	28,164,135	-	28,164,135
Total comprehensive income for the year		**-**	**-**	**28,164,135**	**6,910,070**	**35,074,205**	**-**	**35,074,205**
Investment by non-controlling interest		-	-	-	-	-	2,201,673	2,201,673
Transactions with owners in their capacity as owners								
Issue of ordinary units	*17*	3,229,251	-	-	-	3,229,251	-	3,229,251
Unit buybacks	*17*	(7,180,576)	(10,727,380)	-	-	(17,907,956)	-	(17,907,956)
Distributions to CPU unitholders		-	-	-	(11,979,348)	(11,979,348)	-	(11,979,348)
Total transactions with owners		**(3,951,325)**	**(10,727,380)**	**-**	**(11,979,348)**	**(26,658,053)**	**-**	**(26,658,053)**
Balance at 31 December 2022		**449,222,526**	**184,095,549**	**194,335,813**	**(374,439,093)**	**453,214,795**	**2,201,673**	**455,416,468**
Balance at 1 January 2023		**449,222,526**	**184,095,549**	**194,335,813**	**(374,439,093)**	**453,214,795**	**2,201,673**	**455,416,468**
Loss for the year		-	-	-	(18,966,354)	(18,966,354)	(79,880)	(19,046,234)
Other comprehensive income, net of income tax								
Foreign operation currency translation gain		-	-	399,759	-	399,759	-	399,759
Total other comprehensive income		-	-	399,759	-	399,759	-	399,759
Total comprehensive loss for the year		**-**	**-**	**399,759**	**(18,966,354)**	**(18,566,595)**	**(79,880)**	**(18,646,475)**
Distributions paid to non-controlling interest		-	-	-	-	-	(207,783)	(207,783)
Transactions with owners in their capacity as owners								
Issue of ordinary units	*17*	5,253,868	-	-	-	5,253,868	-	5,253,868
Unit buybacks	*17*	(13,265,373)	-	-	-	(13,265,373)	-	(13,265,373)
CPU conversion to ordinary units	*17*	184,095,549	(184,095,549)	-	-	-	-	-
Distributions to ordinary unitholders		(7,308,479)	-	-	-	(7,308,479)	-	(7,308,479)
Total transactions with owners		**168,775,565**	**(184,095,549)**	**-**	**-**	**(15,319,984)**	**-**	**(15,319,984)**
Balance at 31 December 2023		**617,998,091**	**-**	**194,735,572**	**(393,405,447)**	**419,328,216**	**1,914,010**	**421,242,226**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Cash receipts from customers		41,985,867	43,138,462
Cash paid to suppliers and employees		(25,618,101)	(26,970,809)
Insurance proceeds		1,374,865	56,136
Interest received		448,300	448,560
Interest paid		(20,694,016)	(20,768,935)
Management fees paid		(3,338,413)	(847,514)
Net cash used in operating activities	4	(5,841,498)	(4,944,100)
Cash flows from investing activities			
Payments for improvements to investment properties		(8,917,903)	(7,520,985)
Proceeds from sale of investment properties		81,815,081	38,184,967
Disposal costs on sale of investment properties		(5,582,223)	(2,201,355)
Distributions received from equity investments		871,342	-
Terminated transaction costs		-	(1,531,780)
Restructuring costs		-	(1,538,106)
Net cash provided by investing activities		68,186,297	25,392,741
Cash flows from financing activities			
Ordinary Unit buybacks		(13,265,373)	(7,180,576)
Convertible Step-Up Preference Unit buybacks		-	(10,727,380)
Proceeds from investment by minority interest		-	2,201,673
Bank loan repayments		(48,920,510)	(9,748,222)
Refund of interest reserve and escrow accounts		9,855,705	6,179,984
Payment of interest reserve and escrow accounts		(7,859,711)	(8,074,839)
Payment of transaction costs related to loans and borrowings		-	(12,163)
Distributions paid - ordinary unitholders		(4,357,196)	-
Distributions paid - CPU holders		(3,419,246)	(9,193,458)
Distributions paid - non-controlling interest		(207,783)	-
Withholding tax paid		(678,210)	(161,090)
Lease payments		(1,413,846)	(1,274,367)
Cash receipts from net investment in sublease		929,904	831,758
Refund of security deposit		376,271	79,166
Net cash used in financing activities		(68,959,995)	(37,079,514)
Net decrease in cash and cash equivalents		(6,615,196)	(16,630,873)
Cash and cash equivalents at beginning of year		43,838,347	56,714,776
Effect of exchange rate fluctuations on cash held		(528,332)	3,754,444
Cash and cash equivalents at end of year	4	36,694,819	43,838,347

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 2024. 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 8(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 3G.

3. Material 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. Material 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

i) Financial assets

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 (**ECL**) on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, lease receivables and trade receivables. The amount of ECL 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 receivables. The ECL 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.

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. Material 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 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.

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.

3. Material 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.

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.

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

3. Material 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 17. Distributions declared during the year are presented in the Accumulated Losses in the Consolidated Statement of Changes in Equity. The CPUs were all converted in accordance with the original terms.

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.

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 a current asset.

E) 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.

3. Material accounting policies *(continued)*

F) 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.

G) 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.

Separately a deferred tax liability is recognised in respect of potential withholding tax payable on the repatriation of funds from the US to Australia. Refer note 2 C(ii) and note 12.

H) 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%.

3. Material accounting policies *(continued)*

I) 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.

J) 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 or 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.

K) 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.

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 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).

3. Material accounting policies *(continued)*

L) 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. On adoption of AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates, the Group has refined its accounting policies to only include those that are considered material to the primary users of the financial statements.

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 2024 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 2014-1 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections and AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2025	31 December 2025
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current, AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date and AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024	31 December 2024
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024	31 December 2024
AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements	1 January 2024	31 December 2024
AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability	1 January 2025	31 December 2025

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4. Cash and cash equivalents

	2023	2022
	$	$
Cash at bank	36,534,064	43,729,038
Restricted cash (i)	160,755	109,309
	36,694,819	43,838,347

Cash at bank earns interest at floating rates based on the bank deposit rates. The effective interest rate on bank deposits was 0.84% (2022: 0.41%).

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) which is required as part of the Global Atlantic loan facility. Amounts are swept daily from the Rent Deposit Account by the loan servicer to first cover interest, replenishment of required reserves and any other amount due to Global Atlantic, with the residual balance transferred to the Group's operating account.

Reconciliation of cash flows from operating activities	**2023**	**2022**
	$	**$**
(Loss)/profit for the year	(19,046,234)	6,910,070
Adjustments for:		
Net unrealised gain on foreign exchange	(242,054)	(953,325)
Dividends from equity investments	(871,342)	-
Change in fair value of investment property	619,926	(32,243,083)
Change in fair value of equity investments	4,507,237	4,785,740
Non-cash interest expense - Global Atlantic loan facility	987,906	943,234
Non-cash interest expense - promote incentive	351,064	-
Withholding tax on interest	58,328	-
Investment property disposal costs	5,582,223	2,201,355
Terminated transaction costs	-	1,531,780
Restructuring costs	-	1,738,106
Depreciation and amortisation expense	199,298	379,207
Impairment of right-of-use asset	489,974	-
Change in trade and other receivables	106,278	(335,358)
Change in other assets	(83,594)	100,901
Change in prepayments	72,593	(650,653)
Change in trade and other payables	245,839	1,096,366
Change in provisions	1,377,638	2,138,553
Change in deferred tax liability (excluding foreign exchange impact)	(196,578)	7,413,007
Net cash used in operating activities	(5,841,498)	(4,944,100)

4. Cash and cash equivalents *(continued)*

Reconciliation of liabilities arising from financing activities

					Non-cash changes		
		1 Jan 2023	**Financing cash flows**	**Payment of transaction costs**	**Amortisation of borrowing costs**	**Exchange rate differences on translation**	**31 Dec 2023**
	Note	**$**	**$**	**$**	**$**	**$**	**$**
Secured bank loans	*15*	500,778,601	(47,215,427) (i)	-	987,906	1,674,724	456,225,804
		500,778,601	(47,215,427)	-	987,906	1,674,724	456,225,804

(i) Excluding Exempt Property payments yet to be applied to the outstanding principal balance. Refer note 7(ii).

					Non-cash changes		
		1 Jan 2022	**Financing cash flows**	**Payment of transaction costs**	**Amortisation of borrowing costs**	**Exchange rate differences on translation**	**31 Dec 2022**
	Note	**$**	**$**	**$**	**$**	**$**	**$**
Secured bank loans	*15*	477,758,714	(9,748,222)	(12,163)	943,234	31,837,038	500,778,601
		477,758,714	(9,748,222)	(12,163)	943,234	31,837,038	500,778,601

5. Receivables

	2023	**2022**
	$	**$**
Current		
Receivables - rental debtors	2,092,859	1,466,072
Loss allowance for rental debtors	(1,566,308)	(910,590)
Other receivables	147,149	224,496
	673,700	779,978

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 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 $1,566,308 (2022: $910,590) has been recognised in respect of outstanding amounts at balance date that, based on forward looking information involving assumptions and judgements, 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.

There continues to be a backlog in the eviction courts in both New York and New Jersey due to the lingering impacts of COVID-19. As the backlog clears and delinquent tenants are evicted from their properties, it is expected that the loss allowance for rental debtors will reduce.

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 held for sale

The properties owned by the underlying investees are in the process of being sold. Settlement is expected to occur within 12 months of balance date.

	2023	2022
	$	$
Current assets		
Equity investments — fair value	5,872,919	10,286,578
	5,872,919	10,286,578

Equity investments – fair value

Investee	Country of Incorporation	Principal activity	Principal place of business	Ownership Interest 2023 %	Ownership Interest 2022 %
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 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.

30-58/64 34th Street Venture LLC

During the year, the investment property located at 30-58/64 34th Street, Astoria was placed on the market for sale.

In June 2023, based on the value of a non-binding contract, a property related fair value decrement of US$920,000 ($1,380,552) was recognised, of which the Group's economic share was US$598,000 ($897,359).

Subsequently, the Group's partner (Urban American) agreed to acquire the Group's economic interest in the venture for an amount of US$3,157,143 ($4,634,678), resulting in a further decrement to the carrying value of the Group's investment of US$183,605 ($269,532). Under the terms of the purchase agreement, Urban American are required to complete the purchase by June 6, 2024. Failure to complete the purchase will result in Urban American forfeiting their deposit of US$170,000 ($249,560).

515 West 168th Venture LLC

During the year, the investment property owned by 515 West 168th Venture LLC was placed on the market for sale.

The property has been shown to a number of interested parties. Based on market feedback obtained during the selling process, the fair value of the property at balance date is US$13,000,000 ($19,083,969), resulting in a property related fair value decrement recognised during the year of US$2,010,000 ($2,950,675), of which the Group's economic share was US$1,280,370 ($1,879,580). The Investee has borrowings totalling US$12,899,077 ($18,935,815).

The Group is in continued dialogue with Urban American for their purchase of the Group's equity interest in the partnership. At balance date the value of the Group's equity investment is US$638,293 ($937,012).

6. Other financial assets (*continued*)

523 West 135th Street Venture LLC

During the year, the investment property owned by 523 West 135th Street Venture LLC was placed on the market for sale.

The property has been shown to a number of interested parties. Based on market feedback obtained during the selling process, the fair value of the property at balance date is US$4,500,000 ($6,605,989), resulting in a property related fair value decrement recognised during the year of US$260,000 ($381,679), of which the Group's economic share was US$168,220 ($246,947). The Investee has borrowings totalling US$4,270,661 ($6,269,320).

The Group is in continued dialogue with Urban American for their purchase of the Group's equity interest in the partnership. At balance date the value of the Group's equity investment is US$205,197 ($301,229).

Fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

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

The Group has classified its equity investments as follows:

Class of investment	Fair value hierarchy level	Fair value ($) 2023	Fair value ($) 2022	31 Dec 2023 inputs	31 Dec 2022 inputs
Equity investments - fair value	Level 2	4,634,678	-	Contract value	- Net market income of US$14.88 - US$20.54 per square foot
Equity investments - fair value	Level 3	1,238,241	10,286,578	Market feedback	- Capitalisation rates ranging from 5% to 5.5%
		5,872,919	**10,286,578**		

During the year, the investment property owned by 30-58/64 34th Street Venture LLC was transferred from a level 3 to a level 2 hierarchy level based on contract value.

Reconciliation of Level 3 fair value measurement of financial instruments

	2023 $
Opening balance	10,286,578
Total gains or losses in profit or loss	(4,507,237)
Transfers out of level 3	(4,634,678)
Exchange rate differences on translation	93,578
Closing balance	1,238,241

7. Other assets

	2023 $	2022 $
Current assets		
Deferred leasing fee	-	1,391
Other assets (escrow deposits and receivables)	195,478	190,431
	195,478	191,822

	2023 $	2022 $
Non-current assets		
Facility interest reserve and escrow accounts (i)	8,953,924	10,863,444
Other assets (ii)	2,122,282	410,867
	11,076,206	11,274,311

(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$3,622,238 ($5,317,437) 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$1,545,731 ($2,269,130) 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 U$453,467 ($665,689) 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$477,976 ($701,668) 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 facility. Once the capital expenditure reserve reflects a balance equivalent to $1,000 per 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 facility.

7. Other assets (continued)

(ii) Under the terms of the Global Atlantic facility, the Group can nominate properties that remain vacant during the preparation and marketing phase of the sales process to be excluded from all covenant calculations (**Exempt Property**). Upon nomination of an Exempt Property, the Group is required to make a payment equal to the difference between the Release Amount and the Allocated Loan Amount of each respective Exempt Property. Such payments will be applied to the outstanding principal balance upon sale of each Exempt Property.

8. Investment properties

	2023 $	2022 $
Disclosed on the Consolidated Statement of Financial Position as:		
Current assets		
Investment properties held for sale (i)	91,494,422	30,799,941
Non-current assets		
Investment properties	786,858,555	918,492,472
	878,352,977	949,292,413

	2023 $	2022 $
At fair value		
Balance at beginning of year	949,292,413	888,843,635
Payments for improvements to investment properties	8,867,699	8,077,312
Fair value movement of investment properties to market	2,114,265	32,243,083
Fair value movement of investment properties due to damage (ii)	(2,734,191)	-
Disposals	(82,093,605)	(38,407,828)
Exchange rate differences on translation	2,906,396	58,536,211
Balance at end of year	878,352,977	949,292,413

(i) Under the Investment Property accounting standard, selling costs are excluded from the assessment of fair value. We note as the Fund realises these assets, selling costs in the range of 6-9% are typically incurred. The average selling costs incurred during 2023 were 7%.

(ii) The fair value movement attributable to impairment relates to water, fire and façade damage incurred during the year.

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.

8. Investment properties *(continued)*

i) Valuation basis

Fair value has been measured on a property by property basis, that being the Unit of Account under AASB 13 Fair Value.

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 an annual basis.

A panel comprised of the following appraisers valued 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)
- Platinum Coast Appraisal & Co. (licensed residential appraiser)
- Glenn A. Gabberty Appraisals, Inc. (licensed residential appraiser)
- Douglas Elliman Real Estate (licensed real estate agent)
- Patrick Southern Coldwell Banker (licensed real estate agent)
- Ari Harkov, Brown Harris Stevens (licensed real estate agent)
- Leslie J. Garfield (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, were 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 during the period, thereby achieving an overall valuation outcome for each neighbourhood and accordingly the entire portfolio.

Investment properties classified as held for sale are marked to their contract or list price.

At 31 December 2023, 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 ($) 2023	Fair value ($) 2022	Valuation technique	Inputs
Residential use investment property	Level 2	878,352,977	949,292,413	Direct comparable sales	- Selling price - Geographic location - Property age and condition - Size of property - Number of rooms

8. Investment properties *(continued)*

The fair value of the Group's portfolio of investment properties at 31 December 2023 was determined based on market conditions existing at balance date. A sensitivity analysis has been performed on the fair value adopted at 31 December 2023 below to consider the movement in the fair value of the portfolio if the percentage sales price movements in each neighbourhood were to increase or decrease.

	Key Assumptions	
	5% decrease in % sales price	5% increase % sales price
Change in total value ($'000)	(43,918)	43,918

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:

	2023 $	2022 $
Not later than one year	18,127,164	22,573,735
Later than one year and not later than five years	338,417	826,859
Later than five years	-	-
	18,465,581	23,400,594

iii) Contractual obligations

The Group has no contractual obligations in respect of property refurbishments (2022: nil).

9. Security deposits

	2023 $	2022 $
Security deposits	191,737	558,654

During the year, the Group changed its credit card service provider and a letter of credit is no longer required in respect of merchant services. At balance date, the security deposit balance is in respect of the letter of credit provided to the landlord of the office space located at Harborside Financial Center.

10. Property, plant and equipment

	2023 $	2022 $
Leasehold improvements and office equipment - at cost	328,364	328,315
Accumulated amortisation and depreciation	(312,121)	(296,902)
	16,243	31,413

11. Leases

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

	2023	2022
Right-of-use asset	**$**	**$**
Opening balance	657,017	952,479
Depreciation charge	(183,489)	(351,441)
Impairment charge	(489,305)	-
Exchange rate differences on translation	15,777	55,979
Closing Balance	-	657,017

During the year, the Group ceased using the office space located at Harborside Financial Center, Jersey City, New Jersey. Accordingly, the remaining balance of the right-of-use asset was written off during the year.

The Group is party to a sublease in respect of its lease at 140 Broadway, New York, New York. The movement in the net investment in sublease receivable is shown below.

	2023	2022
Net investment in sublease	**$**	**$**
Opening balance	3,092,812	3,696,802
Interest income	178,347	228,121
Lease payments received	(1,108,252)	(1,059,879)
Exchange rate differences on translation	23,368	227,768
Closing Balance	2,186,275	3,092,812

Disclosed as:		
	$	**$**
Current	969,755	906,858
Non-current	1,216,520	2,185,954
	2,186,275	3,092,812

Maturity analysis in respect of the lease payments receivable is as follows:

	2023	2022
Lease receivable — contractual undiscounted cash flows	**$**	**$**
Year one	1,080,944	1,080,785
Year two	1,080,944	1,080,785
Year three	180,157	1,080,785
Year four	-	180,131
	2,342,045	3,422,486

11. Leases (continued)

	2023	2022
Lease liabilities	**$**	**$**
Opening Balance	4,055,093	5,022,838
Interest expense	139,332	183,363
Lease repayments	(1,553,179)	(1,457,729)
Exchange rate differences on translation	35,434	306,621
Closing Balance	2,676,680	4,055,093

Disclosed as:

	$	$
Current	1,405,551	1,378,806
Non-current	1,271,129	2,676,287
	2,676,680	4,055,093

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

	2023	2022
Lease liabilities — contractual undiscounted cash flows	**$**	**$**
Not later than one year	1,486,614	1,514,685
Later than one year and not later than five years	1,304,588	2,790,792
	2,791,202	4,305,477

12. Deferred tax liabilities

	2023 $	2022 $
Investment properties	46,920,126	47,138,986
Movements		
Balance at beginning of year	47,138,986	37,190,334
(Credited)/charged to profit or loss as income tax (benefit)/expense	(196,578)	7,413,007
Unrealised foreign exchange (gain)/loss	(22,282)	2,535,645
Balance at end of year	46,920,126	47,138,986

Income tax (benefit)/expense is comprised of:

	2023 $	2022 $
Deferred tax (credited)/debited to profit or loss	(196,578)	7,413,007
State and withholding tax payable	73,367	604,777
Income tax (benefit)/expense	(123,211)	8,017,784

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.

The deferred tax liability has been measured at a rate of 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 realisation and distribution of the Fund's taxable gains. In the Directors' view, the Group has 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%.

13. Payables

	2023 $	2022 $
Trade payables	627,608	579,446
Distribution payable	143,221	5,863,282
Other payables	4,685,025	5,210,474
	5,455,854	11,653,202

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.

14. Provisions

	2023	2022
Provision for promote interest	**$**	**$**
Opening balance	2,138,553	-
Interest expense	351,064	-
Promote charge recognised during the period	1,377,638	2,138,553
Exchange rate differences on translation	(22,655)	-
Closing balance	3,844,600	2,138,553

Under the terms of the Limited Liability Company agreement, Brooksville Company LLC (**Brooksville**) is entitled to a promote on returns delivered in excess of an 8% compound annual return, calculated with reference to the equity value contributed to the partnership. Returns in excess of the 8% hurdle rate are distributed 25% to Brooksville and 75% to the members according to their equity interest percentage. The promote will be settled as and when it is realised.

The Group has estimated the value of the promote interest at balance date using a discounted cash flow model. In making its estimation, the Group has exercised judgement to form reasonable valuation inputs in respect of the length of the sell down period, future selling prices, disposal costs, repayment of borrowings and the discount rate used. Based on the Group's estimation, it is not expected that the required return hurdle will be satisfied in 2024 and accordingly the provision has been classified as a non-current liability. These judgements will be revisited each reporting period and revised where necessary.

15. Borrowings

	2023	2022
	$	**$**
Non-current liabilities		
Secured bank loans	456,225,804	500,778,601
	456,225,804	500,778,601

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	2023 Amortised cost	2022 Amortised cost
Global Atlantic	(i)	(i)	(i)	857,059,541	456,225,804	500,778,601
					456,225,804	500,778,601

15. Borrowings *(continued)*

(i) At balance date, the outstanding loan balance was US$312,367,269.

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

On 30 December 2022, upon appointment of Brooksville Company LLC as Operating Member of the Group's 1 – 4 family portfolio, the loan agreement was amended to include a principal repayment requirement equivalent to 1% of the outstanding principal balance measured on the first day of the related calendar year (Minimum Required Principal Payment, **MRPP**). The MRPP amendment took effect on January 1, 2023, and the associated payment is due by 30 December of the related calendar year. Principal repayments required upon sale of property form part of each year's MRPP.

Notwithstanding the principal payment requirement, the Group has a one time right to defer the MRPP for one year and to include the unpaid amount in respect of any given year in the subsequent year's payment. As of balance date, the Group has not yet exercised this one time right of deferral and accordingly no amount has been classified as current in respect of this requirement at balance date. Any MRPP made is not subject to a Yield Maintenance Premium (refer below).

Under the terms of the facility, there is a limit to the amount 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 facility (US$360M), 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 repayments equivalent to 2% of the inception facility balance, then in Year 2 the Group can make early repayments equivalent to 8% of the inception facility 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 the facility 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 facility being prepaid.

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 Property (USA) Fund

- US$6,099,412 ($8,953,924) 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 $868,623,077 including property assets valued at $857,059,541.

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)*

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

Facility	Principal drawn $	Principal available $	Total $
Global Atlantic	458,554,417	-	458,554,417
	458,554,417	**-**	**458,554,417**

16. Other non-current liabilities

	2023 $	2022 $
Redeemable preference units	183,500	183,473
Accrued interest	11,468	11,466
	194,968	194,939

Series A Preferred Units	**2023**	**2023**	**2022**	**2022**
	No of units	**$**	**No of units**	**$**
Issued	125	194,968	125	194,939

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 is 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.

17. Capital and reserves

Ordinary Units

On 3 January 2023, all Convertible Step-Up Preference Units (CPUs) were converted into ordinary units with each CPU holder receiving 205 ordinary units per CPU. 1,803,775 CPUs were converted into 369,773,875 ordinary units.

In relation to the CPU distribution paid on 24 February 2023, 9,291,741 units were issued under the Group's Distribution Reinvestment Plan, for an amount of $2,415,853.

In relation to the ordinary distribution paid on 21 July 2023, 10,135,767 units were issued under the Group's Distribution Reinvestment Plan, for an amount of $2,838,015.

On 3 August 2023, it was announced that the Group's Distribution Reinvestment Plan will be suspended until further notice, effective on 18 August 2023.

During the year ended 31 December 2023, 44,583,627 ordinary units were bought back for a total consideration of $13,265,373.

	2023 $	2022 $
726,177,358 fully paid ordinary units (2022: 381,559,602)	617,998,091	449,222,526

(i) Issued ordinary units		
Balance at beginning of the year	449,222,526	453,173,851
5,025,261 units issued at $0.30	-	1,507,568
6,621,858 units issued at $0.26	-	1,721,683
1,803,775 CPUs converted to 369,773,875 units	184,095,549	-
9,291,741 units issued at $0.26	2,415,853	-
10,135,767 units issued at $0.28	2,838,015	
Unit buybacks	(13,265,373)	(7,180,576)
Ordinary distribution	(7,308,479)	-
Balance at end of the year	617,998,091	449,222,526

(ii) Movements in ordinary units **Date**	 **Details**	**2023** **No.**	**2022** **No.**
1 January	Balance at beginning of the year	381,559,602	395,934,429
23 February 2022	Distribution reinvestment	-	5,025,261
25 August 2022	Distribution reinvestment	-	6,621,858
3 January 2023	Conversion to ordinary units	369,773,875	-
24 February 2023	Distribution reinvestment	9,291,741	-
21 July 2023	Distribution reinvestment	10,135,767	
2022	Unit buybacks	-	(26,021,946)
2023	Unit buybacks	(44,583,627)	-
	Number of ordinary units outstanding	726,177,358	381,559,602
	Effect of dilution - CPUs	-	369,773,875
	Total number of diluted units	726,177,358	751,333,477

17. Capital and reserves *(continued)*

Convertible step-up preference units

	2023 $	2022 $
Nil convertible step-up preference units fully paid (2022: 1,803,775)	-	184,095,549
(i) Issued convertible step-up preference units		
Balance at beginning of the year	184,095,549	194,822,929
Conversion to ordinary units	(184,095,549)	-
CPU buybacks	-	(10,727,380)
Balance at end of the year	-	184,095,549

(ii) Movements in convertible step-up preference units

Date	**Details**	**2023 No.**	**2022 No.**
1 January	Balance at beginning of the year	1,803,775	1,990,707
3 January 2023	Conversion to ordinary units	(1,803,775)	-
2022	CPU buybacks	-	(186,932)
31 December		-	1,803,775

The key terms of the CPUs were as follows:

- CPUs were perpetual instruments and remained on issue until converted into ordinary units or otherwise repurchased in accordance with the applicable law.
- The distribution rate was 6.25% per annum until 31 December 2022, at which point the rate stepped up to 8.75% from 1 January 2023. Distributions were payable semi-annually and were at the discretion of the Responsible Entity. Distributions were cumulative. The Responsible Entity was not able to pay any distribution on ordinary units for so long as any distribution on CPUs remained outstanding for more than 40 business days after the end of the relevant distribution period (‘Distribution Stopper’).
- CPU holders could elect to apply cash distributions payable by the Group in respect of CPUs in subscriptions for ordinary units.
- CPUs were able to 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 were able to convert to ordinary units only if the Responsible Entity breached its obligations under the Distribution Stopper requirement.
- CPUs converted to the aggregate 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 were to 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 carried 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.

18. Management fees, promote incentive and recharged expenses

Management fees

	2023 $	2022 $
Asset management fee (i)	1,513,175	-
Property management fee (ii)	1,177,659	-
	2,690,834	-

(i) Pursuant to the Asset Management Agreement, Brooksville, as Asset Manager, is entitled to an Asset Management Fee of US$1 million per year, subject to annual CPI adjustments.

(ii) Pursuant to the Property Management Agreement, Pinnacle City Living (**Pinnacle**), as Property Manager, is entitled to a Property Management Fee of 2.85% of gross receipts collected.

Promote incentive

	2023 $	2022 $
Promote incentive (refer note 14)	1,377,638	2,138,553
	1,377,638	2,138,553

Recharged expenses

Under the terms of the respective agreements, Brooksville and Pinnacle are entitled to recover direct expenses incurred in the management of the Group’s activities. Recharged expenses primarily relate to payroll costs in respect of leasing and property management services, construction management services, office administration costs, and compliance costs. During the year, the total amount recharged to the Group was $3,994,938 (2022: nil). Of this amount, construction management services totalling $111,958 (2022: nil) were capitalised to the relevant investment properties.

19. Earnings per unit

(a) Weighted average number of ordinary units	2023 No.	2022 No.
Weighted average number of ordinary units used to calculate basic and diluted earnings per unit	733,766,846	396,171,657

(b) Profit attributable to ordinary unitholders	2023 $	2022 $
(Loss)/profit for the year attributable to unitholders	(19,046,234)	6,910,070
Less: distributions on CPUs	-	(11,979,348)
Loss used in the calculation of basic and diluted loss per unit	(19,046,234)	(5,069,278)
Basic loss per unit (dollars)	(0.03)	(0.01)
Diluted loss per unit (dollars) *	(0.03)	(0.01)

Basic loss per unit amounts are calculated by dividing (loss)/profit 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 loss per unit amounts are calculated by dividing 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 are no dilutive ordinary units as a result of the losses recorded by the Group (after accounting for distributions on CPUs). In the current year, there are no dilutive ordinary units as all of the CPUs were converted into ordinary units on 3 January 2023.

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 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 Consolidated 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		**2023**	**2022**
	Note	**$**	**$**
Cash and cash equivalents	*4*	36,694,819	43,838,347
Trade and other receivables	*5*	673,700	779,978
Interest reserve and security deposit escrows	*7*	11,271,684	11,053,875
Security deposits	*9*	191,737	558,654
Net investment in sublease	*11*	2,186,275	3,092,812
		51,018,215	59,323,666

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, Citizens Bank and Bank of America 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 measures the loss allowance for trade receivables at an amount equal to lifetime 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 $1,566,309 (2022: $910,590) has been recognised in respect of outstanding amounts at balance date that, based on forward looking information involving assumptions and judgements, 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.

There continues to be a backlog in the eviction courts due to the lingering impacts of COVID-19. As the backlog clears and delinquent tenants are evicted from their properties, it is expected that the loss allowance for rental debtors will reduce.

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:

	2023	2022
	$	$
Current	397,542	348,048
Past due 31-60 days	265,255	235,394
Past due 61-90 days	16,105	19,595
More than 90 days	1,413,957	863,035
	2,092,859	1,466,072

Movement in loss allowance for trade receivables

	2023	2022
	$	$
Balance at beginning of the year	910,590	1,069,703
Impairment loss on financial assets	1,214,622	836,755
Amounts written off during the year	(542,475)	(1,062,078)
Exchange rate differences on translation	(16,429)	66,210
Balance at end of the year	1,566,308	910,590

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 2023	**Carrying amount**	**Contractual cash flows**	**12 mths or less**	**1-5 years**	**5 years and more**
	$	**$**	**$**	**$**	**$**
Payables	5,455,854	5,455,854	5,455,854	-	-
Series A preference units	194,968	298,187	22,937 (ii)	91,750 (ii)	183,500 (ii)
Secured bank loans	456,225,804	502,928,757	18,596,929 (i)	484,331,828	-
Lease liability	2,676,680	2,791,202	1,486,614	1,304,588	-
	464,553,306	511,474,000	25,562,334	485,728,166	183,500

31 December 2022	**Carrying amount**	**Contractual cash flows**	**12 mths or less**	**1-5 years**	**5 years and more**
	$	**$**	**$**	**$**	**$**
Payables	11,653,202	11,653,202	11,653,202	-	-
Series A preference units	194,939	298,143	22,934 (ii)	91,736 (ii)	183,473 (ii)
Secured bank loans	500,778,601	573,292,059	20,442,851 (i)	552,849,208	-
Lease liability	4,055,093	4,305,477	1,514,685	2,790,792	-
	516,681,835	589,548,881	33,633,672	555,731,736	183,473

(i) As disclosed on the balance sheet, the Fund has $91,494,422 of properties that are held for sale on the expectation that they will be sold within 12 months. 25 of these held for sale assets form part of the Global Atlantic security pool. If these sales are successfully executed, then principal repayments totalling $44,673,088 will be required to be made under the terms of the Global Atlantic facility.

(ii) Preference shares are redeemable at the sole discretion of the Fund, and as accordingly only cumulative interest payments accruing under the terms of the instrument 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 *

	2023	2022
	$	$
Assets		
Cash	1,017,243	1,016,890
Receivables	110,100	110,084
Total assets	1,127,343	1,126,974
Liabilities		
Payables	(251,325)	(746,600)
Total liabilities	(251,325)	(746,600)
Net external exposure	876,018	380,374

Internal group exposure **

	USD exposure converted to AUD	
	2023	2022
	$	$
USD denominated convertible notes issued by the US REIT to the Australian parent entity	24,200,696	34,554,962
USD denominated interest receivable on convertible note	108,617	162,219
Net internal exposure	24,309,313	34,717,181
Total net exposure	25,185,331	35,097,555

* External group exposure relates to external party USD denominated balances recorded in the Australian Parent entity and AUD denominated balances recorded in the Group's operating subsidiary based in the USA 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.

	2023	2022
	$	$
Impact on profit or (loss) / equity		
+10% - Strengthening	(2,291,488)	(3,192,454)
-10% - Weakening	2,800,708	3,901,889

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 which are translated at the spot rate applicable at the reporting date. Exchange differences arising are classified as equity and reflected in the 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	
	2023	2022
	$	$
Assets		
Cash	33,430,009	31,242,505
Receivables and other assets	15,463,006	17,760,389
Other financial assets	5,872,919	10,286,578
Investment properties	878,352,977	949,292,413
Total assets	933,118,911	1,008,581,885
Liabilities		
Payables	7,103,130	8,202,406
Provisions	3,844,600	2,138,553
Borrowings	483,153,161	540,994,684
Other payables	194,968	194,939
Total liabilities	494,295,859	551,530,582
Net exposure	438,823,052	457,051,303

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

Interest rate risk

Management of interest rate risk

The interest payable on both the GA facility and the redeemable preference shares are fixed at 4% and 12.5% respectively.

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

	2023	2022
	$	$
Variable rate instruments		
Cash and cash equivalents	36,694,819	43,838,347
	36,694,819	43,838,347

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates 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.

	2023	2022
	$	$
Impact on profit before tax / equity		
+0.25% (25 basis points)	91,737	109,596
-0.25% (25 basis points)	(91,737)	(109,596)

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

	2023	2022
	$	$
Debt	456,420,772	500,973,540
Equity	421,242,226	455,416,468
Debt to equity ratio *	108.35%	110.00%

* 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 (2022: nil).

There are no further contributions contractually required to be made to any of the Group's Investees (refer note 6) or to the USM 3 LLC partnership (partnership with Brooksville).

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:

	2023	2022
	$	$
Not later than one year	1,118,218	1,080,785
Later than one year and not later than five years	1,304,587	2,422,450
	2,422,805	3,503,235

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. The directors of the Responsible Entity did not receive compensation from the Fund during the year (2022: nil).

In the prior year, in addition to the directors of the Responsible Entity, Mr. Kevin McAvey and Mr. Brian Disler were joint CEOs of the US REIT up until 14 June 2022 and were deemed to be key management personnel. Effective 14 June 2022, and through 30 December 2022, Mr. Kevin McAvey was the sole CEO of the US REIT. On 30 December 2022, Mr. Kevin McAvey ceased to be the CEO upon the appointment of Brooksville as the new operating member of the Fund.

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
Stuart Nisbett	18,462
Warwick Keneally	77,652
Peter Shear	-

Key management personnel remuneration

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

	2023	2022
	$	$
Short-term employee benefits	-	2,159,146
Post-employment benefits	-	28,117
Termination benefits	-	575,756
	-	2,763,019

Related party investments in the Fund

As at 31 December 2023, E&P Private Investments Pty Limited, a wholly owned subsidiary of E&P Financial Group Limited, owned nil (2022: 3,650,453) ordinary units in the Group.

24. Related parties *(continued)*

Payments made to the Responsible Entity and related parties

Management Fees	**2023**	**2022**
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 is entitled to charge a fee of 0.08% (exclusive of GST) of the gross assets of the Fund. The amount owed to the Responsible Entity in respect of the responsible entity fee at 31 December 2023 is $64,854 (2022: $69,131).	$852,634	$847,514
Other services provided by the Responsible Entity and related parties of the Responsible Entity	**2023**	**2022**
Fund administration services (payable by the Fund) During the year, Australian Fund Accounting Services Pty Limited (a related party of the Responsible Entity) provided administration and accounting services to the Fund. Time spent by staff was charged to the Fund at agreed rates under a Services Agreement. A total of $61,705 (2022: $120,000) was charged to the Fund at agreed rates under the agreement, capped at $120,000 (exclusive of unclaimable GST) per annum. This amount is included in Administrative Costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. From 3 July 2023, K2 (a non-related party) has taken over the administration and accounting services provided to the Fund, on the same terms and conditions as Australian Fund Accounting Services Pty Limited.	$61,705	$120,000
Recoveries and recharges paid to (or received from) the Responsible Entity	**2023**	**2022**
Responsible Entity and E&P Financial Group USA Inc expense recharge (payable by the Fund and the US REIT)		
Previously, the Group shared resources with E&P Financial Group USA, Inc and/or the Responsible Entity as and when needed. Where this occurred, the Group recovered the costs of the resources. This arrangement ceased 1 January 2023. The total amount owed to the Group at 31 December 2022 was $54,567.	$0	($601,095)
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.	$881,102	$250,740
During the comparative period, the Responsible Entity also recovered costs in relation to the proposed bulk sale transaction. These costs are recognised in 'Terminated transaction costs' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.	$0	$760,827

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 2023	2022
Parent entity			
US Masters Residential Property Fund	Australia		
Subsidiary			
US Masters Residential Property (USA) Fund	United States	100%	100%
Melbourne, LLC	United States	99.1%	99.1%
EMU LLC	United States	100%	100%
Geelong LLC	United States	99.1%	99.1%
St Kilda LLC	United States	99.1%	99.1%
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	99.1%	99.1%
Carlton URF LLC	United States	99.1%	99.1%
Collingwood URF LLC	United States	99.1%	99.1%
Fremantle URF LLC	United States	99.1%	99.1%
AFL URF LLC	United States	100%	100%
NRL URF LLC	United States	99.1%	99.1%
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%
Brisbane URF LLC	United States	99.1%	99.1%
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	99.1%	99.1%
NJ Penelope LLC	United States	99.1%	99.1%
Jett URF Holdings LLC	United States	99.1%	99.1%
Kenny URF Holdings LLC	United States	99.1%	99.1%
History Homes LLC	United States	99.1%	99.1%
US Masters 2 LLC	United States	100.0%	100.0%
USM 3 LLC	United States	99.1%	99.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

26. Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2023 the parent entity of the Group was US Masters Residential Property Fund.

	2023	2022
	$	$
Result of parent entity		
Profit/(loss) for the year	86,984	(3,414,040)
Distributions to CPU unitholders	-	(11,979,348)
Total movement in accumulated losses	86,984	(15,393,388)
Financial position of parent entity at year end		
Current assets	3,549,945	12,956,175
Total assets	412,400,597	433,717,383
Current liabilities	1,579,962	7,444,890
Total liabilities	48,500,089	54,583,875
Total equity of the parent entity comprising of:		
Unit capital	530,043,750	449,222,526
Convertible step-up preference units	-	184,095,549
Reserves	87,954,341	-
Accumulated losses	(254,097,583)	(254,184,567)
Total equity	363,900,508	379,133,508

27. Subsequent events

Subsequent to balance date, as of 23 February 2024, the Group has bought back 2,263,024 ordinary units for a total consideration of $655,409.

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

	2023	2022
	$	$
Auditors of the Group		
Deloitte Touche Tohmatsu		
Audit and review of Group financial statements	294,000	259,000
Audit of subsidiary financial statements	66,000	61,000
	360,000	320,000
Òther services		
Deloitte Tax LLP		
Taxation compliance services	329,589	247,990
Taxation advisory services	25,090	33,686
Taxation advisory services - terminated transaction costs	-	185,752
	354,679	467,428

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2023

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 56, 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 2023 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 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

Phone: +61 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 2023, 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 material accounting policy information 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:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- 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 2023 the Group has determined the fair value of the investment properties to be $878.4 million as disclosed in Note 8. The basis of valuation of the portfolio is disclosed in Note 8(i) and is performed during each reporting period. Fair value of investment properties was a key audit matter because: • Investment property balances are financially significant in the Consolidated Statement of Financial Position; • Changes in the fair value of investment properties can have a significant effect on the consolidated Group's profit for the year and total comprehensive income; and • Investment property valuations are inherently subjective. The independent appraiser's determination of the recent comparable sale transactions when determining the fair value requires judgement.	Our procedures included, but were not limited to: • Obtaining an understanding of the basis of valuation and key processes and controls adopted by management; • 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 ensuring a representative coverage is obtained and is in compliance with management's policy of independently appraising each property at least once every year; • 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; • Engaging our property specialist to assist in our assessment of the appropriateness of management's basis of valuation and processes; and • Assessing the appropriateness of the disclosures included in Notes 2(C)(i) and 8 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 2023, 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:

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

Deloitte.

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.

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

David Haynes
Partner
Chartered Accountants

Sydney, 28 February 2024

STOCK EXCHANGE INFORMATION

Statement of quoted securities as at 31 January 2024

Fully paid ordinary units

- There are 1,923 unitholders holding a total 724,752,542 ordinary units
- The 20 largest unitholders between them hold 71.605% of the total units on issue

Distribution of quoted units as at 31 January 2024

Fully paid ordinary units

Distribution of unitholders category (size of holding)	Number of unitholders	%
1-1,000	182	0.00
1,001-5,000	203	0.07
5,001-10,000	123	0.13
10,001-100,000	854	5.51
100,001 and over	561	94.28
Totals	**1,923**	**100.00**
Holding less than a marketable parcel	226	

Substantial unitholdings as at 31 January 2024

The following holders are registered by 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 Voting Power
Investment Administration Services Pty Ltd (**IAS**) [1, 2]	25,189,897 Ordinary Units	6.36 %
Samuel Terry Asset Management Pty Ltd (**STAM**) as trustee for Samuel Terry Absolute Return Fund (**Star Fund**) [3, 4]	98,895,620 Ordinary Units	13.13%
Mirabella Financial Services LLP [5, 6]	37,117,884 Ordinary Units	5.02%
Almitas Capital LLC [7,8]	102,797,687 Ordinary Units	14.16%
Harvest Lane Asset Management Pty Ltd [9, 10]	36,769,693 Ordinary Units	5.06%

1. Note: Investment Administration Services Pty Ltd's unit holdings are held by JP Morgan as nominee for IAS Managed Discretionary Account clients.
2. Date of the last substantial holder notice lodged on 15 September 2021
3. Note: Star Fund unit holdings are held by JP Morgan Nominees Australia Ltd as sub-custodian of Star Fund.
4. Date of the last substantial holder notice lodged on 20 June 2023
5. Note: Registered holder of securities is Goldman Sachs International
6. Date of the last substantial holder notice lodged on 12 September 2023
7. Note: Registered holder of securities is JP Morgan Securities Australia Ltd
8. Date of the last substantial holder notice lodged on 31 January 2024
9. Note: Registered holders of securities are Palm Beach Nominees Pty Ltd for 10,905,879 Ordinary Units and National Australia Bank Ltd for 25,863,814 Ordinary Units.
10. Date of the last substantial holder notice lodged on 9 January 2024

Directors' unitholdings

As at 31 January 2024 directors of the Group held a relevant interest in the following securities on issue by the Group.

Director	Ordinary units
Stuart Nisbett	18,462
Warwick Keneally	77,652
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 2024

Unitholder Name	Number of units held	% of total
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	155,837,950	21.502%
CITICORP NOMINEES PTY LIMITED	133,446,034	18.413%
NATIONAL NOMINEES LIMITED	37,803,652	5.216%
BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	32,914,632	4.541%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	28,382,517	3.916%
JAMPLAT PTY LTD	24,700,000	3.408%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	17,275,715	2.384%
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	15,326,261	2.115%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,684,399	1.888%
PALM BEACH NOMINEES PTY LIMITED	10,905,879	1.505%
UBS NOMINEES PTY LTD	7,000,010	0.966%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	6,908,892	0.953%
LUTON PTY LTD	6,468,330	0.892%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	5,690,229	0.785%
NORFOLK ENCHANTS PTY LTD <TROJAN RETIREMENT FUND A/C>	5,000,000	0.690%
JR FINANCE PTY LTD	4,255,300	0.587%
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	3,827,706	0.528%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	3,380,344	0.466%
JAMEJAN PTY LTD <JAMEJAN FAMILY A/C>	3,153,846	0.435%
SUMMERVIEW MANAGEMENT PTY LTD <R W PSF A/C>	3,000,000	0.414%
Total Securities of Top 20 Holdings	**518,961,696**	**71.605%**

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 32
1 O'Connell Street
Sydney NSW 2000

Telephone	Facsimile
1300 454 801	1300 883 159

Email
URFInvestorRelations@usmrpf.com
Website: www.usmastersresidential.com.au

Auditor
Deloitte Touche Tohmatsu
Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000

Telephone	Facsimile
(02) 9322 7000	(02) 9322 7001

Website: www.deloitte.com.au

Responsible Entity
E&P Investments Limited
(ACN 152 367 649) (AFSL 410 433)
Level 32
1 O'Connell Street
Sydney NSW 2000

Telephone	Facsimile
1300 454 801	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	Facsimile
(02) 9290 9600	(02) 9279 0664

Website: www.boardroomlimited.com.au