US Residential Fund

Annual Financial Report for the Year Ended 31 December 2015

US RESIDENTIAL FUND
CHAIRMAN'S LETTER

Dear fellow Securityholders,

The US Residential Fund (**Fund**) was admitted to the official list of the ASX on 12 February 2015 and the period from then to 31 December 2015 has been a successful one, with the management team delivering strong results.

The consolidated after-tax profit of the Fund for the year amounted to $858,000 or 7.2 cents per stapled security. Rental income and fair value gain from the portfolio of single family homes was the Fund's primary source of revenue in the period.

The Fund's net tangible assets per stapled security rose from $0.94 to $1.05 during our first year as a public company.

Our 6 cents per unit per annum distribution, which was paid following the end of June and December half years, was within the target range announced at the time of listing. The Board has resolved to make distributions quarterly starting from the March quarter 2016.

When the Fund listed, one of the strands of the strategy stated by your directors was to gain exposure to multifamily apartment complexes, through direct investment and co-investment. Your directors also announced to the market through the ASX on 9 December 2015 the intention to establish an online syndication platform through which high net worth investors can invest with us in US multifamily apartment opportunities.

The work required to implement the multifamily strategies is well underway at the date of this annual report and additional announcements can be expected.

You can expect important progress as 2016 unfolds and your directors further advance the business plan. On behalf of the Board, I thank you for your ongoing support.

Yours sincerely,

Owen Lennie
Chairman
US Residential Fund

US RESIDENTIAL FUND
MANAGING DIRECTOR'S REPORT

US Residential Fund (ASX: USR) (Fund) is pleased to release its annual report for the year ending 31 December 2015. In accordance with accounting standards, all amounts in this report are designated in Australian Dollars (**AUD** or **$**), unless explicitly stated otherwise.

Since its listing, the Fund has been focused on executing on all three key areas of its strategy.

The Fund continues to receive rental income from its portfolio of single family homes and has implemented strategic repositioning through the purchase of five single family homes in Dallas for upgrading.

The Fund is currently evaluating multifamily apartment complex opportunities throughout the United States and an ASX announcement can be expected soon with regard to investment or co-investment by the Fund in multifamily property.

OPERATIONAL UPDATE

Our portfolio of single family homes

The Fund generated revenue of $4.80 million primarily from its single family home portfolio. The Fund made efficiency improvements across its operations and asset management functions.

During the year the Fund sold down 21 single family homes as we believed those properties had achieved increases in value that were close to their potential long term value. The Fund may realise value from assets in the future where we believe the capital can be better employed and asset values are maturating.

Additionally, the Fund will begin the process of realising the value of assets that were part of the strategic repositioning strategy during 2016.

Financial Highlights for the year ending 31 December 2015	
Item	**$million**
Revenue from ordinary activities	4.80
Profit after tax from ordinary activities	0.86
Total comprehensive income	1.71
Cash balance	1.36
Item	**Cents**
Distributions per stapled security	5.30
Earnings per stapled security	7.20
NTA per stapled security at 30 June 2015	97
NTA per stapled security at 31 December 2015	105

Distributions

On 18 September 2015, the Fund paid an interim distribution of 2.3 cents per stapled security for the period from listing to 30 June 2015 and a final distribution of 3.0 cents per stapled security for the half year to 31 December 2015 was paid on 25 March 2016 This represented an annualised 6.03 cents per stapled security or an annualised yield of 8.89% at the security price at close of trade on 15 February 2016 and is in line with forecasts included in the Fund's prospectus and product disclosure statement issued 10 October 2014.

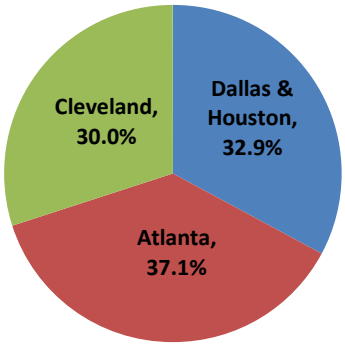
The Fund operates a distribution reinvestment plan (**DRP**). Details of the DRP have been published on the Fund's website www.usresi.com. Investors who wish to participate in the DRP should either complete the relevant form on our website www.usresi.com/forms and return it to Boardroom Pty Ltd or contact Boardroom Pty Ltd on 1300 737 760.

Future Distributions

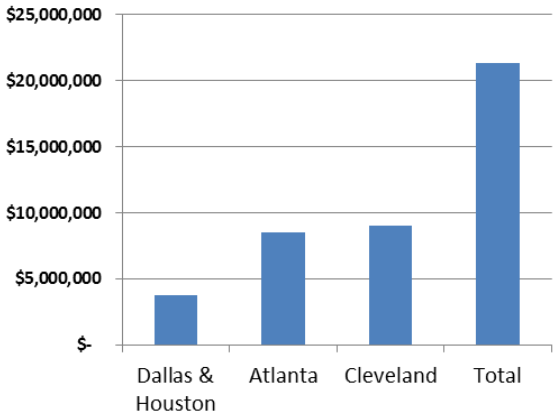
Following the 31 December 2015 distribution, the Fund intends to pay future distributions on a quarterly basis following the end of March, June, September and December.

Single family home portfolio parameters as at 31 December 2015

Geographical location



Passive investment



Strategic repositioning of single family homes

The single family home repositioning strategy involves the refurbishment and repositioning of single family homes for the purpose of re-sale and is moving ahead well, with the purchase of five properties in Dallas though our Joint Venture Special Purpose Vehicle.

Refurbishment of all of the properties has been completed and Ponder Place and Driftwood Drive have been sold achieving over 25% return on investment.

Importantly, this first co-investment structure has provided a solid basis on which to further develop the proposed move to provide multifamily apartment's investment opportunities to third parties via crowd funding.

Crowd Funding and the Diversifying into apartment complexes

When the Fund listed, one of the strands of the strategy stated by your directors was to gain exposure to multifamily apartment complexes, through direct investment and co-investment and the Fund continues to revaluate promising investment options. In an announcement to the market through the ASX on 9 December 2015 the intention was announced to establish an online syndication platform through which high net worth investors can invest in US multifamily apartment opportunities.

Management of a platform using the balance sheet of the Fund to secure investment opportunities is a strategy to grow the Fund's free cash flow, in a manner more capital efficient than deriving rental income and capital appreciation by holding apartment complexes directly.

As part of any move to launch a property syndication business and a crowd funding platform, it may be preferable to change the way in which the Fund's current external management contract operates.

RESIDENTIAL MARKET UPDATE

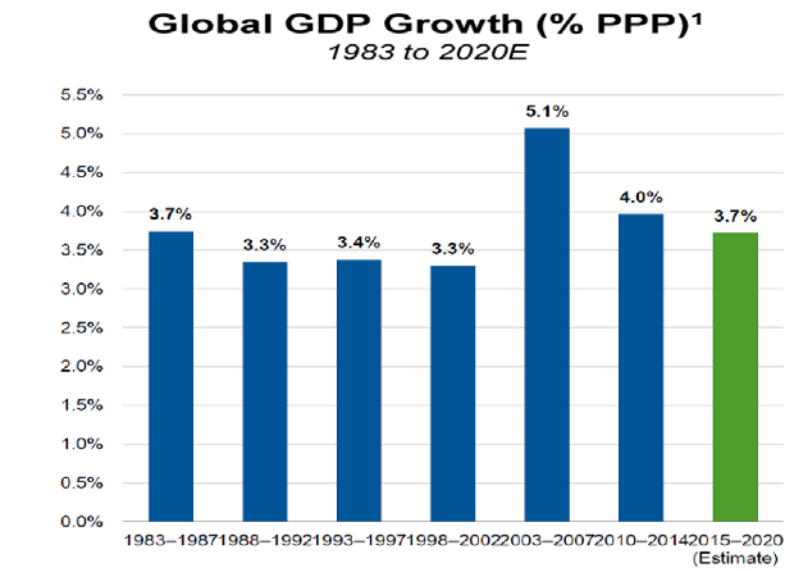
The US housing market continues to remain strong despite global uncertainties. Importantly, USR are seeing evidence of recovery in its preferred locations with Dallas home values 15 percent above 2007 peak.

Following the global uncertainty in Greece and in China, the US dollar has strengthened against the Australian dollar. USR holds all of its assets unhedged in USD which will have a favourable impact on fund returns.

US Economy

The US economy expanded 2.4% for the full year 2015, which matched 2014's result. While market commentators, continue to talk about low growth in the US the reality is that the average growth rate between 1996 and 2015 was 2.34%pa, while the average growth rate between 1930 and the end of 1930 was 3% pa.

Indeed Global GDP Growth is not at a low either and recorded 4% for the period 2010 – 2014 which except for the period 2003-2007 is above the growth trend since 1983.[2]

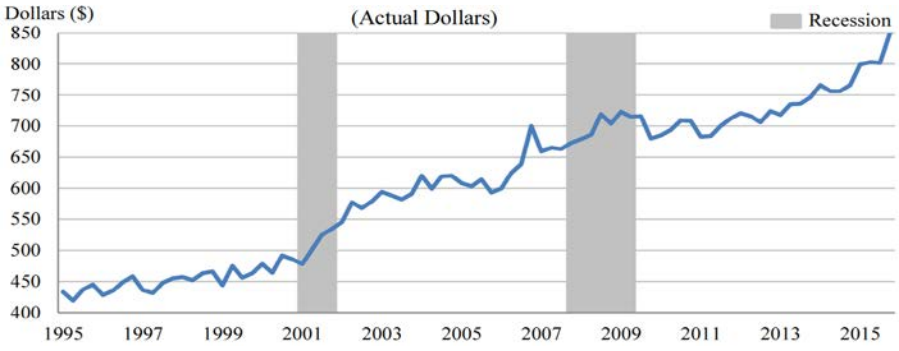


[1]Source: IMF.
[2]Source: US Bureau of Labor Statistics, Eurostat, Statistics Bureau (Japan)

US assets and economy is increasingly providing a counter cyclical investment for investors who are heavily exposed resource based economies.

Rental markets

Median Asking Rents for Vacant Housing Units



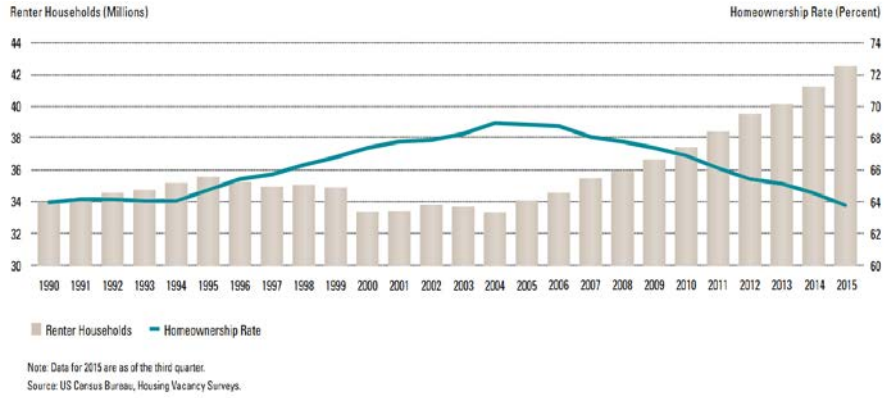
Source:US Census Bureau News January 28 2016

The United States Census defines a housing unit as a house, an apartment, a mobile home or trailer, a group of rooms.

US rental growth increased by 4.3% annually to 31 December 2015.

Renter Household Growth Has Surged with the Drop in Homeownership

In 2015 home ownership in the US fell to below 64% while households renting rose to 42 million.

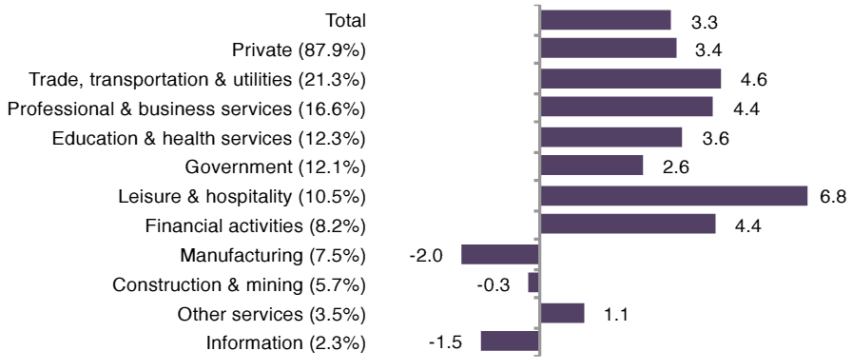


Dallas-Fort Worth, Texas

The North Texas rental market continues to strengthen, with the Dallas Fort Worth Metroplex experiencing a 7.7% increase year-over-year. In Q4 2015, DFW created 101,000 jobs year-over year, translating to a 3.0% annual growth rate, resulting in unemployment falling to 3.8%.

When business leaders were asked by the SMU Cox School of Business about the top business challenges they will face in the coming 12 months, labour availability topped the list, cited by 22 percent of respondents as one of their top three concerns.

Employment Growth by Sector



NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector, December 2014–December 2015. Numbers in parentheses represent share of total Dallas–Fort Worth nonfarm employment and may not sum to 100 due to rounding.

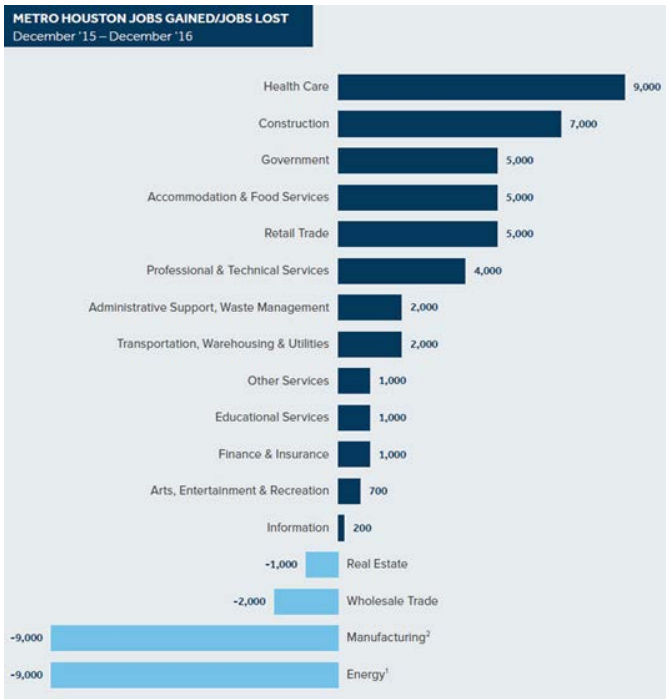
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Houston

The rapid falls in the oil price has left the public rattled and skittish about Houston. In a city where oil prices have so often signalled booms and busts, there are signs that things are different this time. Houston is no longer the one-industry town it once was. Hospitals, clinics and medical offices are expanding as they try to keep up with a population boom of nearly 10 percent since 2010.

Downtown Houston has been revitalised with new office towers and residential construction that sprang up when oil was hovering around $100 a barrel the previous two years.

And an estimated $50 billion in investment along the city's petrochemical corridor is in the works, enough to build downtown Houston two times over. That industrial renaissance is bringing thousands of new construction jobs to the area that is helping compensate for the losses in energy.



Source: Greater Houston Partnership

The Houston economy is fragile but there has been a flurry of construction activity in the region's petrochemical corridor which isn't slated to peak until late 2016 or early 2017, with Houston expected to add up to 10,000 more construction jobs in 2017, according to the Greater Houston Partnership.

Atlanta

Rental property demand continued to climb in response to a strengthening local economy. In turn, occupancy increased quarter-over-quarter and year-over-year. As a result rents jumped in key locations by approximately 7.3%.

Cleveland

The Cleveland economy continues to improve and this is reflected in the demand for rental accommodation, which has seen rents rise year on year to 31 December 2015 by approximately 6.5%.

Higher rents are being driven by the improving economy which is in turn driving an uptick in home prices.

Up to 50,000 people will descend on Cleveland in July for the 4 day Republican Conference. While this event will have little impact on the Fund's assets, it will bring Cleveland to national and international prominence.

Summary

The period since listing has been very active for your fund and many opportunities lie ahead as it pursues its three pronged strategy to deliver attractive returns through investment in the US residential property sector.

Your directors remain positive on the US property market which is benefiting from a strengthening US economy and believe it continues to provide profitable residential market opportunities.

Andrew Meakin
Managing Director
US Residential Fund

US RESIDENTIAL FUND
CORPORATE GOVERNANCE STATEMENT

US Residential Fund Corporate Governance Arrangements

The objective of the Board of US Residential Fund is 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, Asset Management Agreement and general law regulate the operations of the Fund. The Directors of the Company and the Responsible Entity have entered into the Stapling Deed. This facilitates common processes and governance for the Company and the 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. In order to achieve unity of management many of the asset management and administration functions of the Company and the Responsible Entity have been delegated to Nimble Asset Management (Aust) Pty Ltd (Asset Manager) under a management agreement. The Asset Manager's responsibilities include:

- Sourcing investment opportunities in accordance with Fund's investment objective and strategies;
- Sourcing appropriate debt finance;
- Overseeing ongoing property management of the Fund's investment portfolio;
- Fund budgeting and forecasting;
- Managing Fund compliance; and
- Preparation of management, financial and compliance reports.

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, while the day-to-day asset management and administration activities for the Fund are carried out by the Asset Manager.

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). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2014 amendments) as well as current standards of best practice for the entire financial year ended 31 December 2015. The corporate governance statement is current as at 31 December 2015 and has been approved by the Board.

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 at the date of this report are:

Owen Lennie (independent, non-executive) (Chair)

Andrew Meakin (non-independent) (CEO)

Stuart Morton (non-independent)

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

Owen Lennie (independent, non-executive) (Chair)

Andrew Meakin (non-independent) (CEO)

Julia Mason (independent, non-executive)

Craig Vivian (non-independent)

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 of 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;
- 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 2015, 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 company's performance.

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures. The Board is 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 company's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the Fund.

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.

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 or from the website of the Fund.

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 with the exception of 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.

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.

The Audit and Risk Committee comprised Owen Lennie and Craig Vivian, chaired by Craig Vivian. Refer 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 of the Directors, chaired by Julia Mason. Refer 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 holder and has developed a Continuous Disclosure Policy to ensure compliance with continuous disclosure obligations under the *Corporation 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 distribution of financial reports. The Fund's Continuous Disclosure Policy can be found on the Fund's website at www.usresi.com.

Stapled security holders are entitled to vote on significant matters impacting on 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 to be responded to by the Board and/or the CEO, 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, CIO for independent consideration.

Risk Management

The Fund does not have a risk committee nor an internal audit function as the Directors consider the size of the Fund and its operations do not warrant a separate risk committee or an internal audit function.

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.

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

Remuneration Policy

The Fund has entered into an executive service agreement with Andrew Meakin to govern his employment as Managing Director of the Fund. Mr Meakin is paid at a rate of $920 per day plus an executive director's fee of $20,000 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 entitled to fee of $20,000 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 a number of 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.

US Residential Fund

Annual Financial Report for the Year Ended 31 December 2015

DIRECTORS' REPORT

The Directors of US Residential Limited (ACN 169 548 369) and its controlled entity (USA Residential Funds Management Limited) present their report together with the report of US Residential Trust (ARSN 601 461 956) which together forms the stapled entity called US Residential Fund (**Group**) for the year ended 31 December 2015.

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 Class Order 13/1050.

Directors

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

US Residential Ltd:

Owen Lennie (Chair) *(appointed 14 May 2014)*

Stuart Morton *(appointed 14 May 2014)*

Andrew Meakin *(appointed 14 May 2014)*

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

Owen Lennie (Chair) *(appointed 31 January 2012)*

Julia Mason *(appointed 1 August 2014)*

Andrew Meakin *(appointed 11 September 2014)*

Craig Vivian *(appointed 31 January 2012)*

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

Principal Activities

The principal activities of the Group are investing in the US single family home residential property market.

Review of Operations

Total comprehensive income of the Group for the year ended 31 December 2015 was $1,710,000 (2014: $153,000 loss). Major contributions to this was the fair value gain on investment properties of $2,287,000 and unrealised foreign exchange gain of $852,000, reflecting the depreciation of the Australian dollar against the US dollar during the period from acquisition of the US assets on 10 February (US$0.772 / A$1.000) to 31 December 2015 (US$0.731 / A$1.000).

The consolidated after-tax profit of the Group for the year amounted to $858,000 (2014: $153,000). In addition to the fair value gain on investment properties, rental income was the Fund's primary source of revenue in the year ending 31 December 2015.

As at 31 December 2015 the net tangible asset value (NTA) of the Group was $1.05 per ordinary stapled security. This is after taking into account the 3 cent distribution for the 31 December 2015 half year.

Control Gained over Entities in the Year

On 10 February 2015, US Residential Trust acquired investment property portfolio of USA residential investment property assets from a variety of vendors valued at $20,434,075. 156 properties were acquired with the total consideration of $2,108,421; 9,230,612 stapled securities; and 11,798,882 options. Settlement occurred on 10 February 2015. As part of the purchase of assets the Trust assumed debt arrangements of $9,001,799.

Significant Changes in the State of Affairs

US Residential Fund listed on the ASX on 12 February 2015 resulting in the issue of 4,018,370 stapled securities and 2,009,187 options. Since its listing in February, the Fund has been focused on executing on the three key areas of its strategy outlined in the offer document.

The Fund continues to receive rental income from its portfolio of now single family homes. The Fund has furthered its strategic repositioning strategy of upgrading single family homes through the purchase of five properties in Dallas and is currently reviewing apartment complex opportunities throughout the United States.

Events Subsequent to the End of the Reporting Period

On 17th February 2016 USR announced that it had entered into two non-binding letters of intent for the possible acquisition of:

- Management rights, assets and intellectual property of Nimble Asset Management (Aust) Pty Ltd; and
- Syndication assets and capabilities from Nimble Asset Management Limited and Nimble Asset Management (Aust) Pty Ltd.

The terms and conditions of any transaction are subject to final agreement.

Both transactions are subject to due diligence and stapled security holder approval. If the transactions contemplated by the letters of intent proceeds, a general meeting is expected to be held in May 2016 with a view to obtaining stapled security holder approval. Independent expert reports for both transactions are being prepared to assist stapled security holders in this process and will be distributed with the notice of meeting.

On 18 March 2016 the Group borrowed US$770,000 at an interest rate of 12.50% for a term of 3 years which can be repaid without significant penalty. Proceeds from this loan will be used to fund further investment in Nimble SFH JV Partners, enabling Nimble SFH JV Partners to cover timing differences in the repayment of bank debt.

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

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Dividends and Distributions

An interim distribution of 2.3 cents per stapled security was paid on 18 September 2015. A final distribution was declared on 17 February 2016 of 3.0 cents per stapled security. The distribution was paid on 24 March 2016.

USR announced the implementation of a distribution and dividend reinvestment plan on 3 July 2015. The distribution and dividend reinvestment plan will be operative for the 2015 final distribution.

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

A total of 13,808,069 options were issued during the year as noted above. A total of 13,808,069 options are outstanding as at the date of this report. These options have an exercise price of $0.95 and expire on 31 July 2016.

No stapled securities were issued during or since the end of the year as a result of the exercise of an option over unissued stapled securities or interests.

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 following 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 following 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

US Residential Ltd:

Owen Lennie, *MUP, BA, Dip Fin Mgt, Grad Dip App Fin & Inv, FCPA, FAPI, FPIA, FFin*

A qualified accountant, town planner and fund manager, Owen has been involved in property asset management and investment evaluation for over 26 years, including launching the Industry Superannuation Property Trust, and being the key property consultant in establishing the Asset Management Fund of the ANZ Bank and as an inaugural director of Grand Hotel Fund (ASX GHG). Most recently, Owen is a director of Fawkner Property Pty Ltd (AFSL 437334) and was managing director of WRF Property Ltd (AFSL 224663), the funds management arm of ASX listed WRF Securities Limited. He is currently an honorary Associate Professor at the University of Melbourne, where he teaches postgraduate students.

Owen has previously held several appointments by the Government of Victoria as Chairman of the Building Advisory Council, inaugural Chairman of the Planning Advisory Council, and a director of the Urban and Regional Land Corporation for ten years. Owen was President of the Australian Direct Property Investment Association (now the Property Funds Association) from June 2005 to June 2007 and remains an honorary life member. Owen is also is a responsible officer for USA Residential Funds Management's AFSL.

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, including the Commonwealth Bank of Australia.

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 (who has recently merged with our preferred Apartment Complex management service provider, Greystar).

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.

Stuart Morton, *MBA Mfin*

Stuart's background as the founder and Managing Director of Greenfield Capital, a developer of residential land subdivisions, provides a solid foundation for understanding the residential property space. Through Greenfield as well as a number of US residential property portfolio funds launched to date, Stuart has acquired extensive experience in the management of property syndicates, opportunity identification and associated due diligence, negotiating and structuring acquisitions, through to project management and marketing.

Before starting Greenfield Capital, Stuart formed a business partnership that was responsible for the establishment of the investment company Empresaria Group plc. Empresaria, now listed on the Alternative Investment Market in London, operates within the recruitment sector and has over 25 trading subsidiaries producing revenues in excess of $250 million globally.

Stuart's integral role in the establishment and success of the US residential property funds which form part of the Initial Portfolio, has enabled him to establish an extensive network in the US of solid partnership relationships, while building his understanding of optimal business structures.

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

Owen Lennie (see above)

Andrew Meakin (see above)

Craig Vivian, *B.Bus CA CTA*

Craig is a member of the Institute of Chartered Accountants in Australia and a Chartered Tax Advisor, with over 25 years' experience in the accounting, funds management and banking industries, previously working with BankWest, Armstrong Jones Funds Management and RSM Bird Cameron.

Craig is the Managing Director of CFS Solutions, formerly PBC Group Chartered Accountants, a company he established in 2009 after spending 12 years with Ord Nexia Chartered Accountants (a member of Nexia International a leading worldwide network of independent accounting and consulting firms) the last 10 as a director/partner with a strong focus on structuring, compliance and governance.

He has experience across a wide variety of business transactions, including business acquisition, property transactions, various due diligence reviews. In addition Craig also holds non-executive director and consultancy roles of both private and public companies and is a responsible officer for the USA Residential Funds Management AFSL.

Julia Mason, *MBA (Chicago) F.Fin. MAICD*

Julia has a more than twenty year career focused on creating growth and value, in the private and not for profit sectors in both Australia and Asia, across the advertising, finance, and oil industries. Having held senior commerce and finance positions at Sensis and BP, Julia has deep business knowledge developed through a career in the following key business functions: finance, corporate strategy, corporate advisory, and marketing. Julia's success is built on her ability to combine three fundamental elements: executive level strategic thinking, line-management experience, and managing commercial partnerships. Julia was previously Chairman of the Victorian State Emergency Services (VICSES), One in Five, a director with VicUrban, and a director with SBDO. Julia previously taught corporate finance in the masters programme with FinSia, the former Securities Institute of Australia. Julia is currently Executive Officer of the National Stem Cell Foundation of Australia.

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:

	Directors' Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
US Residential Limited						
Owen Lennie (Chair)	13	13	1	1	1	1
Andrew Meakin	13	13	-	-	1	1
Stuart Morton	13	13	-	-	1	1
USA Residential Funds Management Limited						
Owen Lennie (Chair)	13	13	-	-	1	1
Andrew Meakin	13	13	-	-	1	1
Julia Mason	13	11	-	-	1	1
Craig Vivian	13	12	1	1	1	-

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 Chief Financial Officer at Nimble Asset Management. Prior to that, Shaun was Chief Financial Officer of Lifeview Residential Care. Previous roles include 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.

REMUNERATION REPORT

Remuneration Policy

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel (KMP) 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 on a daily rate which is based on factors such as length of service and experience. There are currently no performance incentives.
- 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.

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 amount of 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

The Fund has entered into an executive service agreement with Andrew Meakin to govern his employment as Managing Director of the Fund. Mr Meakin is paid at a rate of $920 per day plus an executive director's fee of $20,000 per annum.

Non-executive Directors are entitled to fee of $20,000 per annum.

Remuneration Expense Details for the Year Ended 31 December 2015

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 2015

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments		Cash-settled Share-based Pay-ments	Termin-ation Benefits	Total
		Salary, Fees and Leave	Profit Share and Bonuses	Non-mone-tary	Other	Pension and Super-annu-ation	Other	Incen-tive Plans	LSL	Stapled Securities	Options			
		$	$	$	$	$	$	$	$	$	$	$	$	$
Group KMP														
Owen Lennie	2015	17,827	-	-	-	-	-	-	-	-	-	-	-	17,827
	2014	-	-	-	-	-	-	-	-	20,000	-	-	-	20,000
Andrew Meakin	2015	56,674	-	-	-	-	-	-	-	-	-	-	-	56,674
	2014	-	-	-	-	-	-	-	-	20,000	-	-	-	20,000
Stuart Morton	2015	17,827	-	-	-	-	-	-	-	-	-	-	-	17,827
	2014	-	-	-	-	-	-	-	-	20,000	-	-	-	20,000
Julia Mason	2015	19,327	-	-	-	-	-	-	-	-	-	-	-	19,327
	2014	7,500-	-	-	-	-	-	-	-	-	-	-	-	7,500
Craig Vivian	2015	17,827	-	-	-	-	-	-	-	-	-	-	-	17,827
	2014	-	-	-	-	-	-	-	-	-	-	-	-	
Total KMP														
	2015	129,482	-	-	-	-	-	-	-	-	-	-	-	129,482
	2014	7,500	-	-	-	-	-	-		60,000	-	-	-	67,500

REMUNERATION REPORT (continued)

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
Owen Lennie	20,000	-	-	102,955	122,955
Andrew Meakin	20,000	-	-	18,833	38,833
Stuart Morton	20,000	-	-	213,740	233,740
Julia Mason	-	-	-	10,059	10,059
Craig Vivian	-	-	-	32,000	32,000
	60,000	-	-	377,587	437,587

The number of options over 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
Owen Lennie	-	-	-	104,931	104,931
Andrew Meakin	-	-	-	8,000	8,000
Stuart Morton	-	-	-	250,720	250,720
Julia Mason	-	-	-	5,000	5,000
Craig Vivian	-	-	-	16,000	6,000
	-	-	-	384,651	384,651

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.

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 23.

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

Director …….

Owen Lennie, Chairman - US Residential Limited

Director …….

Owen Lennie, Chairman - USA Residential Funds Management Limited

Dated this 31st day of March 2016

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

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 2015 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, 31 March 2016

US RESIDENTIAL FUND

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Trust	
	Note	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000
Revenue					
Rent from investment properties		2,132	-	2,132	-
Management fees		70	46	-	-
Fair value gain on investment properties		2,287	-	2,287	-
Interest income		9	2	5	-
Other income		297	-	298	-
Total revenue and other income		**4,795**	**48**	**4,722**	**-**
Expenses					
Property expenses and outgoings		1,470	-	1,470	-
Management costs		299	142	179	107
Administration costs		448	70	244	-
Finance costs		809	1	838	-
Other expenses		80	-	49	-
Share of net losses of joint ventures	**9**	44	-	-	-
Total Expenses		**3,150**	**213**	**2,780**	**107**
Profit / (Loss) before income tax	**2**	**1,645**	**(165)**	**1,942**	**(107)**
Income tax expense / (benefit)	**3**	787	(12)	864	-
Profit / (Loss) for the period		**858**	**(153)**	**1,078**	**(107)**
Other comprehensive income					
Net foreign exchange translation adjustments		852	-	840	-
Total other comprehensive income		**852**	**-**	**840**	**-**
Total comprehensive income for the period		**1,710**	**(153)**	**1,918**	**(107)**
Earnings per stapled security					
Basic earnings per stapled security (cents)	**6**	7.20	(41.27)	9.04	(100.62)
Diluted earnings per stapled security (cents)	**6**	7.20	(41.27)	9.04	(100.62)

The accompanying notes form part of these financial statements.

US RESIDENTIAL FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Group 2015 $000	Group 2014 $000	Trust 2015 $000	Trust 2014 $000
Current Assets					
Cash and cash equivalents	**7**	1,361	153	1,200	1
Trade and other receivables	**8**	145	188	46	-
Prepayments		51	-	36	-
Total Current Assets		**1,557**	**341**	**1,282**	**1**
Non Current Assets					
Investment Property	**10**	22,131	**-**	22,131	**-**
Investments accounted for using the equity method	**9**	711	**-**	-	-
Deferred tax assets	**14**	404	16	316	-
Total Non Current Assets		**23,246**	**16**	**22,447**	**-**
Total Assets		**24,803**	**357**	**23,729**	**1**
Current Liabilities					
Trade and other payables	**12**	887	380	685	-
Borrowings	**13**	412	**-**	634	-
Distribution payable	**4**	402	**-**	402	-
Security Deposits		240	**-**	240	-
Total Current Liabilities		**1,941**	**380**	**1,961**	**-**
Non Current Liabilities					
Deferred tax liability	**14**	968	10	957	-
Borrowings	**13**	8,402	**-**	8,402	-
Total Non Current Liabilities		**9,370**	**10**	**9,359**	**-**
Total Liabilities		**11,311**	**390**	**11,320**	**-**
Net Assets		**13,492**	**(33)**	**12,409**	**1**
Equity					
Contributed Equity	**15**	12,644	120	11,307	108
Translation Reserve	**15**	852	-	840	-
Retained Earnings / (Accumulated Losses)		(4)	(153)	262	(107)
Total Equity		**13,492**	**(33)**	**12,409**	**1**

The accompanying notes form part of these financial statements.

US RESIDENTIAL FUND

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

Group	Note	Contributed Equty $000	Translation Reserve $000	Retained Earnings / (Accumulated Losses) $000	Total $000
Balance at 7 July 2014		**-**	**-**	**-**	**-**
Issued Capital for the period		120			120
Profit / (Loss) for the period				(153)	(153)
Balance at 31 December 2014		**120**	**-**	**(153)**	**(33)**
Issued Capital for the year		13,260	-	-	13,260
Capital raising costs for the year		(736)	-	-	(736)
Profit for the year		-	-	858	858
Other comprehensive income for the year		-	852	-	852
Distribution for year	**4**	-	-	(709)	(709)
Balance at 31 December 2015		**12,644**	**852**	**(4)**	**13,492**

Trust	Contributed Equty $000	Translation Reserve $000	Retained Earnings $000	Total $000
Balance at 7 July 2014	**-**	**-**	**-**	**-**
Issued Capital for the period	108			108
Profit / (Loss) for the period			(107)	(107)
Balance at 31 December 2014	**108**	**-**	**(107)**	**1**
Issued Capital for the year	11,935	-	-	11,935
Capital raising costs for the year	(736)	-	-	(736)
Profit for the year	-	-	1,078	1,078
Other comprehensive income for the year	-	840	-	840
Distribution for year	**4** -	-	(709)	(709)
Balance at 31 December 2015	**11,307**	**840**	**262**	**12,409**

The accompanying notes form part of these financial statements.

US RESIDENTIAL FUND

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Trust	
		Year ended 31 December 2015	Period ended 31 December 2014	Year ended 31 December 2015	Period ended 31 December 2014
	Note	$000	$000	$000	$000
Cash flows from operating activites					
Receipts from customers		2,378	8	2,235	-
Payments to suppliers		(2,011)	(13)	(1,663)	-
Finance costs		(594)	(1)	(624)	-
Interest received		9	2	5	-
Income tax (paid) / refund received		(5)	2	-	-
Net cash generated by / (used in) operating activities		**(223)**	**(2)**	**(47)**	**-**
Cash flows from investing activities					
Payments for investment properties		(881)	-	(881)	-
Proceeds from sale of investment properties		2,476	-	2,476	-
Equity investment		(754)	-	-	-
Payment for subsidiaries	**11**	(2,296)	-	(2,108)	-
Cash acquired upon acquisItion of subsidiaries	**11**	803	154	803	-
Net cash generated by / (used in) investing activities		**(652)**	**154**	**290**	**-**
Cash flows from financing activities					
Proceeds from issue of share capital		3,299	1	1,974	1
Distributions paid		(296)	-	(296)	-
Proceeds from borrowings		684	-	1,667	-
Repayment of borrowings		(1,712)	-	(2,562)	-
Net cash generated by financing activities		**1,975**	**1**	**783**	**1**
Net increase in cash and cash equivalents		**1,100**	**153**	**1,026**	**1**
Cash and cash equivalents at the start of the year		153	-	1	-
Effect of exchange rate fluctuations on cash held		108	-	173	-
Cash and cash equivalents at the end of the year	**7**	**1,361**	**153**	**1,200**	**1**

The accompanying notes form part of these financial statements.

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.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. 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 (company) and the units in US Residential Trust (trust) are combined and issued as stapled securities in the US Residential Fund (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.

Accounting Policies

a **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 11.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

b **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.

c **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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

d **Fair Value of Assets and Liabilities**

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

e **Impairment**

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

f **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.

g **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.

h **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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i 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. The Directors will engage suitably qualified independent experts to assist in their assessment of fair value at each reporting date, including independent valuation of properties on a rotational basis each year.

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 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 reversals 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.

j 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 to net assets are classified as a joint venture and accounted for using the equity method.

k. 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(e) for further discussion on the determination of impairment losses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

l 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.

m 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n 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.

o Operating Segments

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

p Comparative Figures

US Residential Fund was formed on 7 July 2014 therefore comparative information is for period from that date till 31 December 2014.

q 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.

r 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.

(ii) *Fair value of Investment Properties*

In determining the fair value of investment properties, properties were valued using a price-to rent ratio. Price-to-rent ratio ranges for the four geographical locations in which the Fund holds investment properties in the USA were as follows:

Cleveland, Ohio: 5.08 to 8.78

Atlanta, Georgia: 6.39 to 12.89

Houston, Texas: 7.97 to 9.49

Dallas, Texas: 7.71 to 11.13

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

s New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations 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 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will be applicable retrospectively (subject to the comment on hedge accounting below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2017)

This standard, when effective, will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of AASB 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step model:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the performance obligation is satisfied.

AASB 15 also requires enhanced disclosures regarding revenues. This standard will require retrospective restatement and is available for early adoption.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impacts.

AASB 16: *Leases* (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. Rent income and expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest revenue and charges.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impacts.

t **Rounding of Amounts**

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest $1,000.

NOTE 2: PROFIT/(LOSS) BEFORE INCOME TAX

	Group		Trust	
	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000
Profit before income tax includes the following expenses:				
Property maintenance	557	-	557	-
Property tax	455	-	455	-
Property management fees	362	-	362	-
Insurance	180	23	117	-
Director fees	91	8	-	-
Legal fees	83	-	61	-

NOTE 3: INCOME TAX EXPENSE / (BENEFIT)

	Group		Trust	
	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000
a The components of income tax payable comprise:				
- current tax expense/(income)	787	(12)	864	-
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	(787)	12	(864)	-
Income tax payable	**-**	**-**	**-**	**-**
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%	494	(50)	583	(32)
Add/less tax effect of:				
non-deductible expenses	216	-	216	-
non-taxable income	(50)	-	(50)	-
allowable capital expenditures	(199)	-	(199)	-
unrealised foreign exchange gains	256	-	252	-
tax rate differences	43	-	42	-
other	27	38	20	32
Income tax expense / (benefit)	**787**	**(12)**	**864**	**-**

NOTE 4: DISTRIBUTIONS

	Group	
	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000
Interim distribution paid	307	-
Final distribution payable	402	-

A final distribution was declared on 17 February 2016 of 3.0 cents per stapled security. The distribution was paid on 24 March 2016.

NOTE 5: AUDITORS' REMUNERATION

	Group		Trust	
	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000
Remuneration of the auditor is as follows:				
Auditing or reviewing the financial statements	93	25	15	-
Compliance plan audit	8	-	-	-
Taxation services	11	-	-	-
Total auditors' remuneration	**112**	**25**	**15**	**-**

NOTE 6: EARNINGS PER SHARE

	Group		Trust	
	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000
a. Reconciliation of earnings per share:				
Total profit / (loss) for period	858	(153)	1,078	(107)
Earnings used to calculate basic EPS	858	(153)	1,078	(107)
Earnings used to calculate dilutive EPS	858	(153)	1,078	(107)
b. Weighted average number of stapled securities/shares/units outstanding during the period used in calculating basic EPS:	11,921,474	112,400	11,921,474	106,305
Weighted average number of stapled securities/shares/units outstanding during the period used in calculating dilutive EPS	11,921,474	112,400	11,921,474	105,305

NOTE 7: CASH AND CASH EQUIVALENTS

	Group		Trust	
	2015 $000	2014 $000	2015 $000	2014 $000
Cash at bank and on hand	1,211	3	1,200	1
Short-term deposits	150	150	-	-
Total Cash and Cash Equivalents	**1,361**	**153**	**1,200**	**1**

NOTE 8: TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2015 $000	2014 $000	2015 $000	2014 $000
Current				
Trade receivables	17	42	-	-
Other receivables	128	146	46	-
Total current trade and other receivables	**145**	**188**	**46**	**-**

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 18).

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

			Past Due but Not Impaired			
	Gross Amount	**Past Due and Impaired**	**< 30 Days**	**31–60 Days**	**> 60 Days**	**Not Past Due**
	$	**$**	**$**	**$**	**$**	**$**
Group						
2015						
Trade receivables	17	-	17	-	-	
Other receivables	128	-	128	-	-	
Total	**145**	**-**	**145**			
Trust						
2015						
Trade receivables	-	-	-	-	-	-
Other receivables	46	-	46	-	-	-
Total	**46**	**-**	**46**	**-**	**-**	**-**

			Past Due but Not Impaired			
	Gross Amount	**Past Due and Impaired**	**< 30 Days**	**31–60 Days**	**> 60 Days**	**Not Past Due**
	$	**$**	**$**	**$**	**$**	**$**
Group						
2014						
Trade receivables	42	-	42	-	-	
Other receivables	146	-	146	-	-	
Total	**188**	**-**	**188**			
Trust						
2014						
Trade receivables	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

NOTE 9: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Jointly controlled entities	Country of Incorporation	Principal activity	Ownership Interest 2015	Ownership Interest 2014
Nimble SFH Partners LLC	USA	Property development	66.67%	-

Through the Fund's subsidiary, USRL USA LLC, the Fund holds a 66.67% interest in Nimble SFH Partners LLC, a joint venture formed to as part of the Fund's single family homes strategic repositioning and refurbishment strategy. The principal place of business of the joint venture is Dallas, Texas. Under the terms of the joint venture agreement, 80% of the voting rights are required to control the joint venture entity, therefore the Fund does not exercise control of the joint venture entity.

Carrying amounts of interest in joint controlled entities

	Group 2015 $000	Group 2014 $000
Beginning of year	-	-
Investments made	744	-
Distributions received	(12)	-
Share of (losses)	(44)	-
Exchange rate differences on translation	23	-
Balance at end of year	**711**	**-**

Summary of financial information for equity accounted investment in Nimble SFH Partners LLC presented in Australian dollars in accordance with Australian Accounting Standards, but not adjusted for percentage ownership held by the Fund.

	$000
Cash and cash equivalents	7
Other current assets	3
Current Assets	**10**
Properties held for development	2,557
Non-current assets	**2,557**
Total assets	**2,567**
Borrowings	1,804
Other current liabilities	39
Total liabilities	**1,843**
Net assets	724
Contributed interest of JV partner	13
Equity accounted interest	**711**
Revenue	-
Property expenses	(29)
Legal fees	(14)
Other expenses	(1)
Profit / (Loss)	**(44)**
Interest attributable to JV partner	-
Equity accounted interest	**(44)**

The fair value of properties held for development owned by Nimble SFH Partners LLC has been determined in accordance with the Fund's Investment Property valuation policy as summarised in Note 1(i).

NOTE 10: INVESTMENT PROPERTY

	Group		Trust	
	2015 $000	2014 $000	2015 $000	2014 $000
At fair value				
Opening balance	-	-	-	-
Acquisitions	20,399	-	20,399	-
Dispoals	(2,292)	-	(2,292)	-
Fair value adjustments	2,287	-	2,287	-
Net exchange differences	1,737	-	1,737	-
Closing balance	**22,131**	-	**22,131**	-

(i) Valuation basis

In determining fair value of the investment properties at balance date, the portfolio of properties was grouped by location (zip code), being the principal characteristic assessed as impacting fair value, and valued based on price-to-rent ratios for the respective zip codes. A sample of properties was selected for independent valuation.

(ii) 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	
	2015 $000	2014 $000	2015 $000	2014 $000
Not later than one year	1,501	-	1,501	-
Later than one year and not later than five years	201	-	201	-
Later than five years	-	-	-	-
	1,702	-	1,702	-

NOTE 11: 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	
		2015	2014
USA Residential Funds Management Ltd	Australia	100%	100%
USRL USA LLC	USA	100%	-

Subsidiaries of US Residential Trust	Principal Place of Business	Ownership Interest Held by the Group	
		2015	2014
CUS No 1 LLC	USA	100%	-
CUS No 1 LLC – Portfolio A LLC	USA	100%	-
CUS No 1 LLC – Portfolio B LLC	USA	100%	-
CUS No 1 LLC – Portfolio C LLC	USA	100%	-

Subsidiaries of US Residential Trust	Principal Place of Business	Ownership Interest Held by the Group	
		2015	2014
CUS No 1 LLC – Portfolio D LLC	USA	100%	-
CUS No 1 LLC – Portfolio E LLC	USA	100%	-
CUS No 2 LLC	USA	100%	-
CUS No 2 LLC – Portfolio F LLC	USA	100%	-
CUS No 2 LLC – Portfolio G LLC	USA	100%	-
CUS No 2 LLC – Portfolio H LLC	USA	100%	-
CUS No 3 LLC	USA	100%	-
CUS No 3 LLC – Portfolio J LLC	USA	100%	-
CUS No 3 LLC – Portfolio K LLC	USA	100%	-
CUS No 3 LLC – Portfolio L 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 3a LLC	USA	100%	-
CUS No 5 LLC	USA	100%	-
CUS No 6 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.

c. Control Gained over Entities in the Half Year

On 10 February 2015, US Residential Trust acquired investment property portfolio of USA residential investment property assets from a variety of vendors valued at $20,434,075. 156 properties were acquired with the total consideration of $2,108,421; 9,230,612 stapled securities; and 11,798,882 options. Settlement occurred on 10 February 2015. As part of the purchase of assets the Trust assumed debt arrangements of $9,001,799.

	$000
Purchase consideration:	
– cash	2,108
– equity issued	9,231
	11,339
Less:	
Cash	803
Other debtors and assets	281
Investment properties	19,830
Payables	(573)
Borrowings	(9,002)
Identifiable assets acquired and liabilities assumed at fair value	11,339

NOTE 12: TRADE AND OTHER PAYABLES

	Group		Trust	
	2015	2014	2015	2014
Current	**$000**	**$000**	**$000**	**$000**
Trade payables	72	73	12	-
Amount payable for acquisition of USA Residential Funds Management Ltd	-	188	-	-
Accrued expenses	564	-	564	-
Sundry payables	251	119	109	-
Total current trade and other payables	**887**	**380**	**685**	**-**

NOTE 13: BORROWINGS

	Group		Trust	
	2015	2014	2015	2014
	$000	**$000**	**$000**	**$000**
Current liabilities				
Secured loans	70	-	70	-
Other loans	342	-	564	-
Total	**412**	-	**634**	-
Non-current liabilities				
Secured loans	8,402	-	8,402	-
Total	**8,402**	-	**8,402**	-

Details of maturity dates and security for the Group's secured loans as at 31 December 2015 are set out below:

Lender	Loan balance $000	Maturity Date	Interest Rate	Security	Covenants	Fair value of security $000
First Key Lending LLC	556	2 July 2033	6.000%	CUS No 1 LLC house portfolio	Note 1	1,635
First Key Lending LLC	2,270	2 July 2033	6.000%	CUS No 2 LLC house portfolio	Note 1	6,124
First Key Lending LLC	3,691	1 April 2019	6.030%	CUS No 3 LLC house portfolio	Note 2	7,374
B2R Finance LP	1,627	8 December 2019	6.026%	CUS No 4 LLC house portfolio	Note 3	3,253
Weinberg Servicing LLC	328	1 September 2018	12.500%	Four CUS No 6 LLC houses	None	912
Kingfish Kakadu LLC	342	11 June 2016	12.000%	The Group's interest in Nimble SFH Partners LLC	None	712
Total	8,814					20,010

Note 1: loan covenant requires monthly rent receipts of 80% of rent roll. There have been no breaches of this covenant during the year.

Note 2: loan has a debt service coverage ratio covenant of net cash flow of 1.15 times debt service amount. There have been no breaches of this covenant during the year.

Note 3: loan has a debt service coverage ratio covenant of net cash flow of 1.20 times debt service amount. There have been no breaches of this covenant during the year.

NOTE 14: TAX BALANCES

	Group		Trust	
	2015 $000	2014 $000	2015 $000	2014 $000
Deferred tax assets	404	16	316	-
Movements				
Balance at begining of period	16	-	-	-
Acquired during the year	244	-	244	-
Future tax benefit attributable to tax losses	330		277	
Other	(186)	16	(205)	-
Balance at end of period	**404**	**16**	**316**	**-**
Deferred tax liabilities	968	10	957	-
Movements				
Balance at begining of period	10	-	-	-
Fair value gain	882	-	882	-
Other	76	10	75	-
Balance at end of period	**968**	**10**	**957**	**-**

NOTE 15: ISSUED CAPITAL AND RESERVES

	Group	
	31 December 2015	31 December 2014
Fully paid ordinary stapled securities	13,383,906	12,200
a. Movements in issued capital		
Fully paid stapled securities		
At the beginning of the reporting period	12,200	-
Stapled securities issued during the year	13,371,706	12,200
At the end of the reporting period	**13,383,906**	**12,200**

Ordinary stapled securities participate in dividends and distributions and the proceeds on winding up of the Group 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.

b. 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 asset 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.

c. Translation Reserve

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

NOTE 16: CASH FLOW INFORMATION

	Group		Trust	
	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000	Year ended 31 December 2015 $000	Period ended 31 December 2014 $000
Reconciliation of cash flows from operating activities with net profit / (loss)				
Net profit / (loss)	858	(153)	1,078	(107)
Non cash items in net profit /(loss)				
Fair value adjustments to investment properties	(2,287)	-	(2,287)	-
Gain on sale of houses	(166)	-	(166)	-
Non-cash expense items	215	119	215	107
Change in assets and liabilities:				
(Increase) / decrease in receivables	(129)	(54)	(117)	-
Increase / (decrease) in payables	1,286	86	1,230	-
Net cash flows from operating activities	**(223)**	**(2)**	**(47)**	**-**

NOTE 17: 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 the financial and operating policies so as to obtain benefits from their activities. Because intercompany 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.

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

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:

2015	**Group**	**Trust**
	$000	**$000**
Other related parties – director-related entities		
Management fees earned by director related entities during the year	(515)	(526)
Amounts owed to director related entities as at 31 December 2015	(30)	(42)
Management fees earned from director related entities during the year	15	-
Amounts owed by director related entities as at 31 December 2015	80	-

2014	**Group**	**Trust**
	$000	**$000**
Other related parties – director-related entities		
Management fees earned from director related entities during the period	10	-
Amounts owed by director related entities as at 31 December 2014	70	-

e. Remuneration of Key Management Personnel

Total remuneration of Key Management Personnel (KMP) of the Group for the year ended 31 December 2015: 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 Pay-ments	Termin-ation Benefits	
		Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other	Pension and Super-annu-ation	Other	Incen-tive Plans	LSL	Stapled Securities	Options			Total
		$	$	$	$	$	$	$	$	$	$	$	$	$
Total KMP														
	2015	129,482	-	-	-	-	-	-	-	-	-	-	-	129,482
	2014	7,500	-	-	-	-	-	-		60,000	-	-	-	67,500

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

NOTE 18: FINANCIAL RISK MANAGEMENT

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

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies, are as follows:

	Group		Trust	
2015	**$000**	**$000**	**$000**	**$000**
Financial assets				
Cash and cash equivalents	1,361	153	1,200	1
Trade and other receivables	145	188	46	-
Total financial assets	**1,506**	**341**	**1,246**	**1**
Trade and other payables	887	380	685	-
Security deposits	240	-	240	-
Borrowings	8,814	-	9,036	-
Total financial liabilities	**9,941**	**380**	**9,961**	**-**

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 is 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 contract 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 available-for-sale financial assets and held-to-maturity investments

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness 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 and PNC Bank.

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. 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
2015					
Financial liabilities due					
Trade and other payables	12	887	-	-	887
Security deposits		240	-	-	240
Borrowings	13	412	5,921	2,883	9,216
Distributions		402	-	-	402
Total expected outflows		1,941	5,921	2,883	10,745
Financial assets realisable					
Cash and cash equivalents	7	1,361	-	-	1,361
Trade and other receivables	8	145	-	-	145
Total anticipated inflows		1,506	-	-	1,506
Net inflow/(outflow)		**(435)**	**(5,921)**	**(2,883)**	**(9,239)**

Group	Note	Within 1 Year $000	1 to 5 Years $000	Over 5 Years $000	Total $000
2014					
Financial liabilities due					
Trade and other payables	12	380	-	-	380
Total expected outflows		380	-	-	380
Financial assets realisable					
Cash and cash equivalents	7	153	-	-	153
Trade and other receivables	8	188	-	-	188
Total anticipated inflows		341	-	-	341
Net inflow/(outflow)		**(39)**	**-**	**-**	**(39)**

Trust	Note	Within 1 Year $000	1 to 5 Years $000	Over 5 Years $000	Total $000
2015					
Financial liabilities due					
Trade and other payables	12	685	-	-	685
Security deposits		240	-	-	-
Borrowings	13	634	5,921	2,883	9,438
Distribution		402	-	-	402
Total expected outflows		1,961	5,921	2,883	10,765
Financial assets realisable					
Cash and cash equivalents	7	1,200	-	-	1,200
Trade and other receivables	8	46	-	-	46
Total anticipated inflows		1,246	-	-	1,246
Net inflow/(outflow)		**(715)**	**(5,921)**	**(2,883)**	**(9,519)**

Trust	Note	Within 1 Year $000	1 to 5 Years $000	Over 5 Years $000	Total $000
2014					
Financial liabilities due					
Trade and other payables	12	-	-	-	-
Total expected outflows		-	-	-	-
Financial assets					
Cash and cash equivalents	7	1	-	-	1
Trade and other receivables	8	-	-	-	-
Total anticipated inflows		1	-	-	1
Net inflow/(outflow)		**1**	**-**	**-**	**1**

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	
	2015	2014	2015	2014
Cash and cash equivalents	0.46%	3.00%	0.42%	-
Borrowings	6.49%	-	6.44%	-

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

	Profit $000	Equity $000
Year ended 31 December 2015		
+/–1% in interest rates	+14 / -14	- / -
Year ended 31 December 2014		
+/–1% in interest rates	+2 / -2	- / -

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

	Profit $000	Equity $000
Year ended 31 December 2015		
+/–1% in interest rates	+12 / -12	- / -
Year ended 31 December 2014		
+/–1% in interest rates	- / -	- / -

(ii) Foreign exchange risk

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

Group	**Net Assets/(Liabilities) in AUD $000**		
2015	**USD**	**AUD**	**Total AUD**
Total assets	24,454	293	24,747
Total liabilities	10,505	750	11,255
Net assets / (liabilities)	13,949	(457)	13,492
Net statement of financial position exposure on:			
5% strengthening of Australian dollar	(697)	-	(697)
5% weakening of Australian dollar	697	-	697

Group	**Net Assets/(Liabilities) in AUD $000**		
2014	**USD**	**AUD**	**Total AUD**
Total assets	-	358	358
Total liabilities	-	390	390
Net assets / (liabilities)	-	(32)	(32)

The Group did not have any foreign currency exposure as at 31 December 2014.

Trust	Net Assets/(Liabilities) in AUD $000		
2015	**USD**	**AUD**	**Total AUD**
Total assets	23,652	32	23,684
Total liabilities	10,149	1,126	11,275
Net assets / (liabilities)	13,503	(1,094)	12,409
Net statement of financial position exposure on:			
5% strengthening of Australian dollar	(675)	-	(675)
5% weakening of Australian dollar	675	-	675

Trust	Net Assets/(Liabilities) in AUD $000		
2015	**USD**	**AUD**	**Total AUD**
Total assets	-	1	1
Total liabilities	-	-	-
Net assets / (liabilities)	-	1	1

The Trust did not have any foreign currency exposure as at 31 December 2014.

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.

		2015		2014	
Group	**Note**	**Carrying**	**Fair**	**Carrying**	**Fair**
Financial assets					
Cash and cash equivalents[(i)]		1,361	1,361	153	153
Trade and other receivables[(i)]		145	145	188	188
Investment property		22,131	22,131	-	-
Total financial assets		23,637	23,637	341	341
Financial liabilities					
Trade and other payables[(i)]		887	887	380	380
Borrowings		8,814	8,814	-	-
Security Deposits [(i)]		240	240	-	-
Total financial liabilities		9,841	9,841	380	380

(i) Cash and cash equivalents, trade and other receivables, trade and other payables and security deposits are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

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

- Investment property
- Borrowings

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

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.

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
Recurring fair value measurements					
Investment property			22,131		22,131
Total non-financial assets recognised at fair value on a recurring basis			22,131		22,131

Description	Fair Value at 31 December 2015 $000	Valuation Technique(s)	Inputs Used
Non-Financial assets			
Investment property	22,131	Market approach using recent observable market data for similar properties.	Price to rent ratios for the four geographical locations in which the Fund holds investment properties in the USA: Cleveland, Ohio: 5.08 to 8.78 Atlanta, Georgia: 6.39 to 12.89 Houston, Texas: 7.97 to 9.49 Dallas, Texas: 7.71 to 11.13

NOTE 19: OPERATING SEGMENTS

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

NOTE 20: COMMITMENTS

The Directors are not aware of any material commitments of the Group as at 31 December 2015.

NOTE 21: CONTINGENT LIABILITIES

The Directors are not aware of any potential material liabilities or claims against the Group as at 31 December 2015.

NOTE 22: EVENTS AFTER THE REPORTING DATE

On 17th February 2016 the Group announced that it had entered into two non-binding letters of intent for the possible acquisition of:

- Management rights, assets and intellectual property of Nimble Asset Management (Aust) Pty Ltd; and
- Syndication assets and capabilities from Nimble Asset Management Limited and Nimble Asset Management (Aust) Pty Ltd.

The terms and conditions of any transaction are subject to final agreement.

Both transactions are subject to due diligence and stapled security holder approval. If the transactions contemplated by the letters of intent proceeds, a general meeting is expected to be held in April 2016 with a view to obtaining stapled security holder approval. Independent expert reports for both transactions are being prepared to assist stapled security holders in this process and will be distributed with the notice of meeting.

On 18 March 2016 the Group borrowed US$770,000 at an interest rate of 12.50% for a term of 3 years which can be repaid without significant penalty. Proceeds from this loan will be used fund further investment in Nimble SFH JV Partners, enabling Nimble SFH JV Partners to cover timing differences in the repayment of bank debt.

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 23: CORPORATE DIRECTORY

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

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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 24 to 56, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position as at 31 December 2015 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.

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

Owen Lennie, Director

Dated this 31st day of March 2016

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 24 to 56, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position as at 31 December 2015 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 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.

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

Owen Lennie, Director

Dated this 31st day of March 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE STAPLED SECURITY HOLDERS OF US RESIDENTIAL LIMITED AND CONTROLLED ENTITIES AND US RESIDENTIAL TRUST AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of the stapled entity US Residential Fund comprising US Residential Limited and Controlled entities ("the company") and US Residential Trust and controlled entities ("the trust"), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and trust, and the entities it controlled at the year's end or from time to time during the financial year.

The US Residential Fund financial report also includes the financial report of US Residential Trust for the year ended 31 December 2015.

Directors' Responsibility for the Financial Report

The directors of the company and the directors of the responsible entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors' determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors' also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

ShineWing AUSTRALIA

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion, the financial report of US Residential Fund and controlled entities and US Residential Trust and controlled entities is in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the stapled entity (US Residential Fund), the company's and the trust's financial positions as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the consolidated financial statements and notes or financial report complies with International Financial Reporting Standards as disclosed in Note 1.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Rami Eltchelebi
Partner

Melbourne, 31 March 2016

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 17 March 2016

(a) Distribution of stapled securities

The number of stapled security holder by size of holding:

Holdings Ranges	Number of olders	Total Units	%
1-1,000	5	4,130	0.031
1,001-5,000	81	178,342	1.333
5,001-10,000	22	183,109	1.368
10,001-100,000	149	5,926,993	44.284
100,001-9,999,999,99	27	7,091,332	52.984
Totals	**284**	**13,383,906**	**100.000**

(b) Substantial shareholders

There are no substantial stapled security holders pursuant to the provisions of 671B of the *Corporations Act 2001.*

(c) Twenty largest holders of stapled securities

Top 20 holders of ordinary stapled securities:

Holder Name	Number of stapeld securities held	% of total
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,200,361	16.440
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	545,000	4.072
USA SYNDICATE NO 2 PTY LTD <USA SYNDICATE NO2 A/C>	476,616	3.561
HUNTINGTOWER PTY LTD <HAPPELL FAMILY S/FA/C>	436,000	3.258
PETER BRIAN EYLES & CHRISTINE YING EYLES <EYLES FAMILY SUPER FUND>	327,000	2.443
MR MARK OUGHTON & MRS MARILYN OUGHTON <OUGHTON FAMILY S/FUND A/C>	327,000	2.443
MS HELEN SOPHIA MCGREGOR	216,678	1.619
MR JOHN ANDREW RODGERS <JOHN RODGERS FAMILY A/C>	199,103	1.488
GREENCAP INVESTMENTS PTY LTD	195,740	1.463
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	186,622	1.394
CASHMERE CREATIONS PTY LTD <CASHMERE SUPER FUND A/C>	182,438	1.363
MUSIC & OPERA SINGERS TRUST LIMITED <BURGER FOUNDATION>	143,850	1.075
MS HEATHER SUSAN MARTIN & MR CHRISTOPHER HARRY DEWHIRST <BALLOON SUNRISE EXE S/F A/C>	139,900	1.045
NAVY HEALTH LTD	110,000	0.822
BOND STREET CUSTODIANS LIMITED <MPFOG - D00219 A/C>	109,000	0.814
CLEMENT INVESTMENTS PTY LTD	109,000	0.814
FOGFAM PTY LTD <FOGARTY FAMILY SUPER FUND>	109,000	0.814
LEAHCIM HOLDINGS PTY LTD <PRENTICE SUPER FUND A/C>	109,000	0.814
NO. 86 INVESTMENTS PTY LTD <THE SMART FAMILY NO. 2>	109,000	0.814
MR DAVID STEPHENS & MRS PIROSKA STEPHENS <STEPHENS FAMILY SUPER FUND>	109,000	0.814
STRASKYE PTY LTD <STRASKYE SUPER FUND>	109,000	0.814
TUFILE PTY LTD <TUFILE PTY LYD SUPER FUND>	109,000	0.814
MRS SALLY MARGARET WILSON	109,000	0.814
GUAN HUA YU	109,000	0.814
Total held by top 20 holders of ordinary stapled securities	**6,776,308**	**50.630**

(c) Restricted and unquoted securities

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