

Appendix 4D

**Interim Financial Report
For the period ended 30 June 2024**

Name of entity

**US Masters Residential Property Group, consisting of:
US Masters Residential Property Fund I (ARSN 150 256 161) and US Masters Residential Property Fund II (ARSN 676 798 468)**

Reporting period

1 January 2024 to 30 June 2024

Previous corresponding period

1 January 2023 to 30 June 2023

Results for announcement to the market

		For the 6 months ended 30 June 2024
		\$'000
Total revenue ("revenue from ordinary activities – investment property income and interest income")	Down by 6% to	\$20,806
Net operating loss for the period ("loss from ordinary activities after tax attributable to unitholders")	Down by 705% to	(\$17,941)
Total comprehensive loss ("net loss for the period attributable to unitholders")	Down by 200% to	(\$8,146)

Commentary on results

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

Distributions

Ordinary Units	Amount per unit	Franked amount
Distribution (paid on 5 April 2024)	\$0.01	-
Total distribution	\$0.01	-
Distribution dates:		
Ex-Distribution date:	Friday, March 08, 2024	
Record date:	Monday, March 11, 2024	
Payment date:	Friday, April 05, 2024	

Net tangible assets per stapled security/ordinary unit	30-Jun-24	30-Jun-23
Pre-tax attributable to stapled securities/ordinary units	\$0.63	\$0.68
Post-tax attributable to stapled securities/ordinary units	\$0.57	\$0.62

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

Earnings per unit	30-Jun-24	30-Jun-23
Basic loss per stapled security/ordinary unit	(2) cents	(0.3) cents
Diluted loss per stapled security/ordinary unit	(2) cents	(0.3) cents

Basic and diluted loss per stapled security/ordinary unit is calculated as loss for the period after tax divided by the weighted average number of units.

Interim Financial Report

This report is based on the 30 June 2024 Interim Financial Report and has been reviewed by Deloitte Touche Tohmatsu.

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US Masters Residential Property Group

Consisting of:
US Masters Residential Property Fund ARSN 150 256 161
US Masters Residential Property Fund II ARSN 676 798 468

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Interim Financial Report

For the half-year ended
30 June 2024

Responsible Entity:
**US Masters
Responsible Entity
Limited**

ACN 672 783 345 | AFSL 553 794

US MASTERS RESIDENTIAL PROPERTY GROUP
FOR THE HALF-YEAR ENDED 30 JUNE 2024

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US MASTERS RESIDENTIAL PROPERTY GROUP

CHAIR'S LETTER

FOR THE HALF-YEAR ENDED 30 JUNE 2024

Dear Investors,

I am pleased to present you with URF's ("Fund") financial results for the half year ending 30 June 2024. Following the implementation of the resolutions passed on 25 June to replace and internalise the Responsible Entity, this represents the first set of accounts prepared under the newly stapled structure. Despite a persistently elevated interest rate environment and the drain on operational cashflows associated with holding properties vacant during the continued execution of the asset sales program, the Fund's portfolio remained stable for the first six months of the year, with the Fund recognising a total comprehensive loss of A\$8.1 million (1 cent per unit).

As investors are well aware, the critical focus of the joint venture between the Fund and Brooksville remains executing the asset sales program in order to realise value and return capital to unitholders as quickly and efficiently as possible. As detailed in the 31 December 2023 accounts, the joint venture had agreed on a selling target of approximately US\$150 million during the 2024 calendar year. While this was a targeted figure (not a forecast) it was representative of the Fund's commitment to pushing the pace of the asset sales program. This target has remained our top priority throughout the half year, and subsequent to balance date, the Fund has:

- Closed on the sale of US\$69.7 million worth of property from the 1-4 family portfolio thus far in 2024;
- Entered into a binding contract or accepted an offer on an additional US\$60.4 million worth of property, which is likely (but not guaranteed) to close in the coming months;
- Listed an additional US\$35.2 million worth of property that is currently on the market for sale, and;
- Added US\$49.5 million worth of property to the listing pipeline, with these assets either currently undergoing sales preparation work or having been earmarked for an upcoming sale after receiving a notice to vacate from a tenant.

At the outset of the selling program we stated that (subject to local property market conditions holding) the Fund expected that sales volume would continue to progressively increase over time, albeit non-linearly on a month-to-month basis. This continues to come to fruition, as the Fund's sales volume in 1H 2024 (US\$54.3 million) exceeded that of 2H 2023 (US\$32.0 million) which exceeded 1H 2023 (US\$21.8 million). The Fund expects this trend will continue in 2H 2024, and with the year to date settlements now having increased to US\$69.7 million, we believe the path to successfully realising the US\$150 million sales target in 2024 will be driven by:

- **Closing on the aforementioned US\$60.4 million currently under contract or with an accepted offer.** Sales in the Fund's target markets typically – but not always – settle within 60-90 days following contract date, leaving time to settle the majority (if not all) current contracts before year end.
- **Entering into new contracts on roughly US\$20 million of property by 4Q.** Although the upcoming US Presidential elections typically create uncertainty and stall market activity, US\$20 million represents just over half of the inventory that the Fund already has listed on the market for sale. The Fund remains optimistic that it can realise this level of contracts by the September / October time period, which should allow enough time for these contracts to settle before year end.
- **Increasing available inventory through the US\$49.5 million listing pipeline.** In addition to the aforementioned volume (US\$69.7 million already sold, US\$60.4 million to settle, US\$20 million of additional contracts) the Fund has an additional US\$49.5 million worth of property in the listing pipeline that will be live on the market in the coming weeks and months. While most of this inventory is more likely to settle during 2025, a handful of these homes should be able to settle before the end of the year.

As is evident in the Fund's realised sales volume and the prices realised compared to book value, it has been pleasing to see the continued resilience of local property market conditions. While mortgage rates remained elevated for much of the year, inventory in the Fund's target markets continued to be limited, keeping prices stable. While there are signs that inventory levels are beginning to increase slightly, we are hopeful that the increased inventory will be offset by lower mortgage rates, as the recent strength in the US bond market has led to mortgage rates falling substantially over the last month.

US MASTERS RESIDENTIAL PROPERTY GROUP

CHAIR'S LETTER

FOR THE HALF-YEAR ENDED 30 JUNE 2024

During the half year, the fair value of the Fund's portfolio realised a slight fair value decrement of A\$7.8 million or 0.95% across the portfolio. Within this movement, there was particular strength exhibited in the New Jersey Workforce segment of the portfolio, which recognised a 1.98% increase in fair value. The New Jersey Premium and New York Premium segments both recognised a slight decrease in fair value (0.67% and 2.99%, respectively) with the New York Premium segment's movement largely being driven by continued weakness in Harlem, where the Fund's assets declined by 5.98%. Overall, the results of the valuation process continue to mirror the Fund's experience selling assets in each of the respective segments, with all three segments continuing to exhibit stable demand, and bidding wars now more frequently occurring on strategically priced assets in the New Jersey Workforce segment of the portfolio.

Outside of the Brooksville joint venture, the Fund settled on the sale of its Astoria, Queens multifamily asset to partner Urban American subsequent to balance date, a strong outcome for unitholders that resulted in A\$3.7 million of equity becoming available for capital management purposes. Despite this successful result, the broader NYC multifamily market remains challenged, hampered by financing conditions and a difficult regulatory environment. This is evident in the latest set of valuations on the Fund's two remaining multifamily assets in Harlem, which resulted in a decrement of the Fund's remaining A\$1.3 million equity.

Consistent with the previously released guidance, as the asset sales program continues to progress the Fund will keep returning capital to unitholders. With an exit strategy now in place, the Fund is in the process of reviewing its tax structure to ensure future repatriations of net sales proceeds from the US to Australia are completed in the most tax efficient manner possible, and we expect that this review will be completed in the coming months. As always, the Board continues to be committed to maximising value for all URF investors, and we believe that continuing to realise assets and return capital to unitholders represents the best way to do so.

I would like to take this opportunity to thank the management team at Brooksville, as we continue to work toward the agreed target of US\$150 million in sales during the 2024 calendar year and agree the business plan and selling targets for 2025 later this year.

I look forward to continuing the execution of our 2024 business plan during the second half of the year and providing investors with further updates in due course.

Regards,



Stuart Nisbett
Chair
US Masters Residential Property Group

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US MASTERS RESIDENTIAL PROPERTY GROUP
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2024

The directors of US Masters Responsible Entity Limited, the newly appointed Responsible Entity of both US Masters Residential Property Fund (**URF I**) and US Masters Residential Property Fund II (**URF II**) present their report together with the financial statements for the half-year ended 30 June 2024 of:

- the Stapled Group, consisting of URF I and its controlled entities and URF II and its controlled entities, and
- URF II and its controlled entities.

Significant changes in state of affairs

On 25 June 2024, unitholders of URF I passed simultaneous resolutions to:

- (i) replace E&P Investments Limited (**EPIL**) as responsible entity of URF I with US Masters Responsible Entity Limited, a wholly owned subsidiary of URF II.
- (ii) amend the constitution of URF I to allow its units to be stapled to those of URF II, a newly established managed investment scheme, thereby forming a stapled group. The units of URF I and URF II cannot be traded separately and can only be traded as stapled securities under the Australian Securities Exchange ticker symbol URF (**URF Stapled Securities**).

Mr. Stuart Nisbett, Mr. Peter Shear (both previous directors of EPIL) and Mr. Jack Lowenstein (appointed 25 June 2024) are directors of US Masters Responsible Entity Limited.

Other than the matters discussed above, there were no significant changes in the state of affairs which occurred during the half-year ended 30 June 2024.

Principal activities and significant changes in the nature of activities

The principal activity of the Stapled Group during the course of the financial period was investment in the US residential property market. The Stapled Group owns freestanding and multi-family properties in the New York metropolitan area, specifically Hudson County, New Jersey, and Brooklyn and Manhattan, New York. There were no significant changes in the nature of the Stapled Group's activities during the period.

Financial performance and position

For the period ended 30 June 2024, the Stapled Group recorded a pre-tax loss of \$20.4 million, a post-tax loss of \$17.9 million and a total comprehensive loss of \$8.1 million.

For the period 25 June 2024 to 30 June 2024, URF II recorded a pre-tax loss of \$48,000.

Distributions paid or recommended

A distribution of \$0.01 per ordinary unit totalling \$7.2 million was declared on 5 March 2024 and was paid to unitholders of URF I on 5 April 2024 (prior to the stapling arrangement).

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US MASTERS RESIDENTIAL PROPERTY GROUP

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2024

After balance date events

Subsequent to balance date, as of 23 August 2024, the Stapled Group has bought back 4.6 million URF Stapled Securities for total consideration of \$1.4 million.

At balance date, the Stapled Group was under contract to sell its equity interest in 30-58/64 34th Street Venture LLC for US\$3.2 million. Subsequent to balance date, the transaction completed at the contracted price. The Stapled Group no longer has an economic interest in this venture.

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

Auditor's independence declaration

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 30 June 2024.

Signed in accordance with a resolution of the Directors:



Stuart Nisbett
Director
US Masters Residential Property Group

Dated this 30th day of August 2024

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30 August 2024

The Board of Directors
US Masters Responsible Entity Limited
as Responsible Entity for:
US Masters Residential Property Fund and
US Masters Residential Property Fund II
Level 32, 1 O'Connell Street, Sydney, NSW 2000

Dear Board Members

**Auditor's Independence Declaration to US Masters Responsible Entity Limited as Responsible Entity for
US Masters Residential Property Fund and US Masters Residential Property Fund II**

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

As lead audit partner for the review of the half-year financial report of US Masters Residential Property Fund for the half-year ended 30 June 2024 and US Masters Residential Property Fund II for the period 25 June 2024 to 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



David Haynes
Partner
Chartered Accountants

US MASTERS RESIDENTIAL PROPERTY GROUP

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Stapled Group		URF II
		For the 6 months ended 30 Jun 2024	For the 6 months ended 30 Jun 2023	For the period 25 to 30 Jun 2024
		\$'000	\$'000	\$'000
Investment property rental income		20,462	21,981	-
Interest income		344	225	-
Dividends from equity investments		-	857	-
Insurance proceeds		-	1,252	-
Other income		142	225	-
Responsible entity fee income	14	-	-	44
Fair value movement of investment properties	5	(7,765)	7,322	-
Fair value movement of equity investments	3	(1,265)	(4,238)	-
Investment property expenses		(8,803)	(8,127)	-
Net foreign currency loss		(434)	(297)	-
Public company costs		(98)	(109)	(47)
Professional fees		(1,929)	(251)	-
IT expenses		(135)	(224)	-
Management fees - related party	14	(382)	(425)	-
Management fees - external	11	(1,338)	(1,343)	-
Promote incentive	11	(282)	(659)	-
Salaries and wages		-	(425)	-
Recharged expenses	11	(1,922)	(1,501)	-
Administrative costs	14	(187)	(278)	(14)
Interest expense		(10,435)	(10,887)	-
Investment property disposal costs		(5,155)	(2,168)	-
Impairment loss on financial assets		(772)	(793)	-
Other insurance expense		(140)	(127)	(31)
Depreciation and amortisation expense		(17)	(188)	-
Impairment of right-of-use asset		-	(482)	-
Other expenses		(338)	(181)	-
Loss before income tax		(20,449)	(841)	(48)
Income tax benefit/(expense)	6	2,508	(1,387)	-
Loss for the period		(17,941)	(2,228)	(48)
Loss for the period attributable to:				
Unitholders of the Stapled Group		(17,810)	(2,291)	(48)
Non-controlling interests		(131)	63	-
		(17,941)	(2,228)	(48)
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange difference on translation of foreign operation (nil tax)		9,795	10,379	-
Other comprehensive income for the period, net of tax		9,795	10,379	-
Total comprehensive (loss)/income for the period		(8,146)	8,151	(48)
Total comprehensive (loss)/income for the period attributable to:				
Unitholders of the Stapled Group		(8,015)	8,088	(48)
Non-controlling interests		(131)	63	-
		(8,146)	8,151	(48)
Earnings per unit				
Basic loss per stapled security (dollars) *		(0.02)	(0.00)	(0.00)
Diluted loss per stapled security (dollars) *		(0.02)	(0.00)	(0.00)

* Basic and diluted loss per stapled security is calculated as loss for the period after tax divided by the weighted average number of units.

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

US MASTERS RESIDENTIAL PROPERTY GROUP
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	Stapled Group		URF II
		30 Jun 2024 \$'000	31 Dec 2023 \$'000	30 Jun 2024 \$'000
Current assets				
Cash and cash equivalents		45,684	36,695	3,411
Receivables	2	752	674	44
Prepayments		1,109	1,329	221
Other financial assets held for sale	3	4,478	5,873	-
Other assets	4	155	166	-
Net investment in sublease		1,024	970	-
Investment properties held for sale	5	177,317	91,494	-
Total current assets		230,519	137,201	3,676
Non-current assets				
Investment properties	5	634,823	786,859	-
Other assets	4	9,135	11,076	-
Net investment in sublease		722	1,217	-
Property, plant and equipment		-	16	-
Security deposits		196	192	-
Total non-current assets		644,876	799,360	-
Total assets		875,395	936,561	3,676
Current liabilities				
Payables	7	6,497	5,456	313
Lease liabilities		1,236	1,406	-
Total current liabilities		7,733	6,862	313
Non-current liabilities				
Provisions	8	4,448	3,845	-
Deferred tax liabilities	6	45,389	46,920	-
Borrowings	9	417,013	456,226	-
Lease liabilities		750	1,271	-
Other non-current liabilities		187	195	-
Total non-current liabilities		467,787	508,457	-
Total liabilities		475,520	515,319	313
Net assets		399,875	421,242	3,363
Equity				
Unit capital	10	604,948	617,998	3,411
Reserves		204,531	194,736	-
Accumulated losses		(411,216)	(393,406)	(48)
Equity attributable to unitholders of the Stapled Group		398,263	419,328	3,363
Non-controlling interests		1,612	1,914	-
Total equity		399,875	421,242	3,363

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

US MASTERS RESIDENTIAL PROPERTY GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2024

STAPLED GROUP

Note	Unit capital \$'000	Convertible step-up preference units \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Attributable to unitholders \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2023	449,223	184,096	194,336	(374,439)	453,215	2,202	455,416
Loss/(profit) for the period	-	-	-	(2,291)	(2,291)	63	(2,228)
Other comprehensive income, net of income tax							
Foreign operation currency translation gain	-	-	10,379	-	10,379	-	10,379
Total other comprehensive income	-	-	10,379	-	10,379	-	10,379
Total comprehensive income/(loss) for the period	-	-	10,379	(2,291)	8,088	63	8,151
Transactions with owners in their capacity as owners							
Issue of ordinary units	2,416	-	-	-	2,416	-	2,416
Unit buybacks	(8,971)	-	-	-	(8,971)	-	(8,971)
CPU conversion to ordinary units	184,096	(184,096)	-	-	-	-	-
Distributions to ordinary unitholders	(7,308)	-	-	-	(7,308)	-	(7,308)
Total transactions with owners	170,233	(184,096)	-	-	(13,863)	-	(13,863)
Balance at 30 June 2023	619,456	-	204,715	(376,730)	447,440	2,265	449,704
Balance at 1 January 2024	617,998	-	194,736	(393,406)	419,328	1,914	421,242
Loss for the period	-	-	-	(17,810)	(17,810)	(131)	(17,941)
Other comprehensive income, net of income tax							
Foreign operation currency translation gain	-	-	9,795	-	9,795	-	9,795
Total other comprehensive income	-	-	9,795	-	9,795	-	9,795
Total comprehensive income/(loss) for the period	-	-	9,795	(17,810)	(8,015)	(131)	(8,146)
Distributions paid to non-controlling interest	-	-	-	-	-	(171)	(171)
Transactions with owners in their capacity as owners							
Unit buybacks	(5,816)	-	-	-	(5,816)	-	(5,816)
Distributions to ordinary unitholders	(7,234)	-	-	-	(7,234)	-	(7,234)
Total transactions with owners	(13,050)	-	-	-	(13,050)	-	(13,050)
Balance at 30 June 2024	604,948	-	204,531	(411,216)	398,263	1,612	399,875

URF II

Note	Unit capital \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 25 June 2024	-	-	-
Loss for the period	-	(48)	(48)
Total comprehensive loss for the period	-	(48)	(48)
Transactions with owners in their capacity as owners			
Issue of ordinary units	3,411	-	3,411
Total transactions with owners	3,411	-	3,411
Balance at 30 June 2024	3,411	(48)	3,363

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

US MASTERS RESIDENTIAL PROPERTY GROUP
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Note</i>	Stapled Group		URF II
	For the 6 months ended 30 Jun 2024	For the 6 months ended 30 Jun 2023	For the period 25 to 30 Jun 2024
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Cash receipts from customers	19,766	21,355	-
Cash paid to suppliers	(13,001)	(12,164)	-
Insurance proceeds	-	420	-
Interest received	303	235	-
Interest paid	(9,376)	(9,942)	-
Management fees paid	(1,656)	(1,473)	-
Net cash used in operating activities	(3,964)	(1,569)	-
Cash flows from investing activities			
Payments for improvements to investment properties	(3,708)	(2,504)	-
Deposit proceeds from the sale of equity investments	258	-	-
Proceeds from sale of investment properties	82,515	32,787	-
Disposal costs on sale of investment properties	(5,155)	(2,168)	-
Distributions received from equity investments	-	857	-
Net cash from investing activities	73,910	28,972	-
Cash flows from financing activities			
Ordinary Unit buybacks	(5,816)	(8,971)	-
Bank loan repayments	(49,571)	(18,475)	-
Refund of interest reserve and escrow accounts	5,485	2,023	-
Payment of interest reserve and escrow accounts	(3,766)	(3,921)	-
Distributions paid - ordinary unitholders	(7,211)	-	-
Distributions paid - CPU holders	-	(3,432)	-
Distributions paid - non-controlling interest	(171)	-	-
Withholding tax paid	(22)	(656)	-
Lease payments	(758)	(657)	-
Cash receipts from net investment in sublease	493	449	-
Proceeds from in-specie distribution	-	-	3,411
Net cash (used in)/provided by financing activities	(61,337)	(33,640)	3,411
Net increase/(decrease) in cash and cash equivalents	8,609	(6,237)	3,411
Cash and cash equivalents at beginning of period	36,695	43,838	-
Effect of exchange rate fluctuations on cash held	380	521	-
Cash and cash equivalents at end of period	45,684	38,122	3,411

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

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US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

1. Basis of preparation

Units of US Masters Residential Property Fund (**URF I**) and units of US Masters Residential Property Fund II (**URF II**) are stapled together to form US Masters Residential Property Group (**Stapled Group**). Australian Accounting Standards require the identification of an acquirer and an in-substance acquisition to be recognised in respect of this stapling arrangement. In relation to the Stapled Group, URF I is identified as the acquirer of URF II.

The Stapled Group has applied *ASIC Corporations (Stapled Group Reports) Instrument 2015/838*. Accordingly, the condensed consolidated financial statements and accompanying notes of the Stapled Group are presented together with the condensed consolidated financial statements and accompanying notes of URF II and its controlled entities.

The Stapled Group has also applied *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the condensed consolidated financial statements and accompanying notes have been rounded to the nearest one thousand dollars, unless otherwise indicated.

A) Statement of compliance

The consolidated financial statements are general purpose condensed financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**), including AASB 134: Interim Financial Reporting, and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the consolidated financial statements comply with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

This interim financial report is intended to provide users with an update on the latest annual financial statements of US Masters Residential Property Fund. The half-year financial statements do not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report, together with any public announcements made during the half-year.

These half-year financial statements were approved by the Board of Directors of US Masters Responsible Entity Limited on 30 August 2024.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

B) Use of estimates and judgements

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

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

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

i) Fair value of investment property assets

The Stapled Group estimates the fair value of investment properties at each reporting date based on assessment of market sale prices at or around balance date of comparable properties using available market data. The Stapled Group engages external licensed property valuers and agents to assist in this assessment - note 5(i).

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US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

1. Basis of preparation (continued)

C) Use of estimates and judgements (continued)

ii) Deferred tax liability recognition

The Stapled Group recognises a deferred tax liability in respect of tax obligations which may arise in connection with the realisation and distribution to Australia of taxable gains generated in the United States. Under the existing structure of the US vehicle, taxable gains distributed from the United States to Australia are currently subject to withholding tax at a rate of 15% but may range from 0% to 24.95%, incorporating both corporate and branch profit taxes, depending on the structure and manner of the realisation.

The Stapled Group continues to evaluate the most effective tax structure of the US vehicle as it executes its exit strategy from the US.

Amendments to Accounting Standards and new Interpretations that are mandatory effective from the current reporting period

The Stapled Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period.

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US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

2. Receivables

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	30 Jun 2024
	\$'000	\$'000	\$'000
Receivables - rental debtors	2,256	2,093	-
Loss allowance for rental debtors	(1,764)	(1,566)	-
Other receivables	260	147	44
	752	674	44

3. Other financial assets held for sale

Other financial assets held for sale relate to equity investments held in the following investees:

Investee	Country of Incorporation	Principal activity	Principal place of business	30 Jun 2024	31 Dec 2023
				%	%
30-58/64 34th Street Venture LLC (i)	USA	Property investment	Astoria, NY	65.0%	65.0%
515 West 168th Venture LLC (i)	USA	Property investment	Washington Heights, NY	63.7%	63.7%
523 West 135th Street Venture LLC (i)	USA	Property investment	Hamilton Heights, NY	64.7%	64.7%

The table below shows the movement in the Stapled Group's economic interest in the investees during the period:

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	30 Jun 2024
	\$'000	\$'000	\$'000
Balance at beginning of period	5,873	10,287	-
Fair value movement of equity investments (ii)	(1,265)	(4,507)	-
Deposit proceeds on the sale of equity investments	(258)	-	-
Exchange rate differences on translation	128	93	-
Balance at end of period	4,478	5,873	-

At balance date, the Stapled Group was under contract to sell its equity interest in 30-58/64 34th Street Venture LLC for US\$3.2 million to Urban American III, LLC, the venture's Operating Member. Subsequent to balance date, the transaction completed at the contracted price. The Stapled Group no longer has an economic interest in this venture.

- (ii) During the period, the investment properties owned by 515 West 168th Venture LLC and 523 West 135th Street Venture LLC were appraised at US\$11 million and US\$4.1 million respectively. At balance date, the investees had borrowings of US\$12.8 million and US\$4.2 million respectively and accordingly the carrying value of each investment has been written down to nil. The debt of each investee is non-recourse to the Stapled Group.

¹ The Stapled Group does not have existing rights that give it the current ability to direct the relevant activities of the Investee and therefore does not exercise control of the Investee. Similarly, the Stapled Group does not have significant influence over the Investee. Accordingly, the investment has been designated as a financial asset at fair value through profit or loss

US MASTERS RESIDENTIAL PROPERTY GROUP
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3. Other financial assets held for sale

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

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

The Group has classified its equity investments as follows:

Class of investment	Fair value hierarchy level	Stapled Group		URF II	30 Jun 2024 inputs	31 Dec 2023 inputs
		Fair value (\$'000) 30 Jun 2024	Fair value (\$'000) 31 Dec 2023	Fair value (\$'000) 30 Jun 2024		
Equity investments - fair value	Level 2	4,478	4,635	-	Contract value	Contract value
Equity investments - fair value	Level 3	-	1,238	-	Capitalisation rates ranging from 6.87% to 7.24%	Market feedback
		4,478	5,873	-		

Reconciliation of Level 3 fair value measurement of financial instruments

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

	Stapled Group		URF II
	30 Jun 2024 \$'000	31 Dec 2023 \$'000	30 Jun 2024 \$'000
Balance at beginning of period	1,238	10,287	-
Total losses in profit or loss	(1,265)	(4,507)	-
Transfers out of level 3	-	(4,635)	-
Exchange rate differences on translation	27	93	-
Balance at end of period	-	1,238	-

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4. Other assets

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	30 Jun 2024
	\$'000	\$'000	\$'000
Current assets			
Other assets (escrow deposits and receivables)	155	195	-
	<u>155</u>	<u>195</u>	<u>-</u>

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	30 Jun 2024
	\$'000	\$'000	\$'000
Non-current assets			
Borrowing facility reserve accounts (refer note 9)	7,467	8,954	-
Other assets (i)	1,668	2,122	-
	<u>9,135</u>	<u>11,076</u>	<u>-</u>

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

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US MASTERS RESIDENTIAL PROPERTY GROUP
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5. Investment properties

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	30 Jun 2024
	\$'000	\$'000	\$'000
Disclosed on the Condensed Consolidated Statement of Financial Position as:			
Current assets			
Investment properties held for sale (i)	177,317	91,494	-
Non-current assets			
Investment properties	634,823	786,859	-
	812,140	878,353	-

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	30 Jun 2024
	\$'000	\$'000	\$'000
At fair value			
Balance at beginning of period	878,353	949,292	-
Payments for improvements to investment properties	4,098	8,868	-
Fair value movement of investment properties to market	(7,765)	2,114	-
Fair value movement of investment properties due to damage (ii)	-	(2,734)	-
Disposals	(82,892)	(82,094)	-
Exchange rate differences on translation	20,346	2,907	-
Balance at end of period	812,140	878,353	-

- (i) Under the Investment Property accounting standard, selling costs are excluded from the assessment of fair value. We note that as the Stapled Group realises these assets, selling costs in the range of 6-9% are typically incurred. The average selling costs incurred during the half-year ended 30 June 2024 were 6%.
- (ii) The fair value movement attributable to impairment relates to water, fire and façade damage incurred during the prior year.

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

i) Valuation basis

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

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

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

US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

5. Investment properties (continued)

- County Appraisals, LLC (licensed residential appraiser)
- Accurate Appraisals Associates, LLC (licensed residential appraiser)
- Platinum Coast Appraisal & Co. (licensed residential appraiser)
- Glenn A. Gabberty Appraisals, Inc. (licensed residential appraiser)
- Douglas Elliman Real Estate (licensed real estate agent)
- Patrick Southern Coldwell Banker (licensed real estate agent)
- Ari Harkov, Brown Harris Stevens (licensed real estate agent)

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

The valuation results of the appraised properties, excluding outliers, were used to determine the average result for each neighbourhood. The average result for each neighbourhood is then extrapolated over the properties which were not subject to individual appraisal during the period, thereby achieving an overall valuation outcome for each neighbourhood and accordingly the entire portfolio.

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

At 30 June 2024, the Stapled Group has classified its property portfolio as a Level 2 hierarchy level asset due to its fair value measurement being based on inputs (other than unadjusted quoted prices in active markets for identical assets) that are observable for the assets, either directly or indirectly, as follows:

Class of property	Fair value hierarchy level	Stapled Group		URF II	Valuation technique	Inputs
		Fair value (\$'000) 30 Jun 2024	Fair value (\$'000) 31 Dec 2023	Fair value (\$'000) 30 Jun 2024		
Residential use investment property	Level 2	812,140	878,353	-	Direct comparable sales	- Selling price - Geographic location - Property age and condition - Size of Property - Number of rooms

The fair value of the Stapled Group’s portfolio of investment properties at 30 June 2024 was determined based on market conditions existing at balance date. A sensitivity analysis has been performed on the fair value adopted at 30 June 2024 below to consider the movement in the fair value of the portfolio if the percentage fair value movements in each neighbourhood were to increase or decrease.

Key Assumptions	
5% decrease in sales price	5% increase in sales price
Change in total value (\$'000)	(40,607) 40,607

US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

6. Deferred tax liabilities

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	30 Jun 2024
	\$'000	\$'000	\$'000
Investment properties	45,389	46,920	-
Movements			
Balance at beginning of period	46,920	47,139	-
Credited to profit or loss as income tax benefit	(2,530)	(197)	-
Unrealised foreign exchange loss/(gain)	999	(22)	-
Balance at end of period	45,389	46,920	-

Income tax benefit is comprised of:

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	25 to 30 June 2024
	\$'000	\$'000	\$'000
Deferred tax credited to profit or loss	(2,530)	(197)	-
State and withholding tax payable	22	73	-
Income tax benefit	(2,508)	(124)	-

The Stapled Group recognises a deferred tax liability in respect of tax obligations which may arise in connection with the realisation and distribution to Australia of taxable gains generated in the United States. Under the existing structure of the US vehicle, taxable gains distributed from the United States to Australia are currently subject to withholding tax at a rate of 15% but may range from 0% to 24.95%, incorporating both corporate and branch profit taxes, depending on the structure and manner of the realisation.

The Stapled Group continues to evaluate the most effective tax structure of the US vehicle as it executes its exit strategy from the US.

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US MASTERS RESIDENTIAL PROPERTY GROUP
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FOR THE HALF-YEAR ENDED 30 JUNE 2024

7. Payables

	Stapled Group		URF II
	30 Jun 2024 \$'000	31 Dec 2023 \$'000	30 Jun 2024 \$'000
Trade payables	180	628	66
Interest payable	1,428	1,590	-
Other payables	4,889	3,238	247
	6,497	5,456	313

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

8. Provisions

	Stapled Group		URF II
	30 Jun 2024 \$'000	31 Dec 2023 \$'000	30 Jun 2024 \$'000
Provision for promote interest			
Opening balance	3,845	2,139	-
Interest expense	243	351	-
Promote charge recognised during the period	282	1,378	-
Exchange rate differences on translation	78	(23)	-
Closing balance	4,448	3,845	-

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

The Stapled Group has estimated the value of the promote interest at balance date using a discounted cash flow model. In making its estimation, the Stapled Group has exercised judgement to form reasonable valuation inputs in respect of the length of the sell down period, future selling prices, disposal costs, repayment of borrowings and the discount rate used. Based on the Stapled Group's estimation, it is not expected that the required return hurdle will be satisfied within 12 months of balance date and accordingly the provision has been classified as a non-current liability. These judgements will be revisited each reporting period and revised where necessary.

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US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

9. Borrowings

	Stapled Group		URF II
	30 Jun 2024 \$'000	31 Dec 2023 \$'000	30 Jun 2024 \$'000
Non-current liabilities			
Secured bank loans — at amortised cost	417,013	456,226	-
	417,013	456,226	-

Bank borrowings

Details of maturity dates and security for bank facilities are set out below:

					Stapled Group		URF II
					30 Jun 2024 Principal amount – amortised cost \$'000	31 Dec 2023 Principal amount – amortised cost \$'000	30 Jun 2024 Principal amount – amortised cost \$'000
Financial institution	Interest rate	Maturity date	Security	Property security value – fair value \$'000			
Global Atlantic	(i)	(i)	(i)	797,628	417,013	456,226	-
					417,013	456,226	-

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9. Borrowings (continued)

- (i) At balance date, the outstanding loan facility and balance was US\$279.4 million.

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

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

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

Under the terms of the facility, there is a limit to the amount that can be repaid early before incurring a Yield Maintenance Premium. This limit is referred to as the Free Prepayment Amount, and is US\$54M during the Yield Maintenance Period of the facility (refer paragraph below). The US\$54M Free Prepayment Amount is subject to a limit that can be repaid early in any one given year. This annual limit is referred to as the Free Prepayment Annual Amount, and is calculated as 5% of the initial balance of the facility (US\$360M), or US\$18M per year. The annual repayment limit is cumulative, meaning that any unused repayment limit of one year is available to be carried forward to increase the Free Prepayment Annual Amount of subsequent years. For example, if in Year 1 the Stapled Group made early repayments equivalent to 2% of the inception facility balance, then in Year 2 the Stapled Group can make early repayments equivalent to 8% of the inception facility balance before triggering a Yield Maintenance Premium.

The Yield Maintenance Premium is applicable only during the Yield Maintenance Period, which period covers the first 4.5 years of the loan facility. No Yield Maintenance Premium is payable on any early repayment following the expiration of the Yield Maintenance Period. During the period, the Stapled Group incurred US\$266,000 (A\$399,000) in Yield Maintenance Premium.

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

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US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

9. Borrowings (continued)

The loan facility is secured by the following:

- A charge over the following subsidiaries of URF I in which collateralised property assets are held
 - Collingwood URF LLC
 - Carlton URF LLC
 - St Kilda LLC
 - Melbourne LLC
 - Geelong LLC
 - NJ Penelope LLC
 - NRL URF LLC
 - NY Oakland LLC
 - Brisbane URF LLC
 - Essendon LLC
 - Fremantle LLC
- A guarantee given by Jett URF Holdings LLC and Kenny URF Holdings LLC, as Equity Owners of the borrowing entities listed above.
- A guarantee given by US Masters Residential Fund (USA) Fund.
- US\$5.0 million (A\$7.5 million) placed in interest, taxes, insurance and capex reserves.
- A Deposit Account Control Agreement in respect of the Rent Deposit Account, an account into which all tenant rent is received and which is swept daily by the loan servicer to cover interest and replenishment of required reserves.

The total value of the security at balance date in respect of the GA facility is \$807.8 million including property assets valued at \$797.6 million.

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

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

Facility	Principal drawn \$'000	Principal available \$'000	Total \$'000
Global Atlantic	418,899	-	418,899
	418,899	-	418,899

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FOR THE HALF-YEAR ENDED 30 JUNE 2024

10. Capital and reserves

On 25 June 2024, 705,716,984 ordinary units were issued in URF II at a price of 0.48 cents and were simultaneously stapled to the ordinary units in URF I via an in-specie distribution to unitholders of URF I. The units of URF I and URF II cannot be traded separately and can only be traded as stapled securities under the Australian Securities Exchange ticker symbol URF (**URF Stapled Securities**).

Holders of URF Stapled Securities are entitled to receive distributions as declared. On a show of hands every holder present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each security holder is entitled to one vote.

	Stapled Group		URF II
	30 Jun 2024	31 Dec 2023	30 Jun 2024
	\$'000	\$'000	\$'000
705,332,850 fully paid ordinary units (31 Dec 2023: 726,177,358)	604,948	617,998	3,411

(a) Issued ordinary units

Balance at beginning of the year	617,998	449,223	-
1,803,775 CPUs converted to 369,773,875 units	-	184,096	-
9,291,741 units issued at \$0.26	-	2,416	-
10,135,767 units issued at \$0.28	-	2,838	-
705,716,984 units issued at \$0.0048	-	-	3,411
Unit buybacks	(5,816)	(13,267)	-
Ordinary distribution	(7,234)	(7,308)	-
Balance at end of the year	604,948	617,998	3,411

Date	Details	Stapled Group		URF II
		30 Jun 2024	31 Dec 2023	30 Jun 2024
		No.	No.	No.
1 January	Balance at beginning of the year	726,177,358	381,559,602	-
3 January 2023	Conversion to ordinary units	-	369,773,875	-
24 February 2023	Distribution reinvestment	-	9,291,741	-
21 July 2023	Distribution reinvestment	-	10,135,767	-
25 June 2024	Issue of stapled securities	-	-	705,716,984
2023	Unit buybacks	-	(44,583,627)	-
2024	Unit buybacks	(20,844,508)	-	(384,134)
	Number of ordinary units outstanding	705,332,850	726,177,358	705,332,850

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US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

11. Management fees, promote incentive and recharged expenses

Management fees

	<u>Stapled Group</u>		<u>URF II</u>
	<u>For the 6 months ended 30 Jun 2024</u>	<u>For the 6 months ended 30 Jun 2023</u>	<u>For the period 25 to 30 Jun 2024</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Asset management fee (i)	783	748	-
Property management fee (ii)	555	595	-
	<u>1,338</u>	<u>1,343</u>	<u>-</u>

- (i) Pursuant to the Asset Management Agreement, Brooksville is entitled to an Asset Management Fee of US\$1 million per year, subject to annual CPI adjustments.
- (ii) Pursuant to the Property Management Agreement, Pinnacle City Living (**Pinnacle**) is entitled to a Property Management Fee of 2.85% of gross receipts collected.

Promote incentive

	<u>Stapled Group</u>		<u>URF II</u>
	<u>For the 6 months ended 30 Jun 2024</u>	<u>For the 6 months ended 30 Jun 2023</u>	<u>For the period 25 to 30 Jun 2024</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Promote incentive (refer note 8)	282	659	-
	<u>282</u>	<u>659</u>	<u>-</u>

Recharged expenses

Figures in the commentary below have not been rounded.

Under the terms of the respective agreements, Brooksville and Pinnacle are entitled to recover direct expenses incurred in the management of the portfolio. Recharged expenses primarily relate to payroll costs in respect of leasing and property management services, construction management services, office administration costs, and compliance costs. During the year, the total amount recharged to the Stapled Group was \$1,955,851 (30 June 2023: \$1,500,666). Of this amount, construction management services totalling \$34,015 (30 June 2023: nil) were capitalised to the relevant investment properties.

12. Capital commitments

The Stapled Group had no capital commitments at balance date (31 December 2023: nil).

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US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

13. Contingent liabilities

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

	Stapled Group		URF II
	30 Jun 2024 \$'000	31 Dec 2023 \$'000	30 Jun 2024 \$'000
Not later than one year	1,142	1,118	-
Later than one year and not later than five years	761	1,305	-
	1,903	2,423	-

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

14. Related parties

Key management personnel

On 25 June 2024, US Masters Responsible Entity Limited replaced E&P Investments Limited (**EPIL**) as responsible entity of the Stapled Group.

Mr. Stuart Nisbett, Mr. Peter Shear and Mr. Warwick Keneally were directors of EPIL and were deemed key management personnel during the period that EPIL provided responsible entity services to URF 1.

Mr. Stuart Nisbett, Mr. Peter Shear and Mr. Jack Lowenstein are directors of US Masters Responsible Entity Limited and are deemed key management personnel of the Stapled Group.

At balance date, Mr. Stuart Nisbett owned 18,462 URF Stapled Securities. Neither Mr. Peter Shear nor Mr. Jack Lowenstein owned URF Stapled Securities.

Mr. Stuart Nisbett and Mr. Warwick Keneally received 18,462 and 77,652 units respectively in relation to the in-specie distribution of URF II units to unitholders of URF I.

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US MASTERS RESIDENTIAL PROPERTY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2024

14. Related parties (continued)

Responsible Entity fee

Figures in the commentary below have not been rounded.

During the period it was responsible entity, EPIL was entitled to charge a fee equivalent to 0.08% (exclusive of GST) of the gross assets of URF I. For the half-year ended 30 June 2024, \$381,564 (30 June 2023: \$425,019) was paid to EPIL. The amount owed to EPIL at 30 June 2024 was nil (31 December 2023: \$64,854).

Under the previous agreements, EPIL was also entitled to recover direct expenses incurred in the provision of responsible entity services. For the half-year ended 30 June 2024, \$112,033 (30 June 2023: \$206,682) was recharged by EPIL and is included in 'Administrative costs' in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Under the new agreements, US Masters Responsible Entity Limited is entitled to charge a cost recovery-based management fee payable from the assets of the Stapled Group. For the period 25 to 30 June 2024, expenses totalling \$43,572 were recharged to the Stapled Group.

15. Subsequent events

Subsequent to balance date, as of 23 August 2024, the Stapled Group has bought back 4.6 million URF Stapled Securities for total consideration of \$1.4 million.

At balance date, the Stapled Group was under contract to sell its equity interest in 30-58/64 34th Street Venture LLC for US\$3.2 million to Urban American. Subsequent to balance date, the transaction completed at the contracted price. The Stapled Group no longer has an economic interest in this venture.

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

16. Operating segments

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

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

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US MASTERS RESIDENTIAL PROPERTY GROUP

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2024

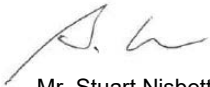
The directors of the Responsible Entity for US Masters Residential Property Group (the Stapled Group) declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Stapled Group will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Stapled Group.

Signed in accordance with a resolution of directors of the Responsible Entity made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Mr. Stuart Nisbett
Director
US Masters Residential Property Group

Dated this 30th day of August 2024

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Independent Auditor's Review Report to the Stapled Security Holders of US Masters Residential Property Fund and US Masters Residential Property Fund II

Conclusion

We have reviewed the half-year financial report of US Masters Residential Property Fund and US Masters Residential Property Fund II (the 'Funds'), which comprises the condensed consolidated statements of financial position as at 30 June 2024, and the condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of cash flows and the condensed consolidated statements of changes in equity for the half-year ended on that date for US Masters Residential Property Fund and for the period 25 June 2024 to 30 June 2024 for US Masters Residential Property Fund II, notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial reports of the Funds do not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as at 30 June 2024 and of the performance of US Masters Residential Property Fund for the half-year ended on that date and the performance of US Masters Residential Property Fund II for the period 25 June 2024 to 30 June 2024; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Funds in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Funds, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 30 June 2024 and the performance of US Masters Residential Property Fund for the half-year ended on that date and the performance of US Masters Residential Property Fund II for the period 25 June 2024 to 30 June 2024, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



David Haynes
Partner
Chartered Accountants
Sydney, 30 August 2024

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