



## **US Residential Fund**

**Annual Financial Report for the Year Ended 31 December 2018**

**US RESIDENTIAL FUND  
CHAIRMAN'S LETTER**

Dear Shareholders,

I am pleased to provide the following Chairman's Letter for US Residential Fund ("USR" or the "Fund"). Following completion of a strategic review, the USR Board made the decision to continue the sell down of the single family home portfolio and to sell the Patriot's Pointe apartment complex to thus divest its current investments in US residential housing and seek alternative investment opportunities.

Negotiations to acquire a lender to the Australian SME private debt corporate loan market and re-align the focus of the Fund as a lender to a diversified portfolio of private debt corporate loans were terminated as structural issues in relation to the acquisition could not be overcome. With no other suitable alternative investment opportunity available, the Board has decided to commence a winding up of the Fund, and it is expected that the Fund will be wound up by 30 June 2019.

On behalf of the Board I thank you for your support since we listed in February 2015.

**Yours sincerely,**



**James Hickman  
Chairman  
US Residential Fund**

## US RESIDENTIAL FUND CORPORATE GOVERNANCE STATEMENT

### US Residential Fund Corporate Governance Arrangements

The objective of the Board of US Residential Fund (USR, the Fund or the Group) has been to create and deliver long-term shareholder value through investment in the US residential property market. The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

The Corporations Act, Listing Rules, ASX Guidelines, Constitutions, Stapling Deed and general law regulate the operations of the Fund. The Directors of the US Residential Limited (Company) and USA Residential Funds Management Limited (Responsible Entity) have entered into a Stapling Deed. This facilitates common processes and governance for the Company and US Residential Trust (Trust) relating to the Fund and govern the relationship between the entities.

The Directors monitor the business affairs of the Fund on behalf of Investors and have formally adopted a corporate governance framework and systems of control and accountability that are underpinned by the ASX Guidelines which are designed to focus the Directors' attention on accountability, risk management, ethical conduct and conflicts of interest.

The Company, together with the Responsible Entity for the Trust, share responsibility for the operation of the Fund, including the determination of its strategic direction. The day-to-day asset management and administration activities of the Fund are carried out by the Company.

Both the Responsible Entity and the Company retain the responsibility for performance and compliance of the Fund, in addition to their own respective corporate governance and compliance obligations under the Corporations Act and the ASX Listing Rules.

US Residential Fund and its subsidiaries operate as a single economic entity, thus the Board's corporate governance arrangements apply to all entities within the economic group.

US Residential Fund is listed on the Australian Securities Exchange (ASX). The Board considers that the Fund seeks to comply, where appropriate, with the recommendations of the ASX Corporate Governance Council (including the 2014 amendments) as well as current standards of best practice. Where the Fund does not comply, this is primarily due to the current size, scale and nature of operations. The Fund chose to adopt selected recommendations throughout the financial year ended 31 December 2018 as detailed in the Fund's corporate governance statement, which can be found on the Fund's website [www.usresi.com/investor-relations/governance](http://www.usresi.com/investor-relations/governance).

### Board Composition

Both the Company and the Responsible Entity have separate boards, however in practice they operate as a single board – collectively referred to as “the Board” in this Corporate Governance Statement.

The directors of the Company and the Responsible Entity at the date of this report are:

- James Hickman (non-independent, non-executive) (Chair)
- Andrew Meakin (non-independent, executive) (Managing Director)
- Alexander (Sandy) Beard (non-independent, non-executive)

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

For a director to be considered independent, they must meet all the following materiality thresholds:

- not hold, either directly or indirectly through a related person or entity, more than 10% of the Fund's outstanding stapled securities;
- not benefit, either directly or through a related person or entity, from any sales to or purchases from the Fund or any of its related entities;

## US RESIDENTIAL FUND

### CORPORATE GOVERNANCE STATEMENT

- derive no income, either directly or indirectly through a related person or entity, from a contract with the Fund or any of its related entities; and
- in the case of directors of the Responsible Entity, qualify as an “external director”, as defined in sub-section 601JA(2) of the Corporations Act.

A complete listing of the Board's directors for the year ended 31 December 2018, along with their biographical details, is provided in the directors' report.

The Board considers that the current board composition reflects an appropriate balance between executive and non-executive directors that promotes both the generation of shareholder value and effective governance.

The Board also considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. Notwithstanding the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number of ways, including training and the employment of specialist staff. Details of the skills, expertise and experience of each director are provided in the directors' report.

The Board is supported by a Company Secretary who is responsible for Board meeting administration, as well as advising the Board on governance and policy matters. The Company Secretary is accountable to the Board and can only be appointed or removed by the Board.

#### **Board Roles and Responsibilities**

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the company's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the Fund's performance.

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures. The Board also has the duties of a responsible entity prescribed in section 601FC of the Corporations Act, including the obligations under Part 7.6 of the Act.

The Chair is responsible for ensuring individual directors, the Board as a whole and KMP comply with both the letter and spirit of the Board's governance arrangements.

Independent directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as directors at the Fund's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the Fund. Currently there are no independent directors on the Board.

#### **Ethical Standards**

The Board is committed to its core governance values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers. The Directors have adopted a code of conduct applying to all Company and Responsible Entity officers and employees, which sets out the standards of behaviour that the directors expect from all officers and employees in conducting the Fund's business. The code of conduct is underpinned by the following values:

- actions must be governed by the highest standards of fairness and personal integrity;
- decisions must be made in accordance with the spirit of the law and the Fund's policies; and
- the Fund's business must be conducted honestly, ethically and with the director's best skills and judgement, for the benefit of Investors, employees and the Fund.

Directors are obliged to be independent in judgement and take all reasonable steps to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

## US RESIDENTIAL FUND

### CORPORATE GOVERNANCE STATEMENT

#### **Diversity Policy**

The Board recognises the ASX Recommendations in respect of diversity. The Board considers the current composition to be acceptable. The Directors will continually assess the appropriate size, skills, balance and diversity of the Board.

#### **Compliance Plan**

The Board has adopted and lodged with ASIC a compliance plan complying with Part 5C.4 of the Corporations Act and ASIC Regulatory Guide 132. The compliance plan details the measures the Board applies to ensure compliance with the Corporations Act and the constitution of the Trust. Implementation of these measures is subject to external audit annually and the auditor's report is lodged with ASIC. The compliance plan is reviewed for effectiveness annually. The compliance plan is available from ASIC and can be found on the Fund's website at [www.usresi.com](http://www.usresi.com).

#### **Security Ownership and Security Trading Policy**

The Directors have adopted a Stapled Security Trading Policy that regulates dealings in Stapled Securities and Options by Directors and key employees involved in the management of the Fund. The purpose of the Policy is principally to ensure that all Directors and key employees understand the law in relation to 'insider trading' (under the Corporations Act), and the legal and Fund imposed restrictions on trading in Stapled Securities and Options while in possession of price-sensitive information.

Details of directors' individual security holdings in US Residential Fund are provided in the Remuneration Report.

#### **Board Committees**

The Board Charter sets out the roles, responsibilities, structure and processes of the board, and allows the Company and Responsible Entity Directors to delegate powers and functions to committees established by the Directors. The Directors however retain the ultimate oversight and decision-making power in respect of such delegated matters. The Directors have established the following committees; a Nomination and Remuneration Committee and an Audit and Risk Committee, details of which are set out below. The role, responsibilities and operating procedures of these committees are set out in their respective charters. The committee charters have been prepared having regard to the ASX Guidelines. As the entities have less than 10 employees and directors collectively, the Directors have agreed that except for the Audit and Risk Committee, the Directors will form the other committees.

Charters of the board committees can be found on the Fund's website at [www.usresi.com](http://www.usresi.com).

#### **Audit and Risk Committee**

The Directors have established an Audit and Risk Committee to assist the Fund in overseeing the integrity of the Fund's financial reporting, internal financial controls, financial procedures and policies and the independence of external auditors. Prior to authorisation of financial statements the Audit and Risk Committee will obtain declarations from both the Managing Director and Chief Financial Officer regarding preparation of the financial statements.

The Audit and Risk Committee will report to the Directors on all matters relevant to the Audit and Risk Committee's role and responsibilities and ensure the Directors are aware of matters which may significantly impact the financial condition or affairs of the Fund.

The key roles and responsibilities of the Audit and Risk Committee include reviewing:

- the financial reporting processes;
- the system of risk management and internal controls; and
- the internal and external audit process.

The members of the Audit and Risk Committee must be non-executive directors, with a majority being independent directors. The chairperson will be an independent director appointed by the Directors. The Audit and Risk Committee will meet with external auditors where appropriate from time to time to review the existing external audit arrangements and the scope of the audit. Due to the size and

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### CORPORATE GOVERNANCE STATEMENT

composition of the Board there are currently no independent directors on the Audit and Risk Committee.

The Audit and Risk Committee comprises James Hickman and Alexander Beard, chaired by James Hickman. Refer to the Directors' Report for Audit and Risk Committee meeting details and attendances.

#### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee:

- reviews skills and capabilities of candidates for the Board positions against the needs of the Fund and recommends the Director nominees for each annual general meeting of the Company and the Responsible Entity;
- ensures that committees established by the Directors, such as the Audit and Risk Committee, are comprised of qualified and experienced independent directors;
- establishes, amends, reviews and approves the compensation and benefit plans for senior management and employees including determining individual elements of total compensation of the Managing Director and other members of senior management; and
- is responsible for reviewing the performance of executive officers with respect to these elements of compensation.

The Nomination and Remuneration Committee comprises all the Directors, chaired by James Hickman. Refer to the Directors' Report for Nomination and Remuneration Committee meeting details and attendances.

#### **Performance Evaluation**

The Board assesses its performance, the performance of individual directors and the performance of its committees at intervals considered appropriate.

#### **Stapled Security Holder Rights and Investor Relations**

The Fund promotes effective communication with stapled security holders and has developed a Continuous Disclosure Policy to ensure compliance with continuous disclosure obligations under the *Corporations Act* and the *Listing Rules* and to also ensure stapled security holders are informed of all major developments affecting the Fund's performance, activities and state of affairs. Information is communicated to stapled security holders through ASX announcements, media releases and the distribution of financial reports. The Fund's Continuous Disclosure Policy can be found on the Fund's website at [www.usresi.com](http://www.usresi.com).

Stapled security holders are entitled to vote on significant matters affecting the business, which include the election and remuneration of directors, changes to the constitution, and receipt of annual and interim financial statements. The Board actively encourages stapled security holders to attend and participate in the AGM of US Residential Fund, to lodge questions for the Board and/or the Managing Director, and to appoint proxies.

The Board has established an internal complaints handling process that complies with AS ISO 1002-2006 and ASIC Regulatory Guide 165. The Responsible Entity is a member of the Credit and Investments Ombudsman (CIO) and investor complaints which are not resolved by the internal process can be referred by an investor, free of charge, to the CIO for independent consideration.

#### **Risk Management**

The Fund does not have a risk committee nor an internal audit function as the Directors consider the Fund and its operations too small to warrant a separate risk committee or an internal audit function at this time.

The Board is entrusted with the identification and management of key risks associated with the business that are vital to creating and delivering long-term shareholder value. The Board also monitors and appraises the financial performance of the Fund via the review and approval of annual and half-yearly financial statements and liaising with the Fund's auditors.

## US RESIDENTIAL FUND

### CORPORATE GOVERNANCE STATEMENT

The Board has adopted a risk management strategy complying with AS/NZS 4360:2004, which describes the main risks faced by the Fund, the strategy for integrating risk management into the business and a description of the process for review of risks and risk management.

#### **Remuneration Policy**

Mr Meakin is paid at a rate of \$920 per day for work performed on USR matters plus an executive director's fee of \$30,000 per annum.

The Company Constitution specifies that the amount of the remuneration of the Directors is a yearly sum not exceeding the sum from time to time determined by the Company in a general meeting. Under the Listing Rules, the total amount paid to all Company Directors for their services must not exceed in aggregate in any Financial Year the amount fixed by the Company's general meeting. This amount has been fixed by the Company at \$300,000.

Non-executive Directors are currently entitled to fee of \$30,000 per annum.

Each Director may also be reimbursed for expenses reasonably incurred in attending to Fund affairs as well as the cost of training and development relevant to the Director's role or required for the completion of the Director's role.

Each agreement contains termination provisions pursuant to which the Fund must give six months' notice of termination (or shorter in certain circumstances, including the event of serious or persistent misconduct, material breach, a serious criminal offence or bankruptcy). Each director must provide six months' notice of termination. The Fund may make payment in lieu of service during any termination period.

#### **Other Information**

Further information relating to the Fund's corporate governance practices and policies has been made publicly available on the Fund's website at [www.usresi.com](http://www.usresi.com).

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**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 December 2018**  
**DIRECTORS' REPORT**

The Directors of US Residential Limited (ACN 169 548 369) (Company) and its controlled entity (USA Residential Funds Management Limited) present their report together with the report of US Residential Trust (ARSN 601 461 956) (Trust) which together forms the stapled entity called US Residential Fund (Group or Fund) for the year ended 31 December 2018.

US Residential Limited consolidates its interest in USA Residential Funds Management Limited. Accordingly, the assets, liabilities and results of these entities are consolidated in these financial statements. In addition, the financial statements for the US Residential Trust have been presented in this financial report, as permitted by ASIC Corporations (Stapled Group Report) Instrument 2015/878.

**Directors**

The names of the directors in office at any time during, or since the end of, the year are:

*US Residential Ltd:*

James Hickman (Chair)  
Alexander Beard

Andrew Meakin

*USA Residential Funds Management Limited as Responsible Entity of the US Residential Trust*

James Hickman (Chair)  
Alexander Beard

Andrew Meakin

Directors have been in office since the start of the year to the date of this report unless otherwise stated.

**Principal Activities**

To date the principal activities of the Group are investing in the US residential property market, however, as noted in Events Subsequent to the End of the Reporting Period below, the Board has decided to wind up the Fund.

**Review of Operations**

During the year USR continued the sell down of assets in line with previously announced intentions to divest its current investments in US residential housing and seek alternative investment opportunities. During the year the Patriot's Pointe apartment complex was sold and nine of the Group's single family homes in Cleveland, Ohio were sold. As a result the Group's assets as at 31 December 2018 comprised the 14 single family homes remaining to be sold and cash reserves.

The consolidated after-tax loss of the Group for the period amounted to \$2,429,000 (2017: \$123,000 profit). During the period the Patriot's Pointe apartment complex was sold for US\$25 million, however a net loss on sale of \$1,297,000 was recorded reflecting selling costs and prepayment penalty associated with early repayment of loan associated with Patriot's Pointe property. The reduction in rental income of \$1,025,000 was due to the sell-down of a large part of the single family home portfolio over the past two years.

Total comprehensive loss of the Group for the year ended 31 December 2018 was \$1,439,000 (2017: \$1,004,000). The Fund has brought to account \$379,000 in operating costs and wind up expenses to be incurred in 2019 winding up the Fund. Property expenses for the period were reduced from \$1,047,000 in 2017 to \$252,000 in 2017 due to a reduction in the single family home portfolio over the past two years. Other major variances to the prior period were: an income tax expense of \$200,000 (2017: \$149,000), and unrealised foreign exchange gain of \$990,000



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### DIRECTOR'S REPORT

(2017: \$1,127,000 loss), reflecting the depreciation of the Australian dollar against the US dollar during the period (US\$0.706 / A\$1.000 as at 31 December 2018 versus US\$0.780 / A\$1.000 as at 31 December 2017).

During the period the Group undertook a stapled security buyback, buying back 3,555,507 stapled securities for \$1,068,000 and the non-controlling interest in the Group ended following the sale of Patriot's Pointe.

As at 31 December 2018 the net tangible asset value (NTA) of the Group was \$0.340 per ordinary stapled security (2017: \$0.372).

#### **Significant Changes in the State of Affairs**

As noted in Events Subsequent to the End of the Reporting Period below, the Board has made a decision to wind up the Fund.

#### **Events Subsequent to the End of the Reporting Period**

On 1 April 2019 the Fund announced a return of capital of 15 cents per stapled security to return a total of \$4.8 million to stapled security holders. The return of capital was paid on 12 April 2019.

On 17 April 2019 the Board announced that following an unsuccessful attempt to acquire a lender to the Australian SME private debt corporate loan market and thus re-align the focus of the Fund as a lender to a diversified portfolio of private debt corporate loans, it would commence proceedings to wind up the Fund. .

No other matters or circumstances have arisen since the end of the year that significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

#### **Likely Developments and Expected Results of Operations**

As noted in Events Subsequent to the End of the Reporting Period below, the Board has made a decision to wind up the Fund. The wind up of the Fund is expected to be completed by 30 June 2019.

#### **Distributions & Capital Returns**

During the period the Fund undertook a buyback of stapled securities, buying back 3,555,507 stapled securities for \$1,065,466.

On 1 April 2019 the Fund announced a return of capital of 15 cents per stapled security to return a total of \$4.8 million to stapled security holders. The return of capital was paid on 12 April 2019.

#### **Environmental Regulation**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

#### **Options**

There are no options on issue as at the date of this report. No stapled securities were issued during the year as a result of the exercise of an option over unissued stapled securities or interests.

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### DIRECTOR'S REPORT

#### Indemnification of Officers

US Residential Limited has paid premiums to insure directors under a Directors and Officers Insurance policy. The details of the indemnity insurance are as follows:

- The company has entered into an insurance policy to indemnify each director, to an amount of \$10,000,000, against any liability arising from a claim brought against the company and the directors by a third party for the supply of substandard services or advice. The agreement provides for the insurer to pay all damages and costs which may be brought against the directors.
- The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

USA Residential Funds Management Limited has paid premiums to insure directors under a Directors and Officers Insurance policy. The details of the indemnity insurance are as follows:

- The company has entered into an insurance policy to indemnify each director, to an amount of \$2,500,000, against any liability arising from a claim brought against the company and the directors by a third party for the supply of substandard services or advice. The agreement provides for the insurer to pay all damages and costs which may be brought against the directors.
- The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

Further disclosure of information relating to this policy is not permitted under the contract of insurance.

No indemnification has been obtained for the auditors of the company or the Group.

#### Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

#### Information on Directors

##### **James Hickman**, MS (Accounting), BS (Mathematics)

James is the founder, chairman, and CEO of Agricultural Land Corporation, which owns and operates 5,000 acres of agricultural real estate in central Chile with a focus on producing blueberries and walnuts. James is also the founder and CEO of Strategic Bank International, a boutique private bank based in San Juan, Puerto Rico. James is a former US Army officer and graduate of the United States Military Academy at West Point.

## US RESIDENTIAL FUND DIRECTOR'S REPORT

**Andrew Meakin**, BA (Econ/IR), MMgt (Marketing), MBA, ADFS (FP), FAPI

Andrew has over 20 years' experience in retail and wholesale funds management; and private banking, including advisory, stockbroking and financial planning. Prior to his finance career, Andrew held a number of positions in the manufacturing and construction industries. Andrew has held positions as Chief Executive Officer plus senior distribution and investment roles for a number of financial service providers.

He was a non-executive director of Landmark White Limited, Australia's largest independent property valuation firm. Most recently Andrew was part of the board that arranged the sale of Orchard Funds Limited to Morgan Stanley Real Estate. Andrew was involved in the acquisition of apartment assets in the United States and the establishment of financing and property management relationships with Riverstone Residential

Andrew holds a BA in Economics and Industrial Relations, Master of Management, Masters of Business Administration and an Advanced Diploma of Financial Services. Andrew is a Fellow of the Australian Property Institute.

**Alexander (Sandy) Beard**, B.Com

Sandy is the Chief Executive Officer and Director of CVC Limited (ASX: CVC), a diversified investment company with a market capitalisation of \$3000 million. CVC is a substantial shareholder in US Residential Fund (22.2%).

Sandy has extensive experience serving on Boards of ASX Listed companies, including roles as Chairman. He has played important roles in delivering and realising value to shareholders over the past 20 years across a broad spectrum of industries and stages of company growth, with particular success and experience in property backed investments.

Sandy is currently also a director of Eildon Capital Limited (ASX:EDC), an ASX listed mezzanine property finance company

### Directors' Meetings

During the period meetings of directors (including committees of directors) were held as noted below. Attendances by each director during the year were as follows:

Director	Directors' Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
<b>US Residential Limited</b>						
James Hickman (Chair)	14	14	1	1	1	1
Andrew Meakin	14	14	-	-	1	1
Alexander Beard	14	14	1	1	1	1
<b>USA Residential Funds Management Limited</b>						
James Hickman (Chair)	14	14	1	1	1	1
Andrew Meakin	14	14	-	-	1	1
Alexander Beard	14	14	1	1	1	1

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### DIRECTOR'S REPORT

#### **Company Secretary**

The following person held the position of company secretary at the end of the year:

**Shaun Stone** *B Bus, ACA, MBA*

Shaun is an Australian Chartered Accountant and is currently the Fund's Chief Financial Officer. Previous roles include Chief Financial Officer at Nimble Asset Management and Lifeview Residential Care, Senior Manager Corporate Finance, Tolhurst Ltd, Senior Manager, Operational Risk NAB London, UK and Manager, Financial Services Consulting, KPMG USA.

Shaun holds a Masters of Business Administration, International Business, McDonough School of Business, Georgetown University, Washington DC, USA and a Bachelor of Business Studies, Accounting, Bendigo College of Advanced Education, Australia.

#### **Rounding of Amounts**

The Group is of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, and in accordance with that Instrument amounts, in the consolidated financial report and directors' report are rounded off to the nearest thousand dollars, unless otherwise indicated.

## US RESIDENTIAL FUND

### DIRECTOR'S REPORT

#### REMUNERATION REPORT

##### Remuneration Policy

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel (KMP) (prior to the decision to wind up the Fund) is as follows

- The remuneration policy is to be developed by the Nomination and Remuneration Committee and approved by the Board.
- All KMP are paid at a rate which is based on factors such as length of service and experience.
- The Nomination and Remuneration Committee reviews KMP packages annually by reference to the consolidated Fund's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed biannually with each executive and is based predominantly on the performance of the Group and growth in shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder value.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

All remuneration paid to KMP is valued at the cost to the Fund and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting

##### Employment Details of Members of Key Management Personnel

Mr Meakin is employed as the Fund's Managing Director at a rate of \$920 per day for work performed on USR matters. Mr Meakin is also paid an executive director's fee of \$30,000 per annum. There were no performance incentives paid in 2018.

The Fund has entered into an executive service agreement with Mr Shaun Stone to govern his employment as Chief Financial Officer of the Fund. Mr Stone was employed on full time basis up to 19 October 2018 at a rate of \$150,000 per annum, plus statutory superannuation entitlements. From 20 October 2018 Mr Stone has been paid at a rate of \$60,000 per annum, plus statutory superannuation entitlements. There were no performance incentives paid in 2018.

Non-executive Directors are currently entitled to fee of \$30,000 per annum.

##### Securities Received that are not Performance Based

No members of KPM are entitled to receive securities that are not performance based as part of their remuneration package.

## US RESIDENTIAL FUND DIRECTOR'S REPORT

### Remuneration Expense Details for the Year Ended 31 December 2018

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP. Such amounts have been calculated in accordance with Australian Accounting Standards.

**Table of Benefits and Payments for the Year Ended 31 December 2018**

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments		Cash-settled Share-based Payments	Termination Benefits	Total
		Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other	Pension and Superannuation	Other	Incentive Plans	LSL	Stapled Securities	Options			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Group KMP</b>														
James Hickman <sup>(1)</sup>	2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-	-	-	-	-	-	-
Andrew Meakin	2018	60,351	-	-	-	-	-	-	-	-	-	-	-	60,351
	2017	184,906	-	-	-	-	-	-	-	-	-	-	-	184,906
Alexander Beard <sup>(1)</sup>	2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-	-	-	-	-	-	-
Shaun Stone	2018	132,308	-	-	-	12,569	-	-	-	-	-	-	-	144,877
	2017	150,000	-	-	-	14,250	-	-	-	-	-	-	-	164,250
James Hyndes	2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017	28,177	-	-	-	-	-	-	-	-	-	-	-	28,177
Ken Lawrence	2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017	25,416	-	-	-	-	-	-	-	-	-	-	-	25,417
Tim Staermose	2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017	31,027	-	-	-	-	-	-	-	-	-	-	-	31,027
<b>Total KMP</b>														
	2018	192,659	-	-	-	12,569	-	-	-	-	-	-	-	205,228
	2017	430,777	-	-	-	14,250	-	-	-	-	-	-	-	445,027

<sup>(1)</sup> James Hickman and Alexander Beard have both elected to waive their director fee for their services for the years ended 31 December 2017 and 31 December 2018.

### KMP Shareholdings

The number of ordinary stapled securities in US Residential Fund held by each KMP during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
James Hickman	6,947,209	-	-	202,778	7,149,987
Andrew Meakin	71,586	-	-	-	71,586
Alexander Beard	-	-	-	-	-
Shaun Stone	2,393	-	-	-	2,393
	7,021,188	-	-	202,778	7,223,966

### Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options and stapled security holdings.

### Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Fund and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.


End of audited Remuneration Report.


## US RESIDENTIAL FUND DIRECTOR'S REPORT

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 16.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:

Director .....  
James Hickman, Chairman - US Residential Limited

Director .....  
James Hickman, Chairman - USA Residential Funds Management Limited

Dated this 24<sup>th</sup> day of April 2019

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of US Residential Limited and USA Residential Funds Management Limited**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

*ShineWing Australia*

**ShineWing Australia**  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 24 April 2019



# US RESIDENTIAL FUND

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Trust	
	Note	31 December 2018	31 December 2017	31 December 2018	31 December 2017
		\$000	\$000	\$000	\$000
<b>Revenue</b>					
Rent from investment properties		256	1,281	256	1,281
Share of net profits of associates	10	430	3,603	430	3,599
Management fees		-	85	126	55
Interest income		12	8	10	5
Fair value gain on contingent consideration	11	250	-	-	-
Other income		56	16	38	12
<b>Total revenue and other income</b>		<b>1,004</b>	<b>4,993</b>	<b>860</b>	<b>4,952</b>
<b>Expenses</b>					
Fair value loss on investment properties	2	475	1,005	475	1,005
Loss on disposal of non-current assets held for sale	9	1,360	-	1,703	-
Property expenses and outgoings		252	1,047	252	1,047
Management costs		186	594	677	952
Administration costs		201	312	186	147
Finance costs		5	828	23	870
Other expenses		504	185	187	44
Impairment of goodwill	11	250	750	-	750
		<b>3,233</b>	<b>4,721</b>	<b>3,503</b>	<b>4,815</b>
<b>(Loss) / Profit before income tax</b>	2	<b>(2,229)</b>	<b>272</b>	<b>(2,643)</b>	<b>137</b>
Income tax expense / (benefit)	3	200	149	(64)	66
<b>(Loss) / Profit for the period</b>		<b>(2,429)</b>	<b>123</b>	<b>(2,579)</b>	<b>71</b>
<b>Other comprehensive income / (loss)</b>					
Net foreign exchange translation adjustments		990	(1,127)	998	(1,135)
<b>Total other comprehensive income / (loss)</b>		<b>990</b>	<b>(1,127)</b>	<b>998</b>	<b>(1,135)</b>
<b>Total comprehensive (loss) / income for the period</b>		<b>(1,439)</b>	<b>(1,004)</b>	<b>(1,581)</b>	<b>(1,064)</b>
<b>Net (loss) / profit attributable to:</b>					
Attributable to the owners of USR		(2,380)	(173)	(2,530)	(225)
Attributable to non controlling interest		(49)	296	(49)	296
		<b>(2,429)</b>	<b>123</b>	<b>(2,579)</b>	<b>71</b>
<b>Total comprehensive (loss) / income attributable to:</b>					
Attributable to the owners of USR		(1,575)	(1,238)	(1,717)	(1,298)
Attributable to non controlling interest		136	234	136	234
		<b>(1,439)</b>	<b>(1,004)</b>	<b>(1,581)</b>	<b>(1,064)</b>
<b>Earnings per stapled security</b>	6				
Basic (losses) / earnings per stapled security (cents)		(6.94)	0.36	(7.37)	0.21
Diluted (losses) / earnings per stapled security (cents)		(6.94)	0.36	(7.37)	0.21
<b>Earnings per stapled security excluding NCI</b>	6				
Basic losses per stapled security (cents)		(6.80)	(0.50)	(7.23)	(0.65)
Diluted losses per stapled security (cents)		(6.80)	(0.50)	(7.23)	(0.65)

The accompanying notes form part of these financial statements.

## US RESIDENTIAL FUND

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Group		Trust	
	Note	31 December 2018	31 December 2017	31 December 2018	31 December 2017
		\$000	\$000	\$000	\$000
<b>Current Assets</b>					
Cash and cash equivalents	7	11,016	610	10,835	452
Trade and other receivables	8	79	260	68	202
Prepayments		14	13	1	-
Non-current assets held for sale	9	833	2,053	833	2,053
<b>Total Current Assets</b>		<b>11,942</b>	<b>2,936</b>	<b>11,737</b>	<b>2,707</b>
<b>Non Current Assets</b>					
Investments accounted for using the equity method	10	-	12,019	-	12,004
Intangible assets	11	-	250	-	-
Deferred tax assets	15	-	488	-	251
<b>Total Non Current Assets</b>		<b>-</b>	<b>12,757</b>	<b>-</b>	<b>12,255</b>
<b>Total Assets</b>		<b>11,942</b>	<b>15,693</b>	<b>11,737</b>	<b>14,962</b>
<b>Current Liabilities</b>					
Trade and other payables	13	561	670	282	314
Income Tax Payable	3	491	-	469	-
Borrowings	14	-	-	1,729	1,228
<b>Total Current Liabilities</b>		<b>1,052</b>	<b>670</b>	<b>2,480</b>	<b>1,542</b>
<b>Non Current Liabilities</b>					
Deferred tax liability	15	-	804	-	798
<b>Total Non Current Liabilities</b>		<b>-</b>	<b>804</b>	<b>-</b>	<b>798</b>
<b>Total Liabilities</b>		<b>1,052</b>	<b>1,474</b>	<b>2,480</b>	<b>2,340</b>
<b>Net Assets</b>		<b>10,890</b>	<b>14,219</b>	<b>9,257</b>	<b>12,622</b>
<b>Equity</b>					
Contributed equity	10	15,576	16,644	13,423	14,385
Reserves		814	(114)	800	(136)
Accumulated losses		(5,500)	(3,367)	(4,966)	(2,683)
<b>Total Equity (parent entity interest)</b>		<b>10,890</b>	<b>13,163</b>	<b>9,257</b>	<b>11,566</b>
Non controlling interest in controlled entities		-	1,056	-	1,056
<b>Total Equity</b>		<b>10,890</b>	<b>14,219</b>	<b>9,257</b>	<b>12,622</b>

The accompanying notes form part of these financial statements.

## US RESIDENTIAL FUND

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

Group	Note	Contributed Equity \$000	Reserves \$000	Accumulated Losses \$000	Total \$000	Non controlling interest in controlled entities \$000	Total Equity \$000
<b>Balance at 1 January 2018</b>		<b>16,644</b>	<b>(114)</b>	<b>(3,367)</b>	<b>13,163</b>	<b>1,056</b>	<b>14,219</b>
Buyback of stapled securities	16	(1,068)	-	-	(1,068)	-	(1,068)
Loss for the period		-	-	(2,380)	(2,380)	(49)	(2,429)
Other comprehensive income for the period		-	805	-	805	185	990
Return of NCI capital		-	123	247	370	(1,192)	(822)
<b>Balance at 31 December 2018</b>		<b>15,576</b>	<b>814</b>	<b>(5,500)</b>	<b>10,890</b>	<b>-</b>	<b>10,890</b>
<b>Balance at 1 January 2017</b>		<b>14,684</b>	<b>951</b>	<b>(2,483)</b>	<b>13,152</b>	<b>-</b>	<b>13,152</b>
Issued capital for the period		7,995	-	-	7,995	822	8,817
Capital raising costs for the period		(702)	-	-	(702)	-	(702)
(Loss) / Profit for the period		-	-	(173)	(173)	296	123
Other comprehensive loss for the period		-	(1,065)	-	(1,065)	(62)	(1,127)
Return of capital during the period	4, 16	(5,333)	-	-	(5,333)	-	(5,333)
Distributions for the period	4	-	-	(711)	(711)	-	(711)
<b>Balance at 31 December 2017</b>		<b>16,644</b>	<b>(114)</b>	<b>(3,367)</b>	<b>13,163</b>	<b>1,056</b>	<b>14,219</b>

Trust		Contributed Equity \$000	Reserves \$000	Accumulated Losses \$000	Total \$000	Non controlling interest in controlled entities \$000	Total Equity \$000
<b>Balance at 1 January 2018</b>		<b>14,385</b>	<b>(136)</b>	<b>(2,683)</b>	<b>11,566</b>	<b>1,056</b>	<b>12,622</b>
Buyback of units		(962)	-	-	(962)	-	(962)
Loss for the period		-	-	(2,530)	(2,530)	(49)	(2,579)
Other comprehensive income for the period		-	813	-	813	185	998
Return of NCI capital		-	123	247	370	(1,192)	(822)
<b>Balance at 31 December 2018</b>		<b>13,423</b>	<b>800</b>	<b>(4,966)</b>	<b>9,257</b>	<b>-</b>	<b>9,257</b>
<b>Balance at 1 January 2017</b>		<b>13,225</b>	<b>937</b>	<b>(1,747)</b>	<b>12,415</b>	<b>-</b>	<b>12,415</b>
Issued capital for the period		7,195	-	-	7,195	822	8,017
Capital raising costs for the period		(702)	-	-	(702)	-	(702)
(Loss) / Profit for the period		-	-	(225)	(225)	296	71
Other comprehensive loss for the period		-	(1,073)	-	(1,073)	(62)	(1,135)
Return of capital during the period	4	(5,333)	-	-	(5,333)	-	(5,333)
Distributions for the period	4	-	-	(711)	(711)	-	(711)
<b>Balance at 31 December 2017</b>		<b>14,385</b>	<b>(136)</b>	<b>(2,683)</b>	<b>11,566</b>	<b>1,056</b>	<b>12,622</b>

The accompanying notes form part of these financial statements.

**US RESIDENTIAL FUND**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**

**31 DECEMBER 2018**

Note	Group		Trust	
	31 December 2018 \$000	31 December 2017 \$000	31 December 2018 \$000	31 December 2017 \$000
<b>Cash flows from operating activities</b>				
Receipts from customers	493	1,531	553	1,470
Payments to suppliers	(1,002)	(2,532)	(1,202)	(1,995)
Finance costs	(5)	(636)	(23)	(677)
Interest received	12	8	-	-
Income tax paid	(41)	(1)	(41)	-
<b>Net cash used in operating activities</b>	<b>17</b>	<b>(543)</b>	<b>(713)</b>	<b>(1,202)</b>
<b>Cash flows from investing activities</b>				
Proceeds on sale of investment properties	-	12,359	-	12,359
Equity investments	-	(9,070)	-	(9,059)
Proceeds from sale of non-current assets	12,596	-	12,213	-
Distributions received	430	242	430	242
Payment for management rights	-	(750)	-	(750)
<b>Net cash provided by / (used in) investing activities</b>		<b>13,026</b>	<b>12,643</b>	<b>2,792</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital	-	2,431	-	1,631
Return of capital	(1,192)	(5,333)	(1,192)	(5,333)
Stapled securities buyback	(1,068)	-	(962)	-
Distributions paid	4	(711)	-	(711)
Proceeds from borrowings	-	650	501	1,087
Repayment of borrowings	-	(6,333)	-	(6,402)
<b>Net cash provided by financing activities</b>		<b>(2,260)</b>	<b>(1,653)</b>	<b>(9,728)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>10,223</b>	<b>10,277</b>	<b>(8,138)</b>
<b>Cash and cash equivalents at the start of the period</b>		<b>610</b>	<b>452</b>	<b>9,049</b>
<b>Effect of exchange rate fluctuations on cash held</b>		<b>183</b>	<b>106</b>	<b>(459)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>11,016</b>	<b>10,835</b>	<b>452</b>

The accompanying notes form part of these financial statements.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Whilst the measurement and recognition requirements of accounting standards have been complied with, the presentation of balances has been adjusted to reflect the expected liquidation of the Group and Trust. As such, all the assets and liabilities are recorded as current as they are expected to be realised within 12 months of the balance sheet date through a realisation and wind up process. The amounts presented in the financial statements have been rounded off to the nearest thousand dollars unless stated otherwise.

##### Stapled Securities

The shares of US Residential Ltd and Controlled entities (the "Company") and the units in US Residential Trust (the "Trust") are combined and issued as stapled securities in the US Residential Fund (the "Group"). The shares in the Company and the units of the Trust cannot be traded separately and can only be traded as stapled securities. The Group consists of US Residential Limited and its controlled entities and US Residential Trust and its controlled entities. On 7 July 2014, the units of the Trust and the shares of the Company were stapled (Stapled Securities).

US Residential Fund was established for the purpose of facilitating a joint quotation of the company and its controlled entities and the trust and its controlled entities on the Australian Securities Exchange. The constitutions of both the Company and the Trust ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Company shall be equal, and that unit holders and shareholders shall be identical.

The shares in the Company and the units of the Trust will remain stapled until the earlier of the date that the Company appoints an administrator for the purpose of being wound up, or the Trust is dissolved in accordance with the provisions of the Trust constitution.

##### Going Concern

The Directors of the Company and the Directors of the Responsible Entity of the Trust have prepared the financial report on a liquidation basis, which contemplates the wind up of the Fund by 30 June 2019. Under the liquidation basis of accounting, assets are written down to their net realisable value (where relevant) and liabilities are stated at their estimated settlement amounts. The net asset position of the Group and the Trust as at balance date were \$10,890,000 and \$9,257,000, respectively. Cash balances at balance date were \$11,016,000 and \$10,835,000 respectively. The Fund has brought to account \$379,000 in operating expenses and wind up costs expected to be incurred in 2019.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Accounting Policies

##### a Changes in Significant Accounting Policies

##### First time adoption of AASB 9: Financial Instruments – applicable from 1 January 2018

*AASB 9: Financial Instruments* replaces *AASB 139: Financial Instruments: Recognition and Measurement* for the annual period beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The company has applied AASB 9 retrospectively with an initial application date of 1 January 2018. The company has not restated the comparative information, which continues to be reported under AASB 139. Differences arising from the adoption of AASB 9 have been recognised directly in retained earnings and other components of equity.

The nature and effect of the changes as a result of adoption of AASB 9 are described as follows:

In summary, upon the adoption of AASB 9, the company had the following required or elected reclassifications as at 1 January 2018.

##### Changes in classification on transition to AASB 9

Financial instrument as at 31/12/17	AASB 139 measurement	AASB 9 classification	Carrying amount as at 31/12/17 under AASB 139 \$000		Carrying amount as at 1/1/18 under AASB 9 \$000	
			Group   Trust		Group   Trust	
<b>Trade and other receivables</b>	Loans and Receivable	Amortised cost	260	202	260	202
<b>Trade and other payables</b>	Amortised cost	Amortised cost	670	314	670	314
<b>Borrowings</b>	Amortised cost	Amortised cost	-	1,228	-	1,228

##### Impact on retained profits and changes in classification due to transition to AASB 9

Upon adoption of AASB 9 both the Group and Trust has found that there was no change in accounting and there has been no impact on the retained profits.

##### Impairment

Upon adoption of AASB 9 both the Group and Trust has found that fundamentally there was no change in accounting for impairment losses for the financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss approach.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Changes in Significant Accounting Policies (continued)

**First time adoption of AASB 15: Revenue from Contracts with Customers – applicable from 1 January 2018**

	Year Ended 31 December 2017					
	Under Previous		Effect of Change in		As	
	Accounting Policy		Accounting Policy		Presented	
	\$000		AASB 15		\$000	
	Group   Trust		Group   Trust		Group   Trust	
<b>Continuing operations</b>						
Other income streams	109	109	-	-	109	109
<b>Total revenue</b>	109	109	-	-	109	109

##### Impact on retained profits and changes in classification due to transition to AASB 15

Upon adoption of *AASB 15: Revenue from Contracts with Customers*, both the Group and Trust has found that there was no change in accounting and there has been no impact on the retained profits.

#### **b Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, US Residential Limited, and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 12.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Combined group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **c Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

##### **d Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the Group in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.



## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **d Income Tax (continued)**

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future years in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

##### **e Fair Value of Assets and Liabilities – applicable up to 31 December 2017**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **f Impairment – applicable up to 31 December 2017**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

##### **g Financial instruments – applicable from 1 January 2018**

###### *Financial Assets measured at Amortised Cost*

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- a) The asset is held within a business model with the objective of collective the contractual cash flows; and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

###### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

###### *Classification and initial measurement of financial assets*

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Financial instruments – applicable from 1 January 2018 (continued)**

###### *Subsequent measurement of financial assets*

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL) ;
- Debt instruments at fair value through other comprehensive income (FVTOCI); and
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

###### *Financial assets at amortised cost*

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

###### *Impairment of financial assets*

AASB 9's new forward looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

###### *Trade and other receivables and contract assets*

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. At 31 December 2018, the Group determined that there was no expected credit loss it's in current existing trade receivables.

#### **h Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### **i Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as short-term borrowings in current liabilities in the statement of financial position

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### j Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each activity as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### *Rental income*

Rental income from operating leases, where substantially all the risks and benefits remain with the lessor, are recognised on a straight-line basis over the term of the lease. Lease income includes gross rental revenue and recoverable outgoings. Any consideration deferred for more than one year is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax.

##### **Revenue from contracts with customers – applicable from 1 January 2018**

Revenue from contracts with customers is recognised so as to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the following five-step process:

1. identifying the contract with the customer;
2. identifying the performance obligations in the contract;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations in the contract; and
5. recognising revenue as and when the performance obligations are satisfied.

Variable consideration in contracts such as performance incentives, penalties and bonuses (including those which are contingent) are estimated using either the expected value method or most likely amount method, as appropriate to the circumstances and recognised as revenue at the each reporting period until the contracts are settled.

Any difference between the stand-alone selling prices of the promised goods or services and the promised consideration on the contract is treated as a discount and allocated proportionately to performance obligations on contracts.

All non-cash considerations are measured at their fair value.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **k Investment Property**

###### *Recognition and measurement*

Investment property, comprising US residential property, is held to generate long-term rental income. All tenant leases are on an arm's length basis. Investment property is initially measured at cost, including transaction costs and rehabilitation costs. Subsequent to initial recognition investment property is measured at fair value.

Fair value of investment properties is determined at the end of the first quarter in which the property becomes ready for rental and is based on an internal valuation performed by the Directors using Price to Rent ratios for geographical locations or Comparative Market Analysis (CMA) reports from independent brokers.

Changes to fair values of investment properties are recognised in profit or loss in the year in which they occur.

###### *Determination of fair value*

At each reporting period the fair values of investment properties are assessed based on comparable market data (Price to Rent ratios or CMAs) from independent brokers and supported by suitably qualified independent valuations on a proportion of the properties on a rotational basis.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as "held for sale" to fair value, less costs to sell. Any reversal of impairment recognised on classification as "held for sale," or prior to such classification, are recognised as a gain in profit or loss in the year in which it occurs.

##### **l Non-current Assets Held for Sale**

Non-current assets and disposal groups are classified as "held for sale" and measured at the lower of carrying amount and fair value, less costs to sell, where the carrying amount will be recovered principally through sale, as opposed to continued use. No depreciation or amortisation is charged against assets classified as "held for sale."

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

##### **m Interests in Joint Arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest in net assets are classified as a joint venture and accounted for using the equity method.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Interests in Joint Arrangements (continued)

###### *Equity Investments*

Equity investments are entities over which the Fund has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Equity investments are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Fund's share of net assets of the investment. In addition, the Fund's share of the profit or loss of the investment is included in the Fund's profit or loss.

##### **n Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1.

##### **o Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

##### **p Foreign Currency Translation Balances**

###### *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

###### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Foreign Currency Translation Balances (continued)

###### *Group companies*

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

##### **q Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from financing and investing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

##### **r Operating Segments**

The Group operates in the US residential property market. Given the single-industry focus of the operations, the Group operates as a single operating segment.

##### **s Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group

###### Key estimates

###### *(i) Impairment*

The Group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Critical Accounting Estimates and Judgments (continued)

###### (ii) *Fair value of Investment Properties*

In determining the fair value of investment properties, properties were valued using prices established in an arm's length contract negotiation.

###### (iii) *Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates, including the Fund's ability to utilise carried forward tax losses, take into account the expected financial performance and position of the Fund as they pertain to income taxation legislation, and the directors understanding thereof.

###### (iv) *Wind Up Costs*

In determining the estimated wind up costs, the Fund has estimated operating costs expected to be incurred from 1 January 2019 up to 30 June 2019, plus additional costs expected to be incurred to facilitate the wind up of the Fund.

##### Key judgements

###### (i) *Equity Accounting – Patriot's Pointe Partners LLC*

Management of Patriot's Pointe Partners LLC is subject to operational arrangements with persons not associated with the Fund. The Fund does not have the power to direct management of Patriots Pointe Partners LLC nor does it have the power to influence the amount of investor returns from Patriots Pointe Partners LLC. On the basis that the Fund does not meet all the criteria prescribed under AASB 10.7, the Fund is not considered to have control over Patriot's Pointe Partners LLC. Accordingly the investment in Patriot's Pointe Partners LLC is accounted for using Equity Accounting, up until the board made it available for sale.

#### t **Equity**

Ordinary stapled securities are classified as equity. Costs directly attributable to the issuance of new stapled securities are shown in equity as a deduction from the proceeds. Payments for return of capital are recorded as a reduction in equity.

#### u **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

##### *AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)*

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.



## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **New Accounting Standards for Application in Future Periods (continued)**

The main changes introduced by the new Standard include:

- Recognition of a right to use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- Depreciation of right to use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non lease components and instead account for all components as a lease; and
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with *AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application

The directors anticipate that the adoption of AASB 16 will not have an impact on both the Group and Trust's financial statements as there are currently no leases classified as operating.

*AASB 2018-7: Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures (applicable for annual reporting periods commencing on or after 1 January 2019).*

This Standard amends AASB 128 Investment in Associates and Joint Ventures to clarify that an entity is required to account for long-term interest in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

Given that neither the Group nor Trust have any investment in associates or joint ventures at 31 December 2018, the directors believe there to be no impact.

*AASB 2018-1: Amendments to Australian Accounting Standards – Annual Improvements 2015-2018 Cycle (applicable for annual reporting periods commencing on or after 1 January 2019).*

This Standard makes amendments to AASB 3 Business Combinations (August 2015), AASB 11 Joint Arrangements (July 2015), AASB 112 Income Taxes (August 2015) and AASB 123 Borrowing Costs (August 2015). These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRS Standards 2015–2018 Cycle by the International Accounting Standards Board (IASB) in December 2018.

Although the directors anticipate that the adoption of AASB 2018-1 may have an impact on the Group's financial statements, at this stage there has been no further assessment made.

##### **v Rounding of Amounts**

The consolidated group has applied the relief available to it in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly certain amounts in the Financial Report and the Directors' Report have been rounded off to the nearest \$1,000.

**US RESIDENTIAL FUND**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

**NOTE 2: (LOSS) / PROFIT BEFORE INCOME TAX**

	<b>Group</b>		<b>Trust</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Fair value loss on investment properties comprises:				
Unrealised loss on investment properties	412	785	412	785
Realised loss on investment properties	63	220	63	220
Total loss on investment properties	<u>475</u>	<u>1,005</u>	<u>475</u>	<u>1,005</u>
(Loss) / profit before income tax includes the following expenses:				
Wind up and liquidation costs	379	-	137	-
Property maintenance	117	412	117	412
Property tax	67	323	67	323
Property management fees	31	166	31	166
Insurance	52	122	1	73
Director fees	4	120	-	-
Legal fees	3	9	4	3

**NOTE 3: INCOME TAX (BENEFIT) / EXPENSE**

	<b>Group</b>		<b>Trust</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
a. The components of income tax payable comprise:				
- current tax expense / (income)	491	-	469	-
- deferred tax expense / (income) relating to the origination and reversal of temporary differences	(291)	149	(533)	66
<b>Income tax expense / (benefit)</b>	<u>200</u>	<u>149</u>	<u>(64)</u>	<u>66</u>
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax expense / (benefit) as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30%	(669)	82	(793)	41
Add / (less) tax effect of:				
- non-deductible expenses	(5)	225	(5)	225
- non-taxable income	-	(10)	-	(10)
- allowable capital expenditure	(11)	(103)	-	(96)
- unrealised foreign exchange gains	-	63	-	59
- tax rate differences	(104)	52	(89)	51
- change in tax rate	-	(344)	-	(344)
- derecognition of deferred taxes	488	-	251	-
- utilisation of tax benefits not previously brought to account	669	-	669	-
- other	(168)	184	(97)	140
<b>Income tax expense / (benefit)</b>	<u>200</u>	<u>149</u>	<u>(64)</u>	<u>66</u>

**NOTE 4: DISTRIBUTIONS & RETURN OF CAPITAL**

	<b>Group</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$000</b>	<b>\$000</b>
Interim distribution paid	-	711
Return of capital paid	-	5,333

**NOTE 5: AUDITORS' REMUNERATION**

	<b>Group</b>		<b>Trust</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Remuneration for professional services is as follows:				
Audit and review of the financial statements	84	80	74	-
Compliance plan audit	5	3	-	-
Taxation services	13	39	6	15
<b>Total auditors' remuneration</b>	<u>102</u>	<u>122</u>	<u>80</u>	<u>15</u>

# US RESIDENTIAL FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### NOTE 6: EARNINGS PER SHARE

	Group		Trust	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$000	\$000	\$000	\$000
a. Reconciliation of earnings per share:				
Total profit / (loss) for period	(2,429)	123	(2,579)	71
Earnings used to calculate basic EPS	(2,429)	123	(2,579)	71
Earnings used to calculate dilutive EPS	(2,429)	123	(2,579)	71
b. Weighted average number of stapled securities/shares/units outstanding during the period used in calculating basic EPS:	34,994,874	34,630,238	34,994,874	34,630,238
Weighted average number of stapled securities/shares/units outstanding during the period used in calculating dilutive EPS	34,994,874	34,630,238	34,994,874	34,630,238

### NOTE 7: CASH AND CASH EQUIVALENTS

	Group		Trust	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$000	\$000	\$000	\$000
Cash at bank and on hand	10,866	460	10,835	452
Short-term deposits	150	150	-	-
<b>Total Cash and Cash Equivalents</b>	<b>11,016</b>	<b>610</b>	<b>10,835</b>	<b>452</b>

### NOTE 8: TRADE AND OTHER RECEIVABLES

	Group		Trust	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$000	\$000	\$000	\$000
<b>Current</b>				
Trade receivables	7	46	-	-
Other receivables	72	214	68	202
<b>Total current trade and other receivables</b>	<b>79</b>	<b>260</b>	<b>68</b>	<b>202</b>

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group. The main source of credit risk to the Group are considered to relate to the classes of assets described as "trade and other receivables" (See Note 19). All receivables are within trade terms and are not considered to be impaired.

### NOTE 9: NON-CURRENT ASSETS HELD FOR SALE

	Group		Trust	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$000	\$000	\$000	\$000
<b>At fair value</b>				
<b>Single Family Homes Held for Sale</b>				
Opening balance	2,053	8,735	2,053	8,735
Transfer from investment property	-	7,050	-	7,050
Disposals	(827)	(12,549)	(827)	(12,549)
Fair value adjustments	(475)	(785)	(475)	(785)
Net exchange differences	82	(398)	82	(398)
<b>Closing balance</b>	<b>833</b>	<b>2,053</b>	<b>833</b>	<b>2,053</b>

# US RESIDENTIAL FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Trust	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$000	\$000	\$000	\$000
<b>At fair value</b>				
<b>Equity investment in USR Patriot's</b>				
<b>Syndicate LLC</b>				
Opening balance	-	-	-	-
Transfer from investments accounted for using the equity method	13,167	-	13,152	-
Disposals	(13,167)	-	(13,152)	-
Closing balance	-	-	-	-
<b>Total Non-current Assets held for sale</b>	<b>833</b>	<b>2,053</b>	<b>833</b>	<b>2,053</b>

At the time of the sale of the Patriot's Pointe apartment complex, the Group's investment had a carrying value of \$13,167,000. Net proceeds from the sale were \$12,309,000, resulting in a loss of \$1,297,000.

### NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint Venture	Country of Incorporation	Principal activity	2018	2017
Patriots Pointe Partners LLC	USA	Investment	-	74.20%

Through the Group's subsidiaries, USR Patriot's Syndicate LLC, CUS No 5 LLC, and Nimble Syndications (USA) LLC, the Group held a 74.2% interest in Patriot's Pointe Partners LLC, the entity that owned the Patriot's Pointe multifamily apartment complex in Hillsborough, North Carolina. Patriot's Pointe Partners LLC was subject to operational arrangements with persons not associated with USR and therefore the Group did not exercise control of the entity.

The Fund did not have the power to direct management of Patriots Pointe Partners LLC nor did it have the power to influence the amount of investor returns from Patriots Pointe Partners LLC. On the basis that the Fund did not meet all the criteria prescribed under AASB 10.7, the Fund was not considered to have control over Patriot's Pointe Partners LLC. Accordingly the investment in Patriot's Pointe Partners LLC was accounted for using Equity Accounting

### Carrying amounts of interest in joint controlled entities

	Group		Trust	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$000	\$000	\$000	\$000
Beginning of period	12,019	-	12,004	-
Investments made	-	9,070	-	9,059
Transfer to Non-current assets held for sale	(13,167)	-	(13,152)	-
Distributions received	-	(242)	-	(242)
Share of profits	430	3,603	430	3,599
Exchange rate differences on translation	718	(412)	718	(412)
<b>Balance at end of period</b>	<b>-</b>	<b>12,019</b>	<b>-</b>	<b>12,004</b>

# US RESIDENTIAL FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### NOTE 11: INTANGIBLE ASSETS

	Group		Trust	
	31 December 2018 \$000	31 December 2017 \$000	31 December 2018 \$000	31 December 2017 \$000
<b>Goodwill</b>				
Balance at beginning of period	250	-	-	-
Additions	-	250	-	-
Impairment	(250)	-	-	-
Balance at end of the period	-	250	-	-
<b>Management Rights</b>				
Balance at beginning of period	-	-	-	-
Additions	-	750	-	750
Impairment	-	(750)	-	(750)
Balance at end of the period	-	-	-	-
<b>Total intangible assets</b>	<b>-</b>	<b>250</b>	<b>-</b>	<b>-</b>

On 4 January 2017 US Residential Limited acquired a 100% interest in and control of Nimble Syndications (Aust) Pty Ltd, a property syndication entity that the Fund intended to utilise for any future property syndications that it undertakes. Consideration for the acquisition comprised 555,556 stapled securities, subject to the achievement of certain vesting conditions. During the period, the above conditions for vesting of the stapled securities were not met, accordingly the asset (goodwill) and corresponding liability previously recognised by USR has been derecognised during the period.

### NOTE 12: INTERESTS IN SUBSIDIARIES

#### a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

US Subsidiaries of Residential Ltd	Principal Place of Business	Ownership Interest Held by the Group	
		2018	2017
USA Residential Funds Management Ltd	Australia	100%	100%
USRL USA LLC	USA	100%	100%
Nimble Syndications (Aust) Pty Ltd	Australia	100%	100%
Nimble Syndications (USA) Inc	USA	-	100%

Subsidiaries of US Residential Trust	Principal Place of Business	Ownership Interest Held by the Group	
		2018	2017
CUS No 1 LLC	USA	100%	100%
CUS No 1 LLC – Portfolio A LLC	USA	100%	100%
CUS No 1 LLC – Portfolio B LLC	USA	-	100%
CUS No 1 LLC – Portfolio C LLC	USA	-	100%
CUS No 1 LLC – Portfolio D LLC	USA	100%	100%
CUS No 1 LLC – Portfolio E LLC	USA	-	100%
CUS No 2 LLC	USA	100%	100%
CUS No 2 LLC – Portfolio F LLC	USA	100%	100%
CUS No 2 LLC – Portfolio G LLC	USA	100%	100%
CUS No 2 LLC – Portfolio H LLC	USA	-	100%
CUS No 3 LLC	USA	100%	100%
CUS No 3 LLC – Portfolio J LLC	USA	100%	100%
CUS No 3 LLC – Portfolio K LLC	USA	100%	100%

# US RESIDENTIAL FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Subsidiaries of US Residential Trust	Principal Place of Business	Ownership Interest Held by the Group	
		2018	2017
CUS No 3 LLC – Portfolio L LLC	USA	-	100%
CUS No 3a LLC	USA	-	100%
CUS No 4 LLC	USA	-	100%
CUS No 4 LLC – Portfolio M LLC	USA	-	100%
CUS No 4 LLC – Portfolio N LLC	USA	-	100%
CUS No 5 LLC	USA	100%	100%
CUS No 6 LLC	USA	-	100%
USR Patriot's Syndicate LLC	USA	-	100%

### b. Significant Restrictions

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

### NOTE 13: TRADE AND OTHER PAYABLES

	Group		Trust	
	31 December 2018 \$000	31 December 2017 \$000	31 December 2018 \$000	31 December 2017 \$000
<b>Current</b>				
Trade payables	23	74	51	59
Accrued expenses	158	189	94	92
Sundry payables & accrued wind up costs	380	407	137	163
<b>Total current trade and other payables</b>	<b>561</b>	<b>670</b>	<b>282</b>	<b>314</b>

### NOTE 14: BORROWINGS

	Group		Trust	
	31 December 2018 \$000	31 December 2017 \$000	31 December 2018 \$000	31 December 2017 \$000
<b>Current liabilities</b>				
Other loans	-	-	1,729	1,228
<b>Total current trade and other payables</b>	<b>-</b>	<b>-</b>	<b>1,729</b>	<b>1,228</b>

### NOTE 15: TAX BALANCES

	Group		Trust	
	31 December 2018 \$000	31 December 2017 \$000	31 December 2018 \$000	31 December 2017 \$000
<b>Deferred tax assets</b>				
<i>Movements</i>				
Balance at beginning of period	488	1,601	251	1,255
Derecognition of deferred tax balance	(488)	(719)	(251)	(693)
Other	-	(394)	-	(311)
<b>Balance at end of period</b>	<b>-</b>	<b>488</b>	<b>-</b>	<b>251</b>
<b>Deferred tax liabilities</b>				
<i>Movements</i>				
Balance at beginning of period	804	1,808	798	1,780
Fair value gain	(570)	(179)	(570)	(179)
Change in tax rate	-	(624)	-	(624)
Other	(234)	(201)	(228)	(179)
<b>Balance at end of period</b>	<b>-</b>	<b>804</b>	<b>-</b>	<b>798</b>

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Deferred income tax relates to the following  
deferred tax assets:

Carried forward tax losses	-	421	-	211
Provisions and accrued expenses	-	12	-	-
Other	-	55	-	40
	<u>-</u>	<u>488</u>	<u>-</u>	<u>251</u>

Deferred income tax relates to the following  
deferred tax liabilities:

Equity accounted investments	-	600	-	600
Fair value gain	-	198	-	198
Provisions and accrued expenses	-	6	-	-
	<u>-</u>	<u>804</u>	<u>-</u>	<u>798</u>

#### NOTE 16: ISSUED CAPITAL AND RESERVES

	Group Number of Stapled Securities	
	31 December 2018	31 December 2017
<b>a. Fully paid ordinary stapled securities</b>	31,999,571	35,555,078
<b>b. Movements in issued capital</b>		
Fully paid stapled securities		
At the beginning of the period	35,555,078	17,788,416
Stapled securities issued during the period	-	17,766,662
Stapled securities bought back during the period	(3,555,507)	-
<b>At the end of the period</b>	<u><u>31,999,571</u></u>	<u><u>35,555,078</u></u>

Ordinary stapled securities participate in dividends and distributions and the proceeds on winding up of the Group in proportion to the number of stapled securities held. At the shareholders' meetings each stapled security is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### c. Capital management

Management controls the capital of the Group in order to maintain a satisfactory debt to equity ratio and to ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The Group's only material financial liabilities at the end of the reporting period are trade and other payables.

Under the Australian Financial Services licence granted by the Australian Securities and Investment Commission (ASIC), USA Residential Funds Management Limited is required to have at least \$150,000 in liquid assets and \$150,000 in net tangible assets

Management manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There have been no changes in the capital structure or the objectives, policies, processes and the strategy adopted by management to manage the capital of the Group during the period.

#### d. Translation Reserve

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

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**NOTE 17: CASH FLOW INFORMATION**

	<b>Group</b>		<b>Trust</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Reconciliation of cash flows from operating activities with net (loss) / profit</b>				
Net profit / (loss)	(2,429)	123	(2,579)	71
<b>Non cash items in net (loss) / profit</b>				
Fair value adjustments to investment properties	475	785	475	785
Loss on disposal of non-current assets held for sale	1,360	220	1,703	220
Share of net losses / (profits) of associates	(430)	(3,603)	(430)	(3,599)
Non-cash items	-	943	-	943
<b>Change in assets and liabilities:</b>				
Decrease / (Increase) in receivables	180	1,262	133	1,126
(Decrease) / Increase in payables	301	(1,360)	(15)	(748)
<b>Net cash flows from operating activities</b>	<b>(543)</b>	<b>(1,630)</b>	<b>(713)</b>	<b>(1,202)</b>
<b>Reconciliation of liabilities arising from financing activities</b>				
	<b>2017</b>	<b>Cash Flows</b>	<b>Non-cash changes</b>	<b>2018</b>
<b>Group</b>				
Borrowings	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Trust</b>				
Borrowings	1,228	501	-	1,729
	<u>1,228</u>	<u>501</u>	<u>-</u>	<u>1,729</u>

**NOTE 18: RELATED PARTY TRANSACTIONS**

The Group's main related parties are as follows:

**a. Controlled entities**

Controlled entities are entities over which the Group has the power to govern financial and operating policies so as to obtain benefits from their activities. Because inter-company transactions and balances involving controlled entities are eliminated on consolidation, controlled entities are considered as related parties only in the case of the parent entity's separate financial statements. A list of controlled entities is provided in Note 12.

**b. Key management personnel of the Group**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the entity, is considered key management personnel (KMP).

**c. Other related parties of the Group**

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTE 18: RELATED PARTY TRANSACTIONS (CONTINUED)**

**d. Transactions and outstanding balances with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (i.e. at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties:

<b>2018</b>	<b>Group \$</b>	<b>Trust \$</b>
Other related parties – director-related entities		
Management fees and interest earned by director related entities during the year	-	(697,232)
Amounts owed to director related entities as at 31 December 2018	-	(1,729,058)
Management fees and interest earned from director related entities during the year	-	120,337
Amounts owed by director related entities as at 31 December 2018	-	-
<b>2017</b>	<b>Group \$</b>	<b>Trust \$</b>
Other related parties – director-related entities		
Management fees and interest earned by director related entities during the year	(170,862)	(1,007,254)
Amounts owed to director related entities as at 31 December 2018	-	(1,292,493)
Management fees and interest earned from director related entities during the year	-	-
Amounts owed by director related entities as at 31 December 2018	-	-

**e. Remuneration of Key Management Personnel**

Total remuneration of Key Management Personnel (KMP) of the Group for the year ended 31 December 2018 between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (i.e. at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties:

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments		Cash-settled Share-based Payments		Termination Benefit	Total
		Salary, Fees and Leave	Profit Share Bonuses	Non-monetary	Other	Pension and Superannuation	Other	Incentive Plans	LSL	Stapled Securities	Options	Payments	Payments		
<i>Total KMP</i>		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	2018	192,659,	-	-	-	12,569	-	-	-	-	-	-	-	-	205,228
	2017	430,777	-	-	-	14,250	-	-	-	-	-	-	-	-	445,027

Security holdings of KMP are set out in the Remuneration Report.

**US RESIDENTIAL FUND**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTE 19: FINANCIAL RISK MANAGEMENT**

The Group's financial instruments consist mainly of deposits with banks; investments in term-deposits, borrowings, and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments* as detailed in the accounting policies, are as follows:

	<b>Group</b>		<b>Trust</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial assets</b>				
Cash and cash equivalents	11,016	610	10,835	452
Trade and other receivables	79	260	68	202
<b>Total financial assets</b>	<b>11,095</b>	<b>870</b>	<b>10,903</b>	<b>654</b>
Trade and other payables	561	670	282	314
Income tax payable	491	-	469	-
Borrowings	-	-	1,729	1,228
<b>Total financial liabilities</b>	<b>1,052</b>	<b>670</b>	<b>2,480</b>	<b>1,542</b>

*Financial Risk Management Policies*

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance.

*Specific Financial Risk Exposures and Management*

The main risks the Group are exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**a. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contractual obligations that could lead to a financial loss to the Group. The Group's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables and loans. There is no significant credit risk exposure on financial assets carried at fair value through other comprehensive income.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound creditworthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment.

*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

The Group does not have a significant concentration of credit risk.

All cash and cash equivalents are held with large reputable financial institutions within Australia and the USA. The majority of funds at year end were deposited with the Commonwealth Bank of Australia in Australia, while in the USA the majority of funds were deposited with Capital One Bank.

# US RESIDENTIAL FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is significantly greater than the financial liabilities due for settlement and that the majority of financial assets are held in cash. The Group manages its liquidity risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
  - maintaining a reputable credit profile;
  - managing credit risk related to financial assets;
  - only investing surplus cash with major financial institutions; and
  - comparing the maturity profile of financial liabilities with the realisation profile of financial assets.
- Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

#### *Financial liability and financial asset maturity analysis*

Group	Note	Within 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000	Total \$000
<b>2018</b>					
<b>Financial liabilities due</b>					
Trade and other payables	13	561	-	-	561
Income tax payable	3	491	-	-	491
Total expected outflows		1,052	-	-	1,052
<b>Financial assets realisable</b>					
Cash and cash equivalents	7	11,016	-	-	11,016
Trade and other receivables	8	79	-	-	79
Total anticipated inflows		11,095	-	-	11,095
<b>Net inflow</b>		<b>10,043</b>	<b>-</b>	<b>-</b>	<b>10,043</b>
<b>Group</b>	<b>Note</b>	<b>Within 1 Year \$000</b>	<b>1 to 5 Years \$000</b>	<b>Over 5 Years \$000</b>	<b>Total \$000</b>
<b>2017</b>					
<b>Financial liabilities due</b>					
Trade and other payables	13	670	-	-	670
Total expected outflows		670	-	-	670
<b>Financial assets realisable</b>					
Cash and cash equivalents	7	610	-	-	610
Trade and other receivables	8	260	-	-	260
Total anticipated inflows		870	-	-	870
<b>Net inflow</b>		<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>

**US RESIDENTIAL FUND**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

**NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)**

Trust 2018	Note	Within 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000	Total \$000
<b>Financial liabilities due</b>					
Trade and other payables	13	282	-	-	282
Income tax payable	3	469	-	-	469
Borrowings	14	1,729	-	-	1,729
Total expected outflows		2,480	-	-	2,480
<b>Financial assets realisable</b>					
Cash and cash equivalents	7	10,835	-	-	10,835
Trade and other receivables	8	68	-	-	68
Total anticipated inflows		10,903	-	-	10,903
<b>Net inflow</b>		<b>8,423</b>	<b>-</b>	<b>-</b>	<b>8,423</b>

Trust 2017	Note	Within 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000	Total \$000
<b>Financial liabilities due</b>					
Trade and other payables	13	314	-	-	314
Borrowings	14	1,228	-	-	1,228
Total expected outflows		1,542	-	-	1,542
<b>Financial assets realisable</b>					
Cash and cash equivalents	7	452	-	-	452
Trade and other receivables	8	202	-	-	202
Total anticipated inflows		654	-	-	654
<b>Net outflow</b>		<b>(888)</b>	<b>-</b>	<b>-</b>	<b>(888)</b>

**c. Market risk**

*(i) Interest rate risk*

Exposure to interest rate risk arises on interest-bearing financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect either the future cash flows (in the case of variable interest instruments) or the fair value financial instruments (in the case of fixed rate instruments).

The Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms. The weighted average interest rates of the Group's interest-bearing financial assets and liabilities are as follows:

	Group		Trust	
	2018	2017	2018	2017
Cash and cash equivalents	0.11%	0.40%	0.09%	0.00%
Borrowings	0.00%	0.00%	0.00%	9.00%

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)**

The Group's exposure to plus or minus 1% movements in interest rates is shown in the table below:

	<b>Profit \$000</b>	<b>Equity \$000</b>
<b>Year ended 31 December 2018</b>		
+/-1% in interest rates	+ 110 / -12	- / -
<b>Year ended 31 December 2017</b>		
+/-1% in interest rates	+ 6 / -1	- / -

The Trust's exposure to plus or minus 1% movements in interest rates is shown in the table below:

	<b>Profit \$000</b>	<b>Equity \$000</b>
<b>Year ended 31 December 2018</b>		
+/-1% in interest rates	+108/ -10	- / -
<b>Year ended 31 December 2017</b>		
+/-1% in interest rates	+ 5 / -	- / -

(ii) *Foreign exchange risk*

The summary of quantitative data of the Group's and Trust's exposure to currency risk are as follows:

<b>Group</b>	<b>Net Assets/(Liabilities) in AUD \$000</b>		
<b>2018</b>	<b>USD</b>	<b>AUD</b>	<b>Total AUD</b>
Total assets	1,414	10,528	11,942
Total liabilities	233	440	673
Net assets / (liabilities)	1,181	10,088	11,269
Net statement of financial position exposure on:			
5% strengthening of Australian dollar	(56)	-	(56)
5% weakening of Australian dollar	62	-	62
<b>Group</b>	<b>Net Assets/(Liabilities) in AUD \$000</b>		
<b>2017</b>	<b>USD</b>	<b>AUD</b>	<b>Total AUD</b>
Total assets	14,569	1,125	15,694
Total liabilities	1,122	353	1,475
Net assets / (liabilities)	13,447	772	14,219
Net statement of financial position exposure on:			
5% strengthening of Australian dollar	(640)	-	(640)
5% weakening of Australian dollar	708	-	708

**US RESIDENTIAL FUND**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)**

<b>Trust</b>	<b>Net Assets/(Liabilities) in AUD \$000</b>		
<b>2018</b>	<b>USD</b>	<b>AUD</b>	<b>Total AUD</b>
Total assets	1,413	10,324	11,737
Total liabilities	190	2,153	2,004
Net assets / (liabilities)	1,223	8,171	9,394
Net statement of financial position exposure on:			
5% strengthening of Australian dollar	(58)	-	(58)
5% weakening of Australian dollar	64	-	64

<b>Trust</b>	<b>Net Assets/(Liabilities) in AUD \$000</b>		
<b>2017</b>	<b>USD</b>	<b>AUD</b>	<b>Total AUD</b>
Total assets	14,571	391	14,962
Total liabilities	1,121	1,219	2,340
Net assets / (liabilities)	13,450	(828)	12,622
Net statement of financial position exposure on:			
5% strengthening of Australian dollar	(640)	-	(640)
5% weakening of Australian dollar	708	-	708

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Refer below for detailed disclosures regarding the fair value measurement of the Group's financial assets and financial liabilities.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments, which are carried at amortised cost (ie term receivables, held-to-maturity assets, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Investment property

## US RESIDENTIAL FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

##### Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**US RESIDENTIAL FUND**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)**

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Group	Note	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Non-recurring fair value measurements</b>					
Non-current assets held for sale	9		833		833
<b>Total non-financial assets recognised at fair value on a non-recurring basis</b>		-	833	-	833
<b>Total non-financial assets recognised at fair value</b>		-	833	-	833

Description	Fair Value at 31 December 2018 \$000	Valuation Technique(s)	Inputs Used
<i>Non-Financial assets</i>			
Non-current assets held for sale	833	Contractual negotiations	Arms length contract prices

**NOTE 20: OPERATING SEGMENTS**

To date the Group has operated in the US residential property market. Given the single-industry focus of the operations, the Group operated as a single operating segment in 2017 and 2018.

**NOTE 21: COMMITMENTS**

The Directors are not aware of any material commitments of the Group as at 31 December 2018.

**NOTE 22: CONTINGENT LIABILITIES**

The Directors are not aware of any potential material liabilities or claims against the Group as at 31 December 2018.

**NOTE 23: GUARANTEES**

The Directors are not aware of any material guarantees of the Group as at 31 December 2018.

**NOTE 24: LEASING ARRANGEMENTS**

Investment properties are leased to tenants under operating leases the majority of which have an initial term of 12 months. Minimum lease payments receivable on leases of investment properties are as follows:

	Group		Trust	
	31 December 2018 \$000	31 December 2017 \$000	31 December 2018 \$000	31 December 2017 \$000
Not later than one year	72	172	72	172
Later than one year and not later than 5 years	-	12	-	12
Later than five years	-	-	-	-
<b>Closing Balance</b>	<b>72</b>	<b>184</b>	<b>72</b>	<b>184</b>



**US RESIDENTIAL FUND**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

**NOTE 25: EVENTS AFTER THE REPORTING DATE**

On 1 April 2019 the Fund announced a return of capital of 15 cents per stapled security to return a total of \$4.8 million to stapled security holders. The return of capital was paid on 12 April 2019.

On 17 April 2019 the Board announced that following an unsuccessful attempt to acquire a lender to the Australian SME private debt corporate loan market and thus re-align the focus of the Fund as a lender to a diversified portfolio of private debt corporate loans, it would commence proceedings to wind up the Fund.

No other matters or circumstances have arisen since the end of the year that significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**NOTE 26: PARENT INFORMATION**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2018 \$000	2017 \$000
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Current assets	1,774	1,433
Non-current assets	218	862
<b>TOTAL ASSETS</b>	<u>1,992</u>	<u>2,295</u>
<b>LIABILITIES</b>		
Current liabilities	52	357
Non-current liabilities	-	186
<b>TOTAL LIABILITIES</b>	<u>52</u>	<u>543</u>
<b>EQUITY</b>		
Issued Capital	2,153	2,260
Retained earnings	(213)	(508)
<b>TOTAL EQUITY</b>	<u>1,940</u>	<u>1,752</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total loss	(295)	412
Total comprehensive loss	<u>(295)</u>	<u>412</u>

**US RESIDENTIAL FUND**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

**NOTE 27: CORPORATE DIRECTORY**

The Group's stapled securities are quoted on the official list of the Australian Securities Exchange Limited (ASX) under ASX code USR.

**US Residential Trust**

ARSN 601 461 956  
Level 13, 111 Elizabeth Street  
Sydney, NSW 2000  
Telephone: (03) 9602 4001  
Email: [admin@usresi.com](mailto:admin@usresi.com)  
Website: [www.usresi.com](http://www.usresi.com)

**Responsible Entity**

**USA Residential Funds Management Ltd**

ACN 154 454 092  
AFSL No 416 778  
Level 13, 111 Elizabeth Street  
Sydney, NSW 2000  
Telephone: (03) 9602 4001  
Email: [admin@usresi.com](mailto:admin@usresi.com)  
Website: [www.usresi.com](http://www.usresi.com)

**US Residential Limited**

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Website: [www.usresi.com](http://www.usresi.com)

**Auditors**

ShineWing Australia  
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530 Collins Street  
Melbourne, Vic 3000  
Telephone: (03) 8635 1800  
Facsimile: (03) 8102 3400  
Website: [www.shinewing.com.au](http://www.shinewing.com.au)

**Legal Advisor**

Norton Smith & Co Pty Ltd  
Level 20  
Level 13, 111 Elizabeth Street  
Sydney, NSW 2000  
Telephone: (02) 9321 4900  
Facsimile: (02) 9006 1239  
Website: [www.nortonsmith.com.au](http://www.nortonsmith.com.au)

**Registry**

Boardroom Pty Ltd  
Level 12  
225 George Street  
Sydney, NSW 2000  
Phone: 1 300 737 760  
Facsimile: (02) 9290 9655  
Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of **US Residential Limited**, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 50, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - b. give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the company and consolidated group.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.
4. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards.

The declaration is made in accordance with a resolution of the Board of Directors.



James Hickman, Director

Dated this 24<sup>th</sup> day of April 2019

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of **USA Residential Funds Management Limited**, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 50, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - b. give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the consolidated group.
2. In the directors' opinion, there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.
4. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards.

The declaration is made in accordance with a resolution of the Board of Directors.



James Hickman, Director

Dated this 24<sup>th</sup> day of April 2019

**INDEPENDENT AUDITOR'S REPORT  
TO THE STAPLED SECURITY HOLDERS OF US RESIDENTIAL LIMITED  
AND THE US RESIDENTIAL TRUST**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of the stapled security US Residential Fund which comprises, US Residential Ltd and its Controlled entities (the "Group") and the US Residential Trust and Controlled entities (the "Trust") The financial report includes the consolidated statements of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declarations.

The financial report of US Residential Fund also includes the financial report of US Residential Trust and Controlled entities for the year ended 31 December 2018.

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

- a) giving a true and fair view of the Group's and Trust's financial position as at 31 December 2018 and of their financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group and Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Key Audit Matters

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

Key Audit Matter	How the matter was addressed during the audit
<p><b>Patriots' Pointe – Disposal of investment in associate</b></p> <p><b>Note 11</b></p> <p>During the year the Group disposed of their investment in Patriots' Pointe. This investment represents an interest in a multi-family home investment property in the United States (US).</p> <p>This investment was the largest asset of the Group throughout the year up until the date of disposal.</p> <p>The investment was equity accounted up until it was actively marketed for sale. On disposal, a loss on sale of the investment arose.</p> <p>Given the nature of the investment and its significance to the Group, this was a key area of audit focus.</p>	<p>To ensure the Group has correctly accounted for its investment in and disposal of Patriots' Pointe, we performed, amongst others, the following procedures:</p> <ul style="list-style-type: none"> <li>• worked with the US auditor of the investment to assess whether the underlying financial information of the investment is prepared in accordance with appropriate accounting policies of the Group and that financial information is presented fairly;</li> <li>• established a group and component auditor arrangement in accordance with ASA600 <i>Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)</i>;</li> <li>• in addition to the work undertaken by the US auditor, we performed additional audit procedures on: <ul style="list-style-type: none"> <li>◦ the classification of the equity investment and when it changed from an equity accounted investment under AASB 128 <i>Investment in Associates and Joint Ventures</i> to an asset held for sale under AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>;</li> <li>◦ the treatment of subsequent distributions received and income streams; and</li> <li>◦ loss on disposal of the underlying asset.</li> </ul> </li> </ul>
<p><b>Subsequent Events and liquidation basis of accounting</b></p> <p><b>Note 1 and 25</b></p> <p>Subsequent to year end the Directors have determined that the Group and the Trust will not continue as a going concern. Following an unsuccessful attempt to re-align the focus of the Fund as a lender to a diversified portfolio of private debt corporate loans, the board resolved to wind up the fund.</p>	<p>To ensure correct treatment of events subsequent to year end, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>• enquired with management and, where appropriate, those charged with governance, as to whether any subsequent events have occurred which might affect the financial report;</li> </ul>

Key Audit Matter	How the matter was addressed during the audit
<p>Note 1 to the financial report describes the liquidation basis of accounting. Under the liquidation basis of accounting, assets are written down to their net realisable value (where relevant) and liabilities are stated at their settlement amounts. Net realisable value approximates the current carrying amount of the assets measured under the relevant Australian Accounting Standards. The liquidation value of liabilities represents their expected settlement amount. Our opinion is not modified in respect of this matter.</p> <p>This event after reporting date is significant as the financial report has been restated on a liquidation basis as opposed to a going concern basis.</p>	<ul style="list-style-type: none"> <li>• read minutes of meetings of management and those charged with governance and obtained the underlying support to assess whether the decision made by the board was considered an adjusting or non-adjusting event.;</li> <li>• assessed the completeness of the Group's estimate of wind up costs accrued as at 31 December 2018;</li> <li>• reviewed the fair value of assets and liabilities to assess that they have been correctly recognised on a realisation basis; and</li> <li>• assessed the adequacy of the Group's disclosures in respect of the change in accounting to liquidation basis of accounting.</li> </ul>
<p><b>Tax</b></p> <p><b>Notes 3 and 18</b></p> <p>The Group operates in two different tax jurisdictions, being the USA and Australia. Given the inherent complexity of the Group's tax position and the transactions the Group has entered into during the year, tax has been an area of key audit focus.</p>	<p>To ensure the Group has correctly accounted for taxes, we have performed, amongst others, the following procedures:</p> <ul style="list-style-type: none"> <li>• assessed the tax-related balances and the underlying assumptions and calculations on which these were derived;</li> <li>• reviewed the correspondence and workings of the Group's tax advisors in both Australia and the USA and used our own tax experts to review key tax judgements adopted;</li> <li>• assessed the independence and competence of the Group's tax advisors in the USA;</li> <li>• reviewed management's budgets and the underlying assumptions of these budgets in conjunction with board minutes to support the deferred tax movements and assumptions adopted at 31 December 2018; and</li> <li>• reviewed the disclosures surrounding key tax estimates, judgements and tax notes to the financial statements.</li> </ul>

#### *Information Other than the Financial Report and Auditor's Report Thereon*

The directors and trustees are responsible for the other information. The other information comprises the information included in the Group's and the Trust's annual report for the year ended 31 December 2018, 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 accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Report*

The directors of the Group and the trustees of the Trust 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 or trustees 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 and the Trust 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 or trustees either intend to liquidate the Group or Trust or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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.

We 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 and Trust's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors and trustees.

We 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 or Trust'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 or Trust to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 13 to 14 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of US Residential Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of US Residential Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized blue ink signature of the firm, reading "ShineWing Australia".

**ShineWing Australia**  
Chartered Accountants

A blue ink signature of Rami Eltchelebi.

Rami Eltchelebi  
Partner  
Melbourne, 24 April 2019



## US RESIDENTIAL FUND STOCK EXCHANGE INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 16 April 2019.

### (a) Distribution of stapled securities

The number of stapled security holder by size of holding:

Holdings Ranges	Holders	Total Units	%
1-1,000	16	2,736	0.01%
1,001-5,000	68	175,922	0.55%
5,001-10,000	17	142,805	0.45%
10,001-100,000	110	4,394,202	13.73%
100,001-9,999,999,999	29	27,283,906	85.26%
<b>Totals</b>	<b>240</b>	<b>31,999,571</b>	<b>100.00%</b>

### (b) Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Group as at 16 April 2019 are:

Shareholder	Ordinary Stapled Securities
SMPI USR Limited	7,149,987
CVC Limited	7,090,133
Mercantile Investment Company Ltd	5,085,255

### (c) Twenty largest holders of stapled securities

Top 20 holders of ordinary stapled securities:

Holder Name	Number of stapled securities held	%
SMPI USR LIMITED	7,149,987	22.344%
CVC LIMITED	7,090,133	22.157%
ONE MANAGED INVT FUNDS LTD <1 A/C>	5,449,905	17.031%
HSBC CUSTODY NOMINEES	2,129,214	6.654%
J K M SECURITIES PTY LIMITED <LJK NOMS P/L PEN FUND A/C>	1,179,472	3.686%
HBD SERVICES PTY LTD <THE DALE GRAYSON FAMILY A/C>	440,270	1.376%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	355,726	1.112%
MR PETER BRIAN EYLES & MRS CHRISTINE YING EYLES <EYLES FAMILY SUPER FUND A/C>	327,000	1.022%
MR MARK OUGHTON & MRS MARILYN OUGHTON <OUGHTON FAMILY S/FUND A/C>	327,000	1.022%
BNP PARIBAS NOMINEES PTY LTD	218,000	0.681%
MR DAVID CHARLES MCGREGOR	216,678	0.677%
DELTA ASSET MANAGEMENT PTY LTD <SUPER FUND A/C>	210,000	0.656%
GREENCAP INVESTMENTS PTY LTD	195,740	0.612%
GOODNICK PTY LTD <GOODMAN NICK SUPER FUND A/C>	190,750	0.596%
MARIE SCODELLA & ASSOCIATES PTY LTD <SUPER FUND A/C>	150,000	0.469%
HARITOM PTY LTD <NASH SUPER FUND A/C>	150,000	0.469%
MUSIC & OPERA SINGERS TRUST LIMITED <BURGER FOUNDATION>	143,850	0.450%
MR STEVEN GOODMAN & MRS MARIA CORAZON GOODMAN <THE GOODMAN SUPER FUND A/C>	135,986	0.425%
JOVAN PAJOVIC & SARAH MARGARET PAJOVIC <PAJOVIC FAMILY SUPER FUND AC>	118,969	0.372%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	118,003	0.369%
<b>Total held by top 20 holders of ordinary stapled securities</b>	<b>26,296,683</b>	<b>82.178%</b>

### (c) Restricted and unquoted securities

There are no restricted or unquoted securities on issue by the Group.