

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

ARSN 155 770 095

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2022**

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

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2022**

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**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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DIRECTORS' REPORT

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 2022 (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 property 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

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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DIRECTORS' REPORT (CONT'D)

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. Paul holds a Masters in Entrepreneurship and Innovation and a Bachelor of Business (Accounting).

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 \$16,917,404 (2021: \$1,499,078). The result was higher than the previous corresponding period because of realised gains on sale of properties and gains from a positive movement in fair market values stemming from property revaluations. During the current period two properties were sold for more than their appraised values, resulting in realised gains. Furthermore, five properties were revalued as the Directors believed there had been a material change in property values resulting in a gain in the movement in those property's fair market values. Rental income was higher than the prior financial period.

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.

Property Sales

The following properties were sold during the period:

- 4700 110th Ave Nth, Pinellas Park, FL (Pinellas Park) was sold on 16 March 2022 for US\$2,550,000, a premium of 36.5% above its carrying value at 31 December 2021.
- 720 S. Dixie Fwy, New Smyrna Beach, FL (NSB) was sold on 15 April 2022 for \$2,572,000, a premium of 0.5% above its carrying value at 31 December 2021.

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DIRECTORS' REPORT (CONT'D)

Review of Operations & Financial Results (Cont'd)

Properties Under Contract For Sale

The following properties were under sale contracts at period end:

- 6620 Tara Blvd, Jonesboro GA and 6564 Tara Blvd, Jonesboro, GA (collectively known as Shops of Tara) under an unconditional sale contract due to settle on 18 July 2022 for \$9,250,000, a premium of 28.1% above its carrying value at 31 December 2021.
- 2081 Jonesboro Rd, McDonough, GA (Towne Crest) under an conditional sale contract due to settle on 4 October 2022 for \$5,700,000, a premium of 49.8% above its carrying value at 31 December 2021. As the property's sale remained conditional at period end the gain in fair market value is not yet reflected in the Fund's unit price at 30 June 2022.

Property Appraisals

The following properties were independently appraised during the period:

	US\$ Appraised Value At 30 June 2022	
	Appraised Value	Increase in FMV
12050 49th St Nth, Clearwater	5,750,000	673,218
2192 Eastview Parkway, Conyers, GA	3,600,000	1,300,000
1408 Hamlin & 2013 Murcott, St Cloud, FL	6,700,000	2,275,170
3350 Hanson St, Fort Myers, FL	2,370,000	763,558
2634 N. OBT, Kissimmee, FL	4,050,000	1,168,224

Unless sold earlier, the majority of the remainder of the REIT's property portfolio is expected to be re-appraised before 31 December 2022.

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 2022 was \$1.3758 (31 December 2021: \$1.2354).

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DIRECTORS' REPORT (CONT'D)

Review of Operations & Financial Results (Cont'd)

Distributions

A distribution of 10.0 cents per unit (cpu), gross of US withholding tax, was declared as at 30 June 2022.

	Six Months Ended 30 June 2022		Six Months Ended 30 June 2021	
	\$	¢ per unit	\$	¢ per unit
Interim Distribution Paid	7,489,942	10.0*	4,748,312	6.0*

AUD:USD Exchange Rate

	As At / Period Ended 30 June 2022	As At / Period Ended 31 December 2021
At Period End	\$0.6925	\$0.7281
Average Over Period	\$0.7192*	\$0.7513*

* The average rate is for six months to 30 June 2022, and 12 months to 31 December 2021.

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:

	Cents Per Unit Six Months Ended 30 June 2022	Cents Per Unit Six Months Ended 30 June 2021
Unit Price Movement	14.04 [#]	(1.11) [#]
Cash Distribution	10.00*	6.00*
Total Return	24.04*	4.89*

* Gross of US withholding tax

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

Dividends Received

For the six months ended 30 June 2022, the REIT paid the Fund a gross dividend of \$1,969,498 (2021: \$0). 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.

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DIRECTORS' REPORT (CONT'D)

Redemption

Redemptions of \$2,652,131 (2021: \$0) were paid during the six months ended 30 June 2022. The next redemption opportunity is expected to be in 2023 and will be subject to surplus cash from property sales.

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:

	Six Months Ended 30 June 2022	Six Months Ended 30 June 2021
	\$	\$
Management fees	1,037,384	1,039,155
Other expense reimbursements	15,456	44,008
Total Fees & Reimbursements	1,052,840	1,083,163

Management fees are paid to the Responsible Entity to execute the investment strategy as outlined in the Fund's PDS dated 4 July 2018. The reduction in funds under management from redemptions and capital distributions was offset by gains in asset prices from a weakening AUD:USD and higher property valuations. Accordingly, management fees were on par with the prior period.

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:

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DIRECTORS' REPORT (CONT'D)

Related Party Transactions (Cont'd)

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

	# Units Held At 30 June 2022	# Units Held At 31 December 2021
Stephen McKnight's (Director)		
Related Parties	2,115,522	2,115,522
Plantation Capital Limited	1,459,436	1,459,436
	<u>3,574,958</u>	<u>3,574,958</u>
	Value of Units Held At 30 June 2022	Value of Units Held At 31 December 2021
Stephen McKnight 's(Director)		
Related Parties	\$2 910,535	\$2,613,516
Plantation Capital Limited	\$2,007,892	\$1,802,987
	<u>\$4,918,427</u>	<u>\$4,416,503</u>

The value of units is calculated using the ex-distribution issued price of \$1.3758.

Gross Distributions Paid During The Financial Period.

	Six Months to 30 June 2022	Six Months to 30 June 2021
Stephen McKnight 's(Director)		
Related Parties	\$211,552	\$121,824
Plantation Capital Limited	\$145,944	\$83,569
	<u>\$357,496</u>	<u>\$205,393</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 2022, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD).

Likely Developments and Expected Results of Operations

Fund Target Return & Remaining Life

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.

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DIRECTORS' REPORT (CONT'D)

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

Fund Target Return & Remaining Life (Cont'd)

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

- Now to 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. Discontinue the distribution reinvestment plan. A final redemption opportunity is expected to be offered in 2023, the timing of which will depend on the Fund's available cash reserves.
- 2024 – 2025: Strategically sell down the REIT's property portfolio, with a view to disposing all assets on or before 31 December 2025. Distribute profits and capital to investors via quarterly distributions. 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.

Unitholders will be regularly kept up to date through email correspondence, updates at 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

COVID-19

The disruption caused by COVID-19 has now largely dissipated. Staff and systems have adjusted to working remotely as appropriate, and there has not been any material impact on leasing or rental activities.

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DIRECTORS' REPORT (CONT'D)

Significant Changes in State of Affairs (Cont'd)

Inflation

Inflation has recently spiked to historically high levels in many countries, including the United States. Some financial commentators believe a recession is possible as central banks increase interest rates to calm rising prices, thereby putting downwards pressure on economic activity. There is presently no visible signs of economic decline as the REIT's rental returns or its property values, as indicated by strong leasing activity and pleasing recent appraisals.

Subsequent Events

Sale of Property

6620 Tara Blvd, Jonesboro GA and 6564 Tara Blvd, Jonesboro, GA (collectively known as Shops of Tara) were sold on 18 July 2022.

Conditional Sale of Property

The property located at 2081 Jonesboro Rd, McDonough that had a carrying value of US\$3,803,324 at 30 June 2022 is now under an unconditional sale contract for US\$5,700,000. The anticipated closing date is 4 October 2022. This property has debt attributed to it under the Wells Fargo loan that will be repaid under a partial repayment arrangement. The net sale proceeds after US capital gains tax are expected to be distributed back to investors later in the year. As the property's sale remained conditional at period end the gain in fair market value is not yet reflected in the Fund's unit price at 30 June 2022.

Change of Responsible Entity's Registered Office

The responsible entity moved its headquarters to the offices of M.J. Unwin & Associates, Chartered Accountants 70 Mount Street, Heidelberg VIC. 3084 on 22 July 2022.

Change In Employment Status

From 1 July 2022 the Fund's Chief Financial Officer, Mr. Davendra Prasad, ceased being an employee of the Responsible Entity and became a contractor. The fees he charges for Fund related work are now a recoverable Fund expense.

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.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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DIRECTORS' REPORT (CONT'D)

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.



Stephen McKnight

Chairman

Melbourne: 6th September 2022

**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 half year ended 30 June 2022, 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 2022

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED
STATEMENT OF PROFIT & LOSS
FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Note	Six Months To 30 June 2022 \$	Six Months To 30 June 2021 \$
Revenue			
Rental Income		5,973,919	5,069,541
Fair Value Gain On Investment Properties		14,040,191	-
Realised Gain on Sale of Properties		727,031	-
Foreign Exchange Gain		244,280	198,496
Other Income		46,693	971,102
Total Income		21,032,114	6,239,139
Expenses			
Accounting & Audit Fees		20,676	27,522
Compliance Costs		11,985	11,628
Custodian Fees		6,684	6,547
Finance Costs		354,853	322,000
Insurance		20,784	18,606
Legal & Due Diligence		26,073	22,769
Other Operating Expenses		45,038	38,662
Property Expenses		2,591,233	3,253,172
Responsible Entity's Fees	8	1,037,384	1,039,155
Total Expenses		4,114,710	4,740,061
Profit Before Tax		16,917,404	1,499,078
Income Tax Expense		(4,589,328)	(442,249)
Profit After Tax		12,328,076	1,056,829

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Note	30 June 2022 \$	31 December 2021 \$
Current Assets			
Cash And Cash Equivalents		18,709,396	21,091,050
Sundry Debtors		143,210	167,068
Other Current Assets		1,572,558	993,566
Total Current Assets		20,425,164	22,251,684
Non - Current Asset			
Investment Properties			
Held for Investment	3	109,284,836	95,890,133
Equipment		2,762	1,486
Other Non-Current Assets		143,869	170,475
Total Non - Current Asset		109,431,467	96,062,094
Total Assets		129,856,631	118,313,778
Current Liabilities			
Provisions		14,108	24,259
Trade And Other Payables	4	2,046,802	1,332,365
Distributions Payable	5	7,489,770	7,131,582
Other Current Liabilities		355,654	1,646,291
Total Current Liabilities		9,906,334	10,134,497
Non - Current Liabilities			
Borrowings	6	13,451,264	12,793,572
Deferred Tax Liability		13,889,707	9,928,909
Total Non – Current Liabilities		27,340,971	22,722,481
Total Liabilities		37,247,305	32,856,978
Net Assets		92,609,326	85,456,800
Net Assets Attributable To Unitholders			
Unitholders' Funds		84,930,477	87,582,608
Distributions Paid/Payable		(13,152,172)	(17,990,306)
Foreign Currency Reserve Account		20,831,021	15,864,498
Total Net Assets Attributable To Unitholders		92,609,326	85,456,800

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE HALF YEAR ENDED 30 JUNE 2022**

30 June 2022 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Profit After Tax			12,328,076	-	12,328,076
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 31 December 2021		87,582,608	(17,990,306)	15,864,498	85,456,800
Foreign Currency Reserve		-	-	4,966,523	4,966,523
Distributions	5	-	(7,489,942)	-	(7,489,942)
Units Issued – Applications And Reinvestments		-	-	-	-
Units Redeemed		(2,652,131)	-	-	(2,652,131)
Total Transactions With Unitholders In Their Capacity As Unitholders		(2,652,131)	(7,489,942)	4,966,523	(5,175,550)
Balance As At 30 June 2022		84,930,477	(13,152,172)	20,831,021	92,609,326
30 June 2021 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Profit After Tax			1,056,829	-	1,056,829
Transactions With Unitholders In Their Capacity As Unitholders:					
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	5	-	(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)
Balance As At 30 June 2021		90,079,284	(14,775,126)	13,550,313	88,854,471

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Six Months To 30 June 2022 \$	Six Months To 30 June 2021 \$
Cash Flows From Operating Activities		
Receipts From Customers	4,105,289	5,138,493
Payments To Suppliers & Employees	(2,033,640)	(2,955,233)
Management Fee	(1,021,926)	(1,046,010)
Interest Paid	(328,246)	(300,064)
Other Income	244,280	198,496
Net Cash Provided By Operating Activities		
Before Taxes Paid	965,757	1,035,682
Tax Paid	(558,979)	(2,756,917)
Net Cash Provided By Operating Activities After Taxes Paid	406,778	(1,721,235)
Cash Flows From Investing Activities		
Sale Of Investment Properties	7,048,729	-
Investment Property Capital Expenditure	(277,752)	(365,595)
Net Cash Provided By / (Used In) Investing Activities	6,770,977	(365,595)
Cash Flows From Financing Activities		
Loan Repayments	-	(19,832)
Redemptions Paid To Unitholders	(2,652,131)	-
Distributions Paid	(7,131,758)	(6,331,748)
Net Cash Provided By Financing Activities	(9,783,889)	(6,351,580)
Net Decrease In Cash And Cash Equivalents	(2,606,134)	(8,438,410)
Cash At Beginning Of The Financial Period	21,091,050	27,986,824
Effect Of Exchange Rate On Cash And Cash Equivalents	224,480	160,566
Cash At The End Of The Financial Period	18,709,396	19,708,980

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2022**

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
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2022 (CONT'D)**

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. While there is always inherent uncertainty about repayment of monies owed by debtors, 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.

COVID-19 has not had any material impact on operations, however the Directors will continue to closely monitor the situation and manage the risks accordingly.

**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 2022 (CONT'D)**

NOTE 3: INVESTMENT PROPERTIES	As At 30 June 2022		As At 31 December 2021	
	AUD	USD	AUD	USD
Georgia Properties				
6620 Tara Blvd, Jonesboro	9,203,925	6,373,718	6,658,728	4,848,220
2081 Jonesboro Rd, McDonough*	8,231,047	5,700,000	5,223,629	3,803,324
270 Scientific Drive, Norcross	8,280,188	5,734,030	7,691,251	5,600,000
358 McDonough Pkway, McDonough	2,769,988	1,918,117	2,634,552	1,918,217
2192 Eastview Parkway, Conyers	5,198,556	3,600,000	3,158,907	2,300,000
400 Tech Pkway, Peachtree Corners	12,476,534	8,640,000	11,866,502	8,640,000
6564 Tara Blvd, Jonesboro	4,153,476	2,876,282	3,262,588	2,375,491
Total Georgia Property	50,313,714	34,842,247	40,496,157	29,485,252
Florida Properties				
3350 Hanson St, Fort Myers	3,422,383	2,370,000	2,206,348	1,606,442
4700 110th Ave Nth, Pinellas Park	-	-	2,564,794	1,867,426
2853 Work Dve, Fort Myers	6,931,122	4,799,802	6,581,949	4,792,318
1408 Hamlin & 2013 Murcott, St Cloud	9,675,091	6,700,000	6,064,288	4,415,408
1904 Oak Grove Blvd, Lutz	7,484,911	5,183,301	7,116,194	5,181,301
5250 Giron Circle, Kissimmee	4,801,444	3,325,000	4,566,680	3,325,000
720 S. Dixie Fwy, New Smyrna Beach	-	-	3,516,002	2,560,000
2634 N. OBT, Kissimmee	5,848,375	4,050,000	3,957,940	2,881,776
5961 Northland Rd, Fort Myers	2,247,076	1,556,100	2,124,983	1,547,200
16151 Pine Ridge Rd, Fort Myers	2,625,271	1,818,000	2,472,188	1,800,000
12050 49th St Nth, Clearwater	8,303,249	5,750,000	6,972,644	5,076,782
5636 Youngquist Rd, Fort Myers	1,458,484	1,010,000	1,387,172	1,010,000
5760 Youngquist Rd, Fort Myers	2,155,652	1,492,789	2,047,506	1,490,789
2200 Kings HWay, Port Charlotte	4,018,064	2,782,513	3,815,288	2,777,913
Total Florida Property	58,971,122	40,837,505	55,393,976	40,332,355
Total Property	109,284,836	75,679,752	95,890,133	69,817,607

* The property located at 2081 Jonesboro Rd, McDonough that had a carrying value of US\$3,803,324 at 30 June 2022 is now under an unconditional sale contract for US\$5,695,000. The anticipated closing date is 4 October 2022. This property has debt attributed to it under the Wells Fargo loan that will be repaid under a partial repayment arrangement. As the property's sale remained conditional at period end the gain in fair market value is not yet reflected in the Fund's unit price at 30 June 2022.

	30 June 2022	31 December 2021
	\$	\$
NOTE 4: TRADE AND OTHER PAYABLES		
Trade Creditors	727,839	512,324
Accrued Property Taxes	566,763	55,911
Security Deposits Held	752,200	764,130
	2,046,802	1,332,365

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**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2022 (CONT'D)**

	30 June 2022 \$	31 December 2021 \$
NOTE 5: DISTRIBUTIONS PAID & PAYABLE		
Final Distribution Paid (Six Months Ended 30 June)	\$7,489,942	\$4,748,312
Distributions Payable (As At Period End)	\$7,489,770	\$7,131,582

NOTE 6: BORROWINGS

USA REIT Funding	133,574	127,043
Long Term Loans	13,317,690	12,666,529
Total Borrowings	13,451,264	12,793,572

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).

	30 June 2022 \$('000)		31 December 2021 \$('000)	
	Loan AUD	Loan USD	Loan AUD	Loan USD
Wells Fargo				
5.145% pa interest-only				
Due June 2025	8,119	5,623	7,722	5,623
RGA				
4.500% pa				
Due January 2026	5,199	3,600	4,945	3,600
USA REIT Funding				
12.500% pa				
No maturity. Unsecured.	133	93	127	93
	13,451	9,316	12,794	9,316

Wells Fargo Loan

This loan remains 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.

RGA Loan

This loan is secured by 400 Technology Parkway, GA.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2022 (CONT'D)**

NOTE 6: BORROWINGS (CONT'D)

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

	As At 30 June 2022	
	Country of Incorporation	% Owned
Subsidiaries controlled by the Fund during the period were:		
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 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 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%
Ozinus Shops of Tara, LLC (acquired 1 May 2014)	USA	100%
Ozinus Pitney, LLC (acquired 23 June 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%

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**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2022 (CONT'D)**

NOTE 7: CONTROLLED ENTITIES (CONT'D)

	As At 30 June 2022	
	Country of Incorporation	% Owned
Subsidiaries controlled by the Fund during the period were:		
Ozinus 358 McDonough, LLC (acquired 24 July 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%

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

From 1 July 2022 the Fund's Chief Financial Officer, Mr. Davendra Prasad, ceased being an employee of the Responsible Entity and became a contractor. The fees he charges for the work he does for the Fund are now a recoverable Fund expense.

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 2022 (30 June 2021: \$11,628).

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**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2022 (CONT'D)**

NOTE 8: RELATED PARTY TRANSACTIONS (CONT'D)

Fees Paid To And Interests Held By The Responsible Entity

	Six Months To 30 June 2022	Six Months To 30 June 2021
	\$	\$
The following fees were paid to the Responsible Entity out of Fund property during the financial period:		
Management Fees	1,037,384	1,039,155
Other Expense Reimbursements	15,456	44,008
Total Fees & Reimbursements	1,052,840	1,083,163

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.

Units In The Fund Held By Related Parties

	# Units Held At 30 June 2022	# Units Held At 31 December 2021
Stephen McKnight (Director) & Associated Parties	2,115,522	2,115,522
Plantation Capital Limited	1,459,436	1,459,436
	3,574,958	3,574,958
	Value of Units Held At 30 June 2022	Value of Units Held At 31 December 2021
Stephen McKnight (Director) & Associated Parties	\$2 910,535	\$2,613,516
Plantation Capital Limited	\$2,007,892	\$1,802,987
	\$4,918,427	\$4,416,503

The value of units is calculated using the ex-distribution price of \$1.3758.

Gross Distributions Paid During The Financial Period.

	Six Months to 30 June 2022	Six Months to 30 June 2021
Stephen McKnight (Director) & Associated Parties	\$211,552	\$121,824
Plantation Capital Limited	\$145,944	\$83,569
	\$357,496	\$205,393

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**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2022 (CONT'D)**

NOTE 9: SUBSEQUENT EVENTS

Sale of Property

6620 Tara Blvd, Jonesboro GA and 6564 Tara Blvd, Jonesboro, GA (collectively known as Shops of Tara) were sold on 18 July 2022.

Conditional Sale of Property

The property located at 2081 Jonesboro Rd, McDonough that had a carrying value of US\$3,803,324 at 30 June 2022 is now under an unconditional sale contract for US\$5,695,000. The anticipated closing date is 4 October 2022. This property has debt attributed to it under the Wells Fargo loan that will be repaid under a partial repayment arrangement. The net sale proceeds after US capital gains tax are expected to be distributed back to investors later in the year. As the property's sale remained conditional at period end the gain in fair market value is not yet reflected in the Fund's unit price at 30 June 2022.

Change of Responsible Entity's Registered Office

The responsible entity moved its headquarters to the offices of M.J. Unwin & Associates, Chartered Accountants 70 Mount Street, Heidelberg VIC. 3084 on 22 July 2022.

Change In Employment Status

From 1 July 2022 the Fund's Chief Financial Officer, Mr. Davendra Prasad, ceased being an employee of the Responsible Entity and became a contractor. The fees he charges for the work he does for the Fund are now a recoverable Fund expense.

NOTE 10: COMMITMENTS AND CONTINGENCIES

The Fund has no commitments or contingencies to report.

NOTE 11: RESPONSIBLE ENTITY DETAILS

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

Registered Office

70 Mount Street
Heidelberg, VIC 3084
AUSTRALIA

Postal Address

PO Box 532
Canterbury, VIC 3126
AUSTRALIA

Other Details

Phone: 03 8592 0270
www.passiveincomefund.com
admin@passiveincomefund.com

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

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

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.



Stephen McKnight
Director

Melbourne: 6th September 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND

Report on the Half-Year Financial Report

Review 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 2022, 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 2022 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 2022 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 2022