

**PASSIVE INCOME  
(USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES**

**ARSN 155 770 095**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2021**

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2021**

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**TABLE OF CONTENTS**

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	<b>Page</b>
Table Of Contents	i
Directors' Report	1
Auditor's Independence Declaration	9
Interim Financial Report For The Half Year Ended 30 June 2021	
Condensed Consolidated Statement Of Profit & Loss	10
Condensed Consolidated Statement Of Financial Position	11
Condensed Consolidated Statement Of Changes In Net Assets Attributable To Unitholders	12
Condensed Consolidated Statement Of Cash Flows	13
Notes To The Consolidated Condensed Financial Statements	14
Directors' Of Responsible Entity Declaration	23
Independent Review Report	24

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**DIRECTORS' REPORT**

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The Directors of Plantation Capital Ltd - the Responsible Entity of the Passive Income (USA Commercial Property) Fund (the Fund), a Managed Investment Scheme, present their report together with the interim financial statements of the Fund for the half year ended 30 June 2021 (financial period). This financial report has been prepared in accordance with Australian Accounting Standards.

**Principal Activities**

The Fund is an unlisted property fund that seeks to generate passive income and growth returns via its controlling interest in Ozinus Realty, LLC (REIT) - a USA-based real estate investment trust that controls a diversified portfolio of commercial properties located in the United States of America (US).

The Fund's investment activities continued to be in accordance with its investment policy as outlined in its Product Disclosure Statement (PDS) dated 4 July 2018. The Fund, via its controlled subsidiaries, has primarily invested in USA based commercial properties.

The Fund did not have any employees during the period; however Sunizo, LLC – a wholly owned subsidiary of the REIT, and hence the Fund, and that manages the property portfolio, had ten employees.

**Directors**

The Directors of the Responsible Entity during the period or since the end of the financial period are:

*Stephen (Steve) McKnight – Chairman, Director & Secretary*

Chartered Accountant, Bachelor of Business (Accounting), Diploma Financial Services

Steve, a qualified chartered accountant and experienced investor, is recognised as one of Australia's foremost authorities on property investment as a means of creating personal wealth. Since buying his first investment property in May 1999, Steve has completed hundreds of property transactions. Presently, his real estate portfolio includes commercial properties in Australia and the USA, together with a substantial investment in the Fund.

Steve is the co-founder and current Chief Executive Officer of PropertyInvesting.com, a website that is committed to educating investors on how to successfully use real estate to create wealth. His first book, *From 0 to 130 Properties in 3.5 Years*, has sold over 200,000 copies. Steve has been featured as an expert investor in the print media, on television and on radio. He has contributed keynote addresses on real estate investing in Australia, New Zealand, Asia, Canada and the USA.

*Paul Harper – Director*

Chartered Accountant, Master of Entrepreneurship and Innovation, Bachelor of Business (Accounting)

Paul has worked in the finance and accounting industry for more than 27 years, including 15 years as a partner at Jeena Limited, a Melbourne-based firm of Chartered Accountants that provided taxation, accounting and investment services to high-net wealth clients and families.

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AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**DIRECTORS' REPORT (CONT'D)**

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**Directors (Cont'd)**

*Paul Harper – Director (cont'd)*

Recently Paul has been pursuing real estate acquisition and development opportunities in regional and rural markets. Paul also continues to hold a number of board and advisory positions within the financial sector. In addition to holding a Masters in Entrepreneurship and Innovation and a Bachelor of Business (Accounting), Paul is a Fellow of the Institute of Chartered Accountants.

*Keith Woodhead – Director*

Master of Business Administration, Bachelor of Surveying, Graduate Diploma (Town Planning), licensed Estate Agent.

Keith is a highly experienced property professional with specific expertise in numerous property aspects, including acquisitions, disposals, subdivision, leasing, construction, and project and development management. His property-based experience also includes direct property assets and listed and unlisted property trusts across a range of property sectors including rural, residential, retail, industrial and commercial.

Much of Keith's work has been within the property funds management sector, where he has been largely responsible for debt and equity raisings, offer document preparation, product management, corporate governance, compliance and transaction management.

**Review of Operations & Financial Results**

*Profit*

The Fund's half year profit before tax was \$1,499,078 (2020: \$4,699,549). The result is lower than the previous corresponding period because the prior period included realised gains on sale of properties and gains from a positive movement in fair market values stemming from property revaluations. During the current period no properties were sold, hence there were no realised gains to report. Furthermore, no properties had been revalued as the Directors did not believe there had been a material change in property values. Rental income declined as expected as there were fewer properties owned in this financial period than the prior financial period.

The employees of Sunizo LLC, our in-house management team, have continued to work hard in difficult circumstances, as they manage the effects that COVID-19 has had on the REIT's tenants. The management team in Australia is in regular dialogue with the team in the US, and pleasingly the number and amount of rental delinquencies is well within expectations.

The USD strengthened marginally against the AUD resulting in a benefit to investors as reflected in the increase in the Foreign Currency Translation Reserve in the Fund's balance sheet.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**DIRECTORS' REPORT (CONT'D)**

**Review of Operations & Financial Results (Cont'd)**

*Units & Unit Price*

There is only one class of issued units, the rights and entitlements thereof are detailed in the Fund's PDS dated 4 July 2018, and in the Fund's Constitution. The post-distribution unit price as at 30 June 2021 was \$1.2401 (31 December 2020: \$1.2512).

*Distributions*

A distribution of 6.0 cents per unit (cpu), gross of US withholding tax, was declared as at 30 June 2021.

	<b>Six Months Ended 30 June 2021</b>		<b>Six Months Ended 30 June 2020</b>	
	<b>\$</b>	<b>¢ per unit</b>	<b>\$</b>	<b>¢ per unit</b>
Interim Distribution Paid	4,748,312	6.0*	5,933,245	7.5*

**AUD:USD Exchange Rate**

	<b>As At / Period Ended 30 June 2021</b>	<b>As At / Period Ended 31 December 2020</b>
At Period End	\$0.7510	\$0.7716
Average Over Period	\$0.7712*	\$0.6911*

\* The average rate is for six months to 30 June 2021, and 12 months to 31 December 2020.

**Fund Performance (Net Of Fees)**

One method of performance evaluation is the number of cents per unit (cpu) that has accrued to Unitholders, calculated as the sum of the distribution paid and the movement in the Fund's unit price. A summary of the Fund's cents per unit performance is:

	<b>Cents Per Unit Six Months Ended 30 June 2021</b>	<b>Cents Per Unit Six Months Ended 30 June 2020</b>
Unit Price Movement	(1.11) <sup>#</sup>	(0.17) <sup>#</sup>
Cash Distribution	6.00*	7.50*
<b>Total Return</b>	<b>4.89*</b>	<b>7.33*</b>

\* Gross of US withholding tax

# Unit price movement includes net appreciation across the property portfolio and the effects of movement in exchange rates.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**DIRECTORS' REPORT (CONT'D)**

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**Dividends Received**

For the six months ended 30 June 2021, the REIT paid the Fund a gross dividend of \$nil (2020: \$6,394,296). Dividends paid by the REIT typically comprise net rental income and realised capital gains. The timing and amount of the dividend is determined by the REIT as instructed by the Fund, so this nil result is expected and not a reflection of performance.

**Redemption**

There were no redemptions paid during the six months ended 30 June 2021 (2020: \$5,073,743). The next redemption opportunity is expected to be in September 2021.

**Fees Paid To and Interests Held By the Responsible Entity**

The following fees were paid to the Responsible Entity out of Fund property during the financial period:

	<b>Six Months Ended 30 June 2021</b>	<b>Six Months Ended 30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Management fees	1,039,155	1,400,114
Other expense reimbursements	44,008	50,136
<b>Total Fees &amp; Reimbursements</b>	<b>1,083,163</b>	<b>1,450,250</b>

Management fees are paid to the Responsible Entity to execute the investment strategy as outlined in the Fund's PDS dated 4 July 2018. Management fees declined by 26%, which is a reflection of less funds under management.

Expense reimbursements relate to costs incurred by the Fund but paid by the Responsible Entity and later reimbursed to the Responsible Entity. Most expenses attributable to the Fund are paid directly by the Fund. Performance fees are payable to the Responsible Entity where specific performance criteria is met.

During the financial period, performance of the Fund did not exceed the target hurdle (including any shortfall from prior period(s) if any) and therefore the Responsible Entity was not entitled to a performance fee for this period.

**Related Party Transactions**

Details of holdings in the Fund by the Responsible Entity, directors, key personnel and their related entities are set out as below:

*Units In The Fund Held By Related Parties*

Details of holdings in the Fund by the Responsible Entity, Directors, key personnel and their related entities are set out as below:

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**DIRECTORS' REPORT (CONT'D)**

**Related Party Transactions (Cont'd)**

*Units In The Fund Held By Related Parties (cont'd)*

	<b># Units Held At 30 June 2021</b>	<b># Units Held At 31 December 2020</b>
Stephen McKnight (Director) & Associated Parties	2,030,401	2,030,401
Plantation Capital Limited	1,392,814	1,392,814
	<u>3,423,215</u>	<u>3,423,215</u>
	<b>Value of Units Held At 30 June 2021</b>	<b>Value of Units Held At 31 December 2020</b>
Stephen McKnight (Director) & Associated Parties	\$2,517,900	\$2,540,438
Plantation Capital Limited	\$1,727,229	\$1,742,689
	<u>\$4,245,129</u>	<u>\$4,283,127</u>

The value of units is calculated using the ex-distribution price of \$1.2401

*Gross Distributions Paid During The Financial Period.*

	<b>Six Months to 30 June 2021</b>	<b>Six Months to 30 June 2020</b>
Stephen McKnight (Director) & Associated Parties	\$121,824	\$152,280
Plantation Capital Limited	\$83,569	\$104,461
	<u>\$205,393</u>	<u>\$256,741</u>

**Derivatives & Other Financial Instruments**

The Fund's investments expose it to changes in interest rates and foreign currency variations, as well as credit and liquidity risk. The Directors have approved policies and procedures in each of these areas to manage these exposures. The Fund does not speculatively trade derivatives and only utilises derivatives to manage the risk and return of the Fund's investments.

The Fund has not entered into any derivative contracts to date. It purchases US dollars at market price based on prevailing advice and board policy. As at 30 June 2021, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD).

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**DIRECTORS' REPORT (CONT'D)**

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**Likely Developments and Expected Results of Operations**

*Fund Target Return & Remaining Life*

Without being an earning's forecast, the Directors are seeking to target a gross rental return from the REIT's property portfolio of 7% per annum, and a net return of 5% per annum after all relevant expenses are deducted. It is hoped Unitholders will further benefit from capital appreciation arising from pursuing value add strategies, from general market growth, and from foreign exchange gains.

In March 2018 Unitholders voted to wind up the Fund on or before 31 December 2028. Clarifying an end date assisted the Directors to formulate relevant strategies and execute supporting actions to seek to maximise returns to investors over this timeframe.

Considering the Fund's targeted return and remaining life, the Directors are pursuing the following timeline:

- 2021 – 2023: Hold properties that are likely to assist with meeting the Fund's targeted return and/or offer opportunities for further capital growth. Seek to sell properties where their returns have fallen below the targeted benchmark and/or where market conditions offer an opportunity to exit at a superior price. Continue to distribute net rental income, realised capital gains, and surplus capital to investors. Offer Unitholders the opportunity to invest and/or top up their holdings, either as a new subscription or via distribution reinvestment. Provide an annual redemption opportunity for those Unitholders who want to exit some or all of their investment.
  
- 2024 – 2025: Begin to strategically sell down the REIT's property portfolio, with a view to selling all assets on or before 31 December 2025. Distribute profits and capital to investors via quarterly distributions. Discontinue new and top up investments, and the distribution reinvestment plan. Suspend redemptions as the Fund will be in wind up phase.
  
- 2026 – 2028: Keep this time period reserved for contingencies, which if they eventuate, would result in the Fund's life being extended as necessary so that assets could be sold in the manner that best maximises Unitholder returns.

The dates mentioned above are indicative only. The Directors will continue to closely monitor and manage the impact of COVID-19, the fluctuations of the AUD:USD foreign exchange rate, and other market conditions as yet unknown.

For instance, it may be that the AUD:USD rises to above 80 US cents and/or US property prices fall, in which case the Director's may decide to reopen the Fund to raise further capital in the hope of pursuing acquisition opportunities, and/or suspend redemptions and returns of capital until the AUD:USD falls.



**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**DIRECTORS' REPORT (CONT'D)**

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**Likely Developments and Expected Results of Operations (Cont'd)**

*Fund Target Return & Remaining Life (Cont'd)*

Unitholders will be regularly kept up to date through email correspondence, updates at [www.passiveincomefund.com](http://www.passiveincomefund.com), online webinars, and via ongoing statutory reporting obligations.

Other than what is outlined above, the Fund expects to continue to operate in accordance with its investment policy as detailed in the Product Disclosure Statement issued on 4 July 2018.

**Significant Changes in State of Affairs**

The effects of COVID-19 have been a significant change in the state of affairs, the impact of which remains fluid and evolving.

**Subsequent Events**

*COVID-19*

Staff of the Responsible Entity continued to work from home during the Victorian lockdowns, and, using the systems and policies in place, have been able to continue on in their roles with minimum disruption and inconvenience to the business. There is still uncertainty around the impact of COVID-19 on property valuations. As at the date of these financial statements, an estimate of the future effects of COVID-19 on the financial performance and the financial position cannot be made, as any impact will depend on the magnitude and duration of the economic downturn.

*Units Reinvested*

Of the June 2021 net distributions payable of \$4,417,802, an amount of \$3,174,254 equivalent to 2,717,100 units were reinvested into Unitholders accounts on 1 July 2021 with the remaining \$1,243,548 paid in cash on 23 July 2021.

*Conditional Sale of Property*

A conditional contract for the sale of 350 Technology Parkway, Peachtree Corners, GA was signed on 3rd September 2021. The agreed sales price was \$5.5m, which is 41% above the asset's current fair market value of \$3,900,689. The higher price is attributable to recent leasing efforts, and that the buyer anticipates moving into the remaining vacant space. As the contract is presently conditional upon a 30-day satisfactory due diligence clause, the fair market value as at 30 June 2021 has not been changed.

*Loan Forgiven*

The loan of USD \$126,678 relating to COVID-19 support offered by the US government to Sunizo, LLC was forgiven on 28 August 2021.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**DIRECTORS' REPORT (CONT'D)**

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**Environmental Regulation**

The Fund's operations are not subject to any significant environmental regulations under Australian Commonwealth, State or Territory Legislation.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included in this report. No officer of the Company is or has been a partner/director of any auditor of the Company.

**Indemnification and Insurance of Officers and Auditors**

The Responsible Entity has entered into an insurance policy to indemnify all directors and officers of the Responsible Entity, to an amount of \$5,000,000, against any liability arising from a claim brought against the company and the directors by a third party for the supply of inappropriate services or advice. The agreement provides for the insurer to pay all damages and costs which may be brought against the directors. The Fund has not indemnified any auditor of the Fund.

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



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Stephen McKnight  
Chairman

Melbourne: 6th September 2021

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PLANTATION CAPITAL LTD, THE RESPONSIBLE ENTITY**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



**MOORE AUSTRALIA AUDIT (VIC)**  
**ABN 16 847 721 257**



**GEORGE DAKIS**  
**Partner**  
**Audit and Assurance**

Melbourne, Victoria

6 September 2021

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**CONDENSED CONSOLIDATED  
STATEMENT OF PROFIT & LOSS  
FOR THE HALF YEAR ENDED 30 JUNE 2021**

	<b>Note</b>	<b>Six Months To 30 June 2021 \$</b>	<b>Six Months To 30 June 2020 \$</b>
<b>Revenue</b>			
Fair Value Gain On			
Investment Properties		-	2,680,746
Rental Income		5,069,541	7,066,821
Realised Gain on			
Sale of Properties		-	389,420
Foreign Currency Gain		198,496	18,506
Other Income		971,102	173,105
<b>Total Income</b>		<b>6,239,139</b>	<b>10,328,598</b>
<b>Operating Expenses</b>			
Accounting And Audit Fees		27,522	24,838
Responsible Entity's Fees	8	1,039,155	1,400,114
Compliance Costs		11,628	22,253
Custodian Fees		6,547	6,406
Insurance		18,606	17,422
Finance Costs		322,000	641,261
Legal & Due Diligence		22,769	37,631
Property Expenses		3,253,172	3,428,635
Other Operating Expenses		38,662	50,489
<b>Total Operating Expenses</b>		<b>4,740,061</b>	<b>5,629,049</b>
Operating Profit Before Tax		1,499,078	4,699,549
Tax Expense		(442,249)	(1,336,528)
<b>Operating Profit After Tax</b>		<b>1,056,829</b>	<b>3,363,021</b>
Other Comprehensive Income		-	-
<b>Total Profit After Tax &amp; Other Comprehensive Income</b>		<b>1,056,829</b>	<b>3,363,021</b>

The above statement should be read in conjunction with the accompanying notes

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**CONDENSED CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021**

	<b>Note</b>	<b>30 June 2021</b> \$	<b>31 December 2020</b> \$
<b>Current Assets</b>			
Cash And Cash Equivalents		19,708,980	27,986,824
Sundry Debtors		198,010	157,438
Other Current Assets		1,367,750	506,172
<b>Total Current Assets</b>		<b>21,274,740</b>	<b>28,650,434</b>
<b>Non - Current Asset</b>			
Investment Properties			
Held for Investment	3	95,666,488	92,756,572
Equipment		2,415	-
Other Non-Current Assets		193,543	215,479
<b>Total Non - Current Asset</b>		<b>95,862,446</b>	<b>92,972,051</b>
<b>Total Assets</b>		<b>117,137,186</b>	<b>121,622,485</b>
<b>Current Liabilities</b>			
Provisions		24,151	25,123
Trade And Other Payables	4	1,979,940	1,562,150
Distributions Payable	5	4,417,802	6,331,748
Other Current Liabilities		-	2,426,409
<b>Total Current Liabilities</b>		<b>6,421,893</b>	<b>10,345,430</b>
<b>Non - Current Liabilities</b>			
Borrowings	6	12,572,261	12,255,912
Deferred Tax Liability		9,288,561	8,846,312
<b>Total Non – Current Liabilities</b>		<b>21,860,822</b>	<b>21,102,224</b>
<b>Total Liabilities</b>		<b>28,282,715</b>	<b>31,447,654</b>
<b>Net Assets</b>		<b>88,854,471</b>	<b>90,174,831</b>
<b>Net Assets Attributable To Unitholders</b>			
Unitholders' Funds		90,079,284	90,079,284
Distributions Paid/Payable		(14,775,126)	(11,083,643)
Foreign Currency Reserve Account		13,550,313	11,179,190
<b>Total Net Assets Attributable To Unitholders</b>		<b>88,854,471</b>	<b>90,174,831</b>

The above statement should be read in conjunction with the accompanying notes

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**CONDENSED CONSOLIDATED  
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE HALF YEAR ENDED 30 JUNE 2021**

<b>30 June 2021 Consolidated Entity</b>	<b>Note</b>	<b>Unitholders' Funds \$</b>	<b>Distributions Paid/Payable \$</b>	<b>Other Reserves \$</b>	<b>Total Equity \$</b>
Total Profit After Tax & Other Comprehensive Income			1,056,829	-	1,056,829
<b>Transactions With Unitholders In Their Capacity As Unitholders:</b>					
Balance At 31 December 2020		90,079,284	(11,083,643)	11,179,190	90,174,831
Foreign Currency Reserve		-	-	2,371,123	2,371,123
Distributions	7	-	(4,748,312)	-	(4,748,312)
Units Issued – Applications And Reinvestments		-	-	-	-
Units Redeemed		-	-	-	-
Total Transactions With Unitholders In Their Capacity As Unitholders		-	(4,748,312)	2,371,123	(2,377,189)
<b>Balance As At 30 June 2021</b>		<b>90,079,284</b>	<b>(14,775,126)</b>	<b>13,550,313</b>	<b>88,854,471</b>
<b>30 June 2020</b>					
<b>Consolidated Entity</b>	<b>Note</b>	<b>Unitholders' Funds \$</b>	<b>Distributions Paid/Payable \$</b>	<b>Other Reserves \$</b>	<b>Total Equity \$</b>
Total Profit After Tax & Other Comprehensive Income			3,363,021	-	3,363,021
<b>Transactions With Unitholders In Their Capacity As Unitholders:</b>					
Balance At 31 December 2019		92,677,765	(1,062,460)	20,113,999	111,729,304
Foreign Currency Reserve		-	-	3,039,899	3,039,899
Distributions	7	-	(5,933,245)	-	(5,933,245)
Units Issued – Applications And Reinvestments		2,475,262	-	-	2,475,262
Units Redeemed		(5,073,743)	-	-	(5,073,743)
Total Transactions With Unitholders In Their Capacity As Unitholders		(2,598,481)	(5,933,245)	3,039,899	(5,491,827)
<b>Balance As At 30 June 2020</b>		<b>90,079,284</b>	<b>(3,632,684)</b>	<b>23,153,898</b>	<b>109,600,498</b>

The above statement should be read in conjunction with the accompanying notes

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**CONDENSED CONSOLIDATED  
STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2021**

	Six Months To 30 June 2021 \$	Six Months To 30 June 2020 \$
<b>Cash Flows From Operating Activities</b>		
Receipts From Customers	5,138,493	6,954,949
Payments To Suppliers & Employees	(2,955,233)	(2,480,262)
Management Fee	(1,046,010)	(1,574,705)
Interest Paid	(300,064)	(485,163)
Tax Paid	(2,756,917)	(967,348)
Other Income	198,496	171,452
Net Cash Provided By Operating Activities	<u>(1,721,235)</u>	<u>1,618,923</u>
<b>Cash Flows From Investing Activities</b>		
Sale Of Investment Properties	-	18,279,456
Investment Property Purchase and Capital Expenditure	<u>(365,595)</u>	<u>(1,039,664)</u>
Net Cash Provided By/(Used In) Investing Activities	<u>(365,595)</u>	<u>17,239,792</u>
<b>Cash Flows From Financing Activities</b>		
Loan Repayments	(19,832)	(3,236,253)
Redemptions Paid To Unitholders	-	(5,073,743)
Distributions Paid	<u>(6,331,748)</u>	<u>(6,807,466)</u>
Net Cash Provided By Financing Activities	<u>(6,351,580)</u>	<u>(15,117,462)</u>
Net Increase/(Decrease) In Cash And Cash Equivalents	(8,438,410)	3,741,253
Cash At Beginning Of The Financial Period	27,986,824	14,361,342
Effect Of Exchange Rate On Cash And Cash Equivalents	<u>160,566</u>	<u>(143,611)</u>
<b>Cash At The End Of The Financial Period</b>	<b><u>19,708,980</u></b>	<b><u>17,958,984</u></b>

The above statement should be read in conjunction with the accompanying notes

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

This interim financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does 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.

**(b) Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations instrument amounts in the directors' report and the financial statements are rounded off, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the financial report for the last reporting period, except for the impact of the Standards and Interpretations described below.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**(c) Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements 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 company.

**Key estimates**

*Valuations*

The Directors assess valuations on an ongoing basis and at the end of each reporting period by evaluating the conditions and events specific to the Funds properties that may be indicative of significant changes in valuations or triggers thereof. Recoverable amounts of relevant assets are reassessed which incorporate various key assumptions. The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.



**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Key judgements**

*Provision for writing down of receivables*

Included in trade receivables at the end of the reporting period is an amount receivable from rent from tenants for the current financial year. The impact on tenants as seen so far is not material. While there is inherent uncertainty, the directors understand that adequate provisions have been provided and the full amount of the debt as accrued at the end of the financial period is likely to be recoverable.

**NOTE 2: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

All property valuations are carried out by a third party independent valuer or Directors' valuations.

The investments are reported at fair value and any gains/(losses) recognised through the profit and loss means the method of reporting is already in compliance with the requirements of AASB 9. Receivables were assessed for impairment under the new expected credit loss model. However given that receivables are expected to be short term and usually settled within a month, these changes will not have a material impact.

The Directors reviewed and assessed the existing financial instruments as at the reporting date, based on the facts and circumstances that existed at that date have concluded that there is no material impact on the financial position and/or financial performance of the Fund for the current period.

*Impact of COVID-19.*

Staff of the Responsible Entity continued to work from home during the Victorian lockdowns, and, using the systems and policies in place, have been able to continue on in their roles with minimum disruption and inconvenience to the business. There is still uncertainty around the impact of COVID-19 on property valuations. As at the date of these financial statements, an estimate of the future effects of COVID-19 on the financial performance and the financial position cannot be made, as any impact will depend on the magnitude and duration of the economic downturn.

The Directors will continue to closely monitor and manage the impact of COVID-19

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

<b>NOTE 3: INVESTMENT PROPERTIES</b>	<b>As At 30 June 2021</b>		<b>As At 31 December 2020</b>	
	<b>AUD</b>	<b>USD</b>	<b>AUD</b>	<b>USD</b>
<b>Georgia Properties</b>				
6620 Tara Blvd, Jonesboro	6,431,776	4,830,264	6,257,398	4,828,208
2081 Jonesboro Rd, McDonough	5,064,346	3,803,324	4,917,529	3,794,365
270 Scientific Drive, Norcross	6,517,103	4,894,344	6,272,680	4,840,000
358 McDonough Pkway, McDonough	2,550,222	1,915,217	2,462,416	1,900,000
2192 Eastview Parkway, Conyers	3,062,583	2,300,000	2,980,819	2,300,000
400 Tech Pkway, Peachtree Corners	10,413,531	7,820,562	10,108,865	7,800,000
350 Tech Pkway, Peachtree Corners	5,193,993	3,900,689	5,054,432	3,900,000
6564 Tara Blvd, Jonesboro	3,158,177	2,371,792	3,073,861	2,371,792
Total Georgia Property	42,391,731	31,836,192	41,128,000	31,734,365
<b>Florida Properties</b>				
3350 Hanson St, Fort Myers	2,135,076	1,603,442	2,073,613	1,600,000
4700 110th Ave Nth, Pinellas Park	2,462,412	1,849,271	2,381,021	1,837,195
2853 Work Dve, Fort Myers	6,374,042	4,786,906	6,160,773	4,753,652
1408 Hamlin & 2013 Murcott, St Cloud	5,867,758	4,406,686	5,702,436	4,400,000
1904 Oak Grove Blvd, Lutz	6,898,963	5,181,121	6,707,828	5,175,760
5250 Giron Circle, Kissimmee	4,427,430	3,325,000	4,309,228	3,325,000
720 S. Dixie Fwy, New Smyrna Beach	3,791,159	2,847,160	3,628,824	2,800,000
2634 N. Orange Blossom Trail	3,828,229	2,875,000	3,726,024	2,875,000
5961 Northland Rd, Fort Myers	2,050,599	1,540,000	1,995,853	1,540,000
16151 Pine Ridge Rd, Fort Myers	1,758,533	1,320,658	1,684,811	1,300,000
12050 49th St Nth, Clearwater	6,682,900	5,018,858	6,480,041	5,000,000
5636 Youngquist Rd, Fort Myers	1,344,874	1,010,000	1,296,008	1,000,000
5760 Youngquist Rd, Fort Myers	1,979,635	1,486,706	1,918,092	1,480,000
2200 Kings HWay, Port Charlotte	3,673,147	2,758,534	3,564,020	2,750,000
Total Florida Property	53,274,757	40,009,342	51,628,572	39,836,607
Total Property	95,666,488	71,845,534	92,756,572	71,570,972

The REIT sold all the Texas properties that it had purchased in prior financial periods.

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 4: TRADE AND OTHER PAYABLES</b>		
Trade Creditors	729,422	931,215
Accrued Property Taxes	590,805	48,359
Security Deposits Held	659,713	582,576
	1,979,940	1,562,150

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

**NOTE 5: DISTRIBUTIONS PAID & PAYABLE**

Final Distribution Paid		
Six Months Ended 30 June 2021	\$4,748,312	\$5,933,245
Distributions Payable		
As At 30 June 2021 and 31 Dec 2020	\$4,417,802	\$6,331,748
	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>\$</b>	<b>\$</b>

**NOTE 6: BORROWINGS**

USA REIT Funding	123,169	119,881
Long Term Loans	12,280,293	11,952,436
Other Loans	168,799	183,595
Total Borrowings	12,572,261	12,255,912

Borrowing costs totalling \$210,072 (2020: \$230,121) relating to the then USD 15.11m refinance are being amortised over 10 years. The current portion is \$52,724 (2020: \$51,316) and the non-current portion is \$157,348 (2020: \$178,805).

The other loans relate to COVID-19 support offered by the US government to Sunizo, LLC. Provided certain criteria are met, this loan will be forgiven. The first tranche of the other loan was forgiven in April 2021, and the second tranche of USD \$126,678 is expected to be forgiven before the end of 2021.

	<b>30 June 2021</b>		<b>31 December 2020</b>	
	<b>\$(‘000)</b>		<b>\$(‘000)</b>	
	<b>Loan AUD</b>	<b>Loan USD</b>	<b>Loan AUD</b>	<b>Loan USD</b>
Wells Fargo				
5.145% pa interest-only				
Due June 2025	7,487	5,623	7,287	5,623
RGA				
4.500% pa interest-only				
Due January 2026	4,793	3,600	4,666	3,600
MMFB Funding, LLC				
5.000% pa interest-only				
Due April 2023	-	-	-	-
USA REIT Funding				
12.500% pa interest-only				
No maturity. Unsecured.	169	92	120	92
Other Loans				
1.000% pa interest				
No maturity. Unsecured.	123	127	183	142
	<b>12,572</b>	<b>9,442</b>	<b>12,256</b>	<b>9,457</b>

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

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**NOTE 6: BORROWINGS (CONT'D)**

*Wells Fargo Loan*

This loan is secured by the following properties: 2081 Jonesboro Rd, McDonough, GA; 2853 Work Dve, Fort Myers, FL; 1904 Oak Grove Blvd, Lutz, FL; 12050 49th St Nth, Clearwater, FL; and 1408-24 Hamlin Ave & 2013 Murcott Dve, St Cloud, FL. It was also secured by 1205 Texas Parkway, Euless, TX and GA; 6205- 15 Shiloh Crossing, Alpharetta which were sold on 3 April 2020 and 25 August 2020 respectively, and the principal amount of US\$5.888m repaid from the sale proceeds.

*RGA Loan*

This loan is secured by 400 Technology Parkway, GA.

*Covenants*

The Wells Fargo and RGA loans have covenants attached to them and are monitored and reported to comply with loan obligations. Interest expense is not capitalised for any loan facility of the scheme.

**NOTE 7: CONTROLLED ENTITIES**

Subsidiaries controlled by the Fund during the period were:	As At 30 June 2021	
	Country of Incorporation	% Owned
Ozinus Realty, LLC (acquired 30 November 2012)	USA	100%
Ozinus Hanson, LLC (acquired 13 March 2013 )	USA	100%
Ozinus Pinellas Park, LLC (acquired 12 April 2013)	USA	100%
Ozinus Breckinridge, LLC (acquired 16 April 2013)	USA	100%
Ozinus Palmetto Grove, LLC (acquired 15 August 2013)	USA	100%
Ozinus Hamlin, LLC (acquired 8 October 2013)	USA	100%
Ozinus Eagle Plaza, LLC (acquired 3 December 2013)	USA	100%
Ozinus Giron, LLC (acquired 13 December 2013)	USA	100%
Ozinus Riverview Drive, LLC (acquired 26 December 2013)	USA	100%
Ozinus NSB, LLC (acquired 14 February 2014)	USA	100%
Ozinus Orange Blossom, LLC (acquired 7 March 2014)	USA	100%
Ozinus Northland, LLC (acquired 4 April 2014)	USA	100%
Ozinus Pine Ridge, LLC (acquired 15 April 2014)	USA	100%

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

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**NOTE 7: CONTROLLED ENTITIES (CONT'D)**

	As At 30 June 2021	
	Country of Incorporation	% Owned
Subsidiaries controlled by the Fund during the period were:		
Ozinus Cape Coral 830CC, LLC (acquired 30 April 2014)	USA	100%
Ozinus Shops of Tara, LLC (acquired 1 May 2014)	USA	100%
Ozinus Pitney, LLC (acquired 23 June 2014)	USA	100%
Ozinus NE 9th CC, LLC (acquired 27 June 2014)	USA	100%
Ozinus SE 9-CC, LLC (acquired 11 July 2014)	USA	100%
Ozinus Shiloh, LLC (acquired 23 July 2014)	USA	100%
Ozinus 932NE24-CC, LLC (acquired 30 September 2014)	USA	100%
Ozinus McDonough, LLC (acquired 30 December 2014)	USA	100%
Sunizo, LLC (acquired 31 March 2015)	USA	100%
Ozinus Jonesboro Towne Cr, LLC (acquired 18 May 2015)	USA	100%
Ozinus Scientific, LLC (acquired 12 June 2015)	USA	100%
Ozinus 5636 Youngquist, LLC (acquired 15 July 2015)	USA	100%
Ozinus 5760 Youngquist, LLC (acquired 15 July 2015)	USA	100%
Ozinus 358 McDonough, LLC (acquired 24 July 2015)	USA	100%
Ozinus Westview, LLC (acquired 31 August 2015)	USA	100%
Ozinus 2192 Parkway, LLC (acquired 1 October 2015)	USA	100%
Ozinus Westlake, LLC (acquired 18 December 2015)	USA	100%
Ozinus 350 Tech, LLC (acquired 6 January 2017)	USA	100%
Ozinus 6564 Tara, LLC (acquired 18 April 2017)	USA	100%
Ozinus Maple, LLC (acquired 31 January 2019)	USA	100%

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

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**NOTE 8: RELATED PARTY TRANSACTIONS**

The Responsible Entity of the Fund is Plantation Capital Limited (ABN 65 133 678 029, AFSL 339481).

**Key Management Personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, including any director (whether executive or otherwise) of the Responsible Entity (or its parents), are considered key management personnel of the Fund.

The Directors of the Responsible Entity during the financial period were:

Stephen McKnight  
Paul Harper  
Keith Woodhead

Key management personnel also included Mr. Davendra Prasad, Chief Financial Officer. Remuneration of the key personnel is paid directly by the Responsible Entity. Key personnel are not provided with any remuneration by the Fund itself.

Directors are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, as a result of the remuneration provided by the Responsible Entity. One Director, as a Compliance Risk and Monitoring Team member was paid \$11,628 for providing compliance services for the six months to 30 June 2021 (30 June 2020: \$9,690).

Details of holdings in the Fund by the Responsible Entity, directors, key personnel and their related entities are set out as below:

*Fees Paid To And Interests Held By The Responsible Entity*

	<b>Six Months To 30 June 2021</b>	<b>Six Months To 30 June 2020</b>
	<b>\$</b>	<b>\$</b>
The following fees were paid to the Responsible Entity out of Fund property during the financial period:		
Management Fees	1,039,155	1,400,114
Other Expense Reimbursements	44,008	50,136
<b>Total Fees &amp; Reimbursements</b>	<b>1,083,163</b>	<b>1,450,250</b>

Management fees are paid to the Responsible Entity to execute the investment strategy as outlined in the PDS dated 4 July 2018. Expense reimbursements relate to costs incurred by the Fund but paid by the Responsible Entity and later reimbursed to the Responsible Entity. Most expenses attributable to the Fund are paid directly by the Fund. Performance fees are payable to the Responsible Entity where specific performance criteria is met. During the period, performance of the Fund did not exceed the target hurdle (including any shortfall from prior period(s) if any) and therefore the Responsible Entity was not entitled to a performance fee for this period.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

**NOTE 8: RELATED PARTY TRANSACTIONS (CONT'D)**

*Units In The Fund Held By Related Parties*

	<b># Units Held At 30 June 2021</b>	<b># Units Held At 31 December 2020</b>
Stephen McKnight (Director) & Associated Parties	2,030,401	2,030,401
Plantation Capital Limited	1,392,814	1,392,814
	<u>3,423,215</u>	<u>3,423,215</u>
	<b>Value of Units Held At 30 June 2021</b>	<b>Value of Units Held At 31 December 2020</b>
Stephen McKnight (Director) & Associated Parties	\$2,517,900	\$2,540,438
Plantation Capital Limited	\$1,727,229	\$1,742,689
	<u>\$4,245,129</u>	<u>\$4,283,127</u>

The value of units is calculated using the ex-distribution price of \$1.2401

*Gross Distributions Paid During The Financial Period.*

	<b>Six Months to 30 June 2021</b>	<b>Six Months to 30 June 2020</b>
Stephen McKnight (Director) & Associated Parties	\$121,824	\$152,280
Plantation Capital Limited	\$83,569	\$104,461
	<u>\$205,393</u>	<u>\$256,741</u>

**NOTE 9: SUBSEQUENT EVENTS**

**Subsequent Events**

*COVID-19*

Staff of the Responsible Entity continued to work from home during the lockdown, and, using the systems and policies in place, have been able to continue on in their roles with minimum disruption and inconvenience to the business. There is still uncertainty around the impact of COVID-19 on property valuations. As at the date of these financial statements, an estimate of the future effects of COVID-19 on the financial performance and the financial position cannot be made, as any impact will depend on the magnitude and duration of the economic downturn.

*Units Reinvested*

Of the June 2021 net distributions payable of \$4,417,802, an amount of \$3,174,254 equivalent to 2,717,100 units were reinvested into Unitholders' accounts on 1 July 2021 with the remaining \$1,243,548 paid in cash on 23 July 2021.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2021 (CONT'D)**

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**NOTE 9: SUBSEQUENT EVENTS (CONT'D)**

**Subsequent Events (Cont'd)**

*Conditional Sale of Property*

A conditional contract for the sale of 350 Technology Parkway, Peachtree Corners, GA was signed on 3rd September 2021. The agreed sales price was \$5.5m, which is 41% above the asset's current fair market value of \$3,900,689. The higher price is attributable to recent leasing efforts, and that the buyer anticipates moving into the remaining vacant space. As the contract is presently conditional upon a 30-day satisfactory due diligence clause, the fair market value as at 30 June 2021 has not been changed.

*Loan Forgiven*

The loan of USD \$126,678 relating to COVID-19 support offered by the US government to Sunizo, LLC was forgiven on 28 August 2021.

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

On 9 November 2020, a fire occurred at 6620 Tara Blvd, Jonesboro (Shops of Tara). Three tenancies suffered extensive damage and were unable to operate until the property was remediated. The property was insured for fire and any associated loss of rent revenue from tenants being closed.

It is expected that the US REIT will not be materially out of pocket for remediation costs, save the \$5,000 deductible (excess) arising from the claim. To date the insurer has paid \$658,351, which is approximately 54% of the anticipated total cost of repairs. The property is now fully repaired and all affected tenancies have reopened for trade.

Other than the above, the Fund has no other commitments or contingencies to report.

**NOTE 11: RESPONSIBLE ENTITY DETAILS**

Plantation Capital Limited's registered office and contact details are:

<b>Registered Office</b>	<b>Postal Address</b>	<b>Other Details</b>
Suite 1, 210 Canterbury Rd Canterbury, VIC 3126 AUSTRALIA	PO Box 532 Canterbury, VIC 3126 AUSTRALIA	Phone: 03 8592 0270 www.passiveincomefund.com admin@passiveincomefund.com



**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
AND CONTROLLED ENTITIES  
ARSN: 155 770 095**

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**DECLARATION BY THE DIRECTOR'S  
OF THE RESPONSIBLE ENTITY**

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The Directors of Plantation Capital Limited, the Responsible Entity of Passive Income Fund declare that:

1. 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 give a true and fair view of the financial position and performance of the consolidated entity (The Fund); and
2. In the Directors' opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a Resolution of the Directors of the Responsible Entity, Plantation Capital Limited.



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Stephen McKnight  
Director

Melbourne: 6th September 2021

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the accompanying half-year financial report of Passive Income (USA Commercial Property) Fund (the Fund), which comprises the condensed consolidated statement of financial position as at 30 June 2021, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in net assets attributable to unit holders, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies 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 half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of the responsible entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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:

- a. giving a true and fair view of the Fund's financial position as at 30 June 2021 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 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.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the responsible entity, would be in the same terms if provided to the directors as at the time of this auditor's review report.



**MOORE AUSTRALIA AUDIT (VIC)**  
**ABN 16 847 721 257**



**GEORGE DAKIS**  
**Partner**  
**Audit and Assurance**

Melbourne, Victoria

6 September 2021