

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

ARSN 155 770 095

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2023**

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

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2023**

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

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 2023 (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 is now in a wind down phase, and its investment activities centre around disposing of its assets to maximise returns for Fund investors.

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 four 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)

For more than 25 years Paul has been assisting individuals to build wealth intelligently. He is currently a responsible manager and member of the compliance committee for a \$600m managed fund that owns direct Australian real estate.

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DIRECTORS' REPORT (CONT'D)

Directors (Cont'd)

Paul Harper – Director (Cont'd)

Earlier, while Chief Executive Officer of Jeena Limited – a firm of Chartered Accountants that he co-founded in 1997, Paul chaired the investment committee of an entity that was responsible for more than \$500m of investor capital.

Paul has considerable experience in setting investment strategies, making portfolio allocations to maximise investor returns, risk and compliance management, accounting, reporting, operations and administration.

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 after income tax was \$2,338,892 (2022: profit of \$12,328,076). The result was lower than the previous corresponding period because of a decline in net rental revenue due to fewer properties owned and because the last period's results included a significant amount of fair market value gains from properties being reappraised in December 2023.

It is noted that there was an operating loss before income tax. This is primarily due to two factors: the treatment of property sales costs (see below) and the write down in the fair market values of the REIT's Georgia properties (see page 5).

Under Australian Accounting Standards, expected property sale costs are excluded from carrying values. Hence, when an asset that has a carrying value equal to its contract sales price is sold, there will be an accounting loss. Whereas forecast sale costs are excluded from the carrying value of an asset, they are included in the Fund's unit pricing which partially explains the difference between the Fund's issue price and redemption price. Given the Fund has begun winding up, the impact of sale costs was not unexpected, however it was hoped that those expenses would be covered by property sale prices higher than carrying values, and foreign currency gains. This would have occurred except for the write downs associated with the remaining Georgia properties (see page 5).

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.

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DIRECTORS' REPORT (CONT'D)

Review of Operations & Financial Results (Cont'd)

Property Sales

The following properties were sold during the reporting period:

Property	Sale Price (USD)	Sale Date	Premium (Discount) To The Asset's Carrying Value At 31/12/2022
2634 Nth Orange Blossom Trail, Kissimmee	4,250,000	23/01/23	Nil*
2192 Eastview Parkway, Conyers	3,595,000	30/01/23	Nil*
5961 Northland Rd, Fort Myers	1,925,000	09/03/23	5.7%
16151 Pine Ridge Rd, Fort Myers	2,200,000	09/03/23	20.4%
3350 Hanson St, Fort Myers	2,450,000	03/04/23	3.4%
5636 Youngquist Rd, Fort Myers	1,250,000	18/04/23	(5.3%)
358 McDonough Parkway, McDonough	2,175,000	12/05/23	24.3%
2200 Kings Highway, Port Charlotte	3,200,000	16/05/23	7.0%
5250 Giron Circle, Kissimmee	5,150,000	25/05/23	(3.7%)
5760 Youngquist, Fort Myers	2,050,000	16/06/23	12.0%
1904 Oak Grove Blvd, Lutz	6,500,000	20/06/23	(4.4%)

* No change as the carrying value was the contract sales price.

Properties Under Contract For Sale

The following properties were under conditional contracts for sale at 30 June 2023:

Property	Sale Price (USD)	Expected Closing Date	Premium (Discount) To The Property's Carrying Value At 31/12/2022
1408 Hamlin & 2013 Murcott, St Cloud	7,100,000	30/08/23	5.7%
2853 Work Drive, Fort Myers	7,650,000	30/08/23	21.0%
12050 49th Street North, Clearwater	7,000,000	03/09/23	21.2%
270 Scientific Drive Norcross	5,195,000	20/11/23	(11.9)

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DIRECTORS' REPORT (CONT'D)

Review of Operations & Financial Results (Cont'd)

Property Appraisals

Given the possible material change in asset values at 30 June, new independent appraisals of the REIT's remaining two properties in Atlanta, Georgia were commissioned. The results were:

Property	USD Appraised Value At 30 June 2023	
	Appraised Value	Movement in FMV
270 Scientific Drive, Norcross	5,195,000	(722,151)
400 Tech Parkway, Peachtree Conyers	9,000,000	(2,118,155)

The appraiser's reasons provided for the reduction in value were the increases in the Federal Reserve benchmark interest rate, and because of investor caution with the office sector given the shift to more employees working from home. These factors have resulted in an increase in the capitalisation rate needed to attract investor interest necessitating a write down of the carrying values of those properties in these accounts. The decrease in market value was an expense in the reporting period and had a material impact on the Fund's operating result.

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 2023 was \$1.0354 (31 December 2022: \$1.3576). The decline in value is mainly attributable to the distribution.

Distributions

A distribution of 25.0 cents per unit , gross of US withholding tax, was declared as at 30 June 2023.

	Six Months Ended 30 June 2023		Six Months Ended 30 June 2022	
	\$	¢ per unit	\$	¢ per unit
Interim Distribution Paid	18,191,472	25.0	7,489,942	10.0

AUD:USD Exchange Rate

	As At / Period Ended 30 June 2023	As At / Period Ended 31 December 2022
At Period End	\$0.6674	\$0.6815
Average Over Period	\$0.6758*	\$0.6947*

* The average rate is for six months to 30 June 2023, and 12 months to 31 December 2022.

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DIRECTORS' REPORT (CONT'D)

Fund Performance (Net Of Fees)

One method of performance evaluation is the number of cents per unit 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 2023	Cents Per Unit Six Months Ended 30 June 2022
Unit Price Movement	(32.22) [#]	14.04 [#]
Cash Distribution	25.00 [*]	10.00 [*]
Total Return	(7.22)[*]	24.04[*]

* Gross of US withholding tax

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

Dividends Received

For the six months ended 30 June 2023, the REIT paid the Fund a gross dividend of \$24,942,284 (2022: \$1,969,498). The increase is attributable to an increase in the number of properties sold and proceeds repatriated as dividends. Dividends paid by the REIT during this period typically comprises realised capital gains and return of capital. The timing and amount of the dividend is determined by the REIT as instructed by the Fund.

Redemption

Redemptions of \$2,725,210 (2022: \$2,652,131) were paid during the six months ended 30 June 2023. There will be no further opportunity for redemptions as the Fund plans to make quarterly distribution of income and capital hereon in.

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 2023 \$	Six Months Ended 30 June 2022 \$
Management fees	1,016,529	1,037,384
Other expense reimbursements	2,394	15,456
Total Fees & Reimbursements	1,018,923	1,052,840

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DIRECTORS' REPORT (CONT'D)

Fees Paid To and Interests Held By the Responsible Entity (Cont'd)

Management fees are paid to the Responsible Entity to execute the investment strategy as outlined in the Fund's PDS dated 4 July 2018, and updated to reflect the Fund's wind up. 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 only slightly lower than 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 and therefore the Responsible Entity was not entitled to a performance fee. Given the Fund is being wound up, no future performance fee is expected.

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:

	# Units Held At 30 June 2023	# Units Held At 31 December 2022
Stephen McKnight's (Director)		
Related 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 2023	Value of Units Held At 31 December 2022
Stephen McKnight 's(Director)		
Related Parties	\$2 190,412	\$2,872,033
Plantation Capital Limited	\$1,511,100	\$1,981,330
	\$3,701,512	\$4,853,363

The value of units is calculated using the ex-distribution issued price of \$1.0354.

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DIRECTORS' REPORT (CONT'D)

Related Party Transactions (Cont'd)

Gross Distributions Paid During The Financial Period (or Payable At Period End).

	Six Months to 30 June 2023	Six Months to 30 June 2022
Stephen McKnight 's(Director)		
Related Parties	\$528,881	\$211,552
Plantation Capital Limited	\$364,859	\$145,944
	<u>\$893,740</u>	<u>\$357,496</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 entered into two forward foreign exchange contracts for \$5m (expiring on 14 July 2023), and \$4m (expiring 13 October 2023). It purchases US dollars at market price based on prevailing advice and board policy. As at 30 June 2023, 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

The Directors have begun the process of selling the REIT's assets as a precursor to winding up the Fund pursuant to the following timeline:

July – Dec 2023: Dispose of the REIT's properties. All properties are listed for sale, and all but one were under a conditional sales contracts at 30 June 2023. It is hoped the final property will go under contract soon and that a sale will close before 31 December 2023. A distribution was declared in July (paid in August), with further distributions planned for September and December. If all the properties are sold before year end then the REIT will be wound up.

Jan – June 2024: Manage the closing of US operations, and the wind up of the Fund with the goal of having done so by 30 June. Distributions in March, and a final distribution immediately prior to the Fund ending.

July – Dec 2024: Reserve period in case events take longer than expected.

The dates mentioned above are indicative only. Unitholders will be regularly kept up to date through email correspondence, updates at www.PassiveIncomeFund.com, online webinars, and via ongoing statutory reporting obligations.

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DIRECTORS' REPORT (CONT'D)

Significant Changes in State of Affairs

Other than what has been outlined about the orderly disposal of the REIT's properties, and wind up of the Fund, there has not been any other significant changes in the state of affairs.

Subsequent Events

Depreciation in the Value of the AUD against the USD

Between 1 July 2023 and the date these accounts were issued the AUD depreciated against the USF from \$0.6674 to \$0.6484 resulting in an estimated foreign exchange gain of \$2,076,749.

Distribution Declared & Paid

An interim distribution of 20 cents per unit amounting to \$14,553,178 was declared in July and paid in August 2023.

Apart from the matters discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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.



Stephen McKnight

Chairman

Melbourne: 4th September 2023

VICTORIA

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**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 2023, there have been:

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



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

4 September 2023

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED
STATEMENT OF PROFIT & LOSS
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	Note	Six Months To 30 June 2023 \$	Six Months To 30 June 2022 \$
Revenue			
Interest Income		123,427	-
Rental Income		4,067,094	5,973,919
Fair Value Gain On Investment Properties		114,075	14,040,191
Realised Gain on Sale of Properties		(105,384)	727,031
Foreign Exchange Gain		172,218	244,280
Other Income		297,225	46,693
Total Income		4,668,655	21,032,114
Expenses			
Accounting & Audit Fees		29,913	20,676
Compliance Costs		11,628	11,985
Custodian Fees		6,957	6,684
Finance Costs		562,250	354,853
Insurance		23,052	20,784
Legal & Due Diligence		87,565	26,073
Other Operating Expenses		36,205	45,038
Property Expenses		3,376,774	2,591,233
Responsible Entity's Fees	8	1,016,529	1,037,384
Total Expenses		5,150,873	4,114,710
Profit Before Tax		(482,218)	16,917,404
Income Tax Expense		2,821,110	(4,589,328)
Profit After Tax		2,338,892	12,328,076

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 2023**

	Note	30 June 2023	31 December 2022
		\$	\$
Current Assets			
Cash And Cash Equivalents		49,779,446	24,644,427
Sundry Debtors		51,436	481,191
Other Current Assets		1,120,460	1,021,632
Total Current Assets		<u>50,951,342</u>	<u>26,147,250</u>
Non - Current Asset			
Investment Properties			
Held for Investment	3	53,858,256	101,422,632
Equipment		125	197
Other Non-Current Assets		37,382	100,147
Total Non - Current Asset		<u>53,895,763</u>	<u>101,522,976</u>
Total Assets		<u>104,847,105</u>	<u>127,670,226</u>
Current Liabilities			
Provisions		26,688	30,476
Trade And Other Payables	4	1,595,098	4,997,960
Distributions Payable	5	18,191,380	9,128,173
Other Current Liabilities		4,156,438	826,018
Total Current Liabilities		<u>23,969,604</u>	<u>14,982,627</u>
Non - Current Liabilities			
Borrowings	6	5,532,665	11,005,264
Deferred Tax Liability		5,665,060	15,032,690
Total Non – Current Liabilities		<u>11,197,725</u>	<u>26,037,954</u>
Total Liabilities		<u>35,167,329</u>	<u>41,020,581</u>
Net Assets		<u>69,679,776</u>	<u>86,649,645</u>
Net Assets Attributable To			
Unitholders			
Unitholders' Funds		82,205,267	84,930,477
Distributions Paid/Payable		(36,248,454)	(20,395,874)
Foreign Currency			
Reserve Account		23,722,963	22,115,042
Total Net Assets Attributable		<u>69,679,776</u>	<u>86,649,645</u>
To Unitholders			

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 2023**

30 June 2023 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Profit After Tax			2,338,892	-	2,338,892
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 31 December 2022		84,930,477	(20,395,874)	22,115,042	86,649,645
Foreign Currency Reserve		-	-	1,607,921	1,607,921
Distributions	5	-	(18,191,472)	-	(18,191,472)
Units Issued – Applications And Reinvestments		-	-	-	-
Units Redeemed		(2,725,210)	-	-	(2,725,210)
Total Transactions With Unitholders In Their Capacity As Unitholders		(2,725,210)	(18,191,472)	1,607,921	(19,308,761)
Balance As At 30 June 2023		82,205,267	(36,248,454)	23,722,963	69,679,776
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

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 2023**

	Six Months To 30 June 2023 \$	Six Months To 30 June 2022 \$
Cash Flows From Operating Activities		
Receipts From Customers	4,695,245	4,105,289
Payments To Suppliers & Employees	(3,385,520)	(2,033,640)
Management Fee	(1,053,695)	(1,021,926)
Interest Paid	(499,485)	(328,246)
Other Income	295,645	244,280
Net Cash Provided By Operating Activities Before Performance Fee & Taxes Paid	52,190	965,757
Performance Fee	(3,556,056)	-
Tax Paid	(3,216,100)	(558,979)
Net Cash Provided By Operating Activities After Performance Fee & Taxes Paid	(6,719,966)	406,778
Cash Flows From Investing Activities		
Sale Of Investment Properties	48,938,505	7,048,729
Investment Property Capital Expenditure	(978,732)	(277,752)
Net Cash Provided By Investing Activities	47,959,773	6,770,977
Cash Flows From Financing Activities		
Loan Repayments	(5,705,105)	-
Redemptions Paid	(2,725,210)	(2,652,131)
Distributions Paid	(9,128,265)	(7,131,758)
Net Cash Provided By Financing Activities	(17,558,580)	(9,783,889)
Net Decrease In Cash And Cash Equivalents	23,681,227	(2,606,134)
Cash At Beginning Of The Financial Period	24,644,427	21,091,050
Effect Of Exchange Rate On Cash And Cash Equivalents	1,453,792	224,480
Cash At The End Of The Financial Period	49,779,446	18,709,396

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 2023 (CONT'D)**

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.

Going Concern Status

As the Fund has begun winding up it is no longer considered a going concern as defined by AASB 101. This is an accounting definition only. There is no material change in the application of accounting policies, including recognition, measurement and fair market value assumptions.

(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.

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ARSN: 155 770 095**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2023 (CONT'D)**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Critical Accounting Estimates and Judgements (cont'd)

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.

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.

**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 2023 (CONT'D)**

NOTE 3: INVESTMENT PROPERTIES	As At 30 June 2023		As At 31 December 2022	
	AUD	USD	AUD	USD
Georgia Properties				
270 Scientific Drive, Norcross	7,783,938	5,195,000	8,657,373	5,900,000
358 McDonough Pkway, McDonough	-	-	2,567,865	1,750,000
2192 Eastview Parkway, Conyers	-	-	5,275,128	3,595,000
400 Tech Pkway, Peachtree Corners	13,485,166	9,000,000	15,407,191	10,500,000
Total Georgia Property	21,269,104	14,195,000	31,907,557	21,745,000
Florida Properties				
3350 Hanson St, Fort Myers	-	-	3,477,623	2,370,000
2853 Work Dve, Fort Myers	11,462,391	7,650,000	9,275,127	6,321,000
1408 Hamlin & 2013 Murcott, St Cloud	10,638,298	7,100,000	9,855,763	6,716,702
1904 Oak Grove Blvd, Lutz	-	-	9,977,991	6,800,000
5250 Giron Circle, Kissimmee	-	-	7,850,330	5,350,000
2634 N. OBT, Kissimmee	-	-	6,236,244	4,250,000
5961 Northland Rd, Fort Myers	-	-	2,673,177	1,821,770
16151 Pine Ridge Rd, Fort Myers	-	-	2,681,731	1,827,600
12050 49th St Nth, Clearwater	10,488,463	7,000,000	8,476,889	5,777,000
5636 Youngquist Rd, Fort Myers	-	-	1,936,904	1,320,000
5760 Youngquist Rd, Fort Myers	-	-	2,685,253	1,830,000
2200 Kings HWay, Port Charlotte	-	-	4,388,043	2,990,452
Total Florida Property	32,589,152	21,750,000	69,515,075	47,374,524
Total Property	53,858,256	35,945,000	101,422,632	69,119,524

30 June 2023

\$

31 December 2022

\$

NOTE 4: TRADE AND OTHER PAYABLES

Trade Creditors	884,050	655,359
Performance Fee Payable	-	3,556,057
Accrued Property Taxes	261,903	34,453
Security Deposits Held	449,145	752,091
	1,595,098	4,997,960

NOTE 5: DISTRIBUTIONS PAID & PAYABLE

Final Distribution Paid (Six Months Ended 30 June)	\$18,191,472	\$20,971,847
Distributions Payable (As At Period End)	\$18,191,380	\$9,128,173

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 2023 (CONT'D)**

	30 June 2023		31 December 2022
	\$		\$
NOTE 6: BORROWINGS			
USA REIT Funding	138,598		135,730
Long Term Loans	5,394,067		10,869,534
Total Borrowings	5,532,665		11,005,264
	\$(‘000)		\$(‘000)
	Loan AUD Loan USD		Loan AUD Loan USD
Wells Fargo			
Fully repaid on 24 April 2023.			
5.145% pa interest-only.			
	-	-	5,587 3,808
RGA			
Due January 2026.			
4.500% pa interest-only.			
Secured by 400 Technology Pkwy.	5,394	3,600	5,282 3,600
USA REIT Funding			
No maturity.			
12.500% pa interest-only .			
Unsecured.	139	93	136 93
	5,533	3,693	11,005 7,501

Loan Covenants

All loan covenant terms were complied with during the period.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2023 (CONT'D)**

NOTE 7: CONTROLLED ENTITIES

	As At 30 June 2023	
	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 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 Pitney, LLC (acquired 23 June 2014)	USA	100%
Sunizo, LLC (acquired 31 March 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 2192 Parkway, LLC (acquired 1 October 2015)	USA	100%
Ozinus Westlake, LLC (acquired 18 December 2015)	USA	100%
Ozinus Maple, LLC (acquired 31 January 2019)	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 2023 (CONT'D)**

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

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. Keith Woodhead, as a Compliance Risk and Monitoring Team member was paid \$11,628 for providing compliance services for the six months to 30 June 2023 (30 June 2022: \$11,628).

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

	Six Months To 30 June 2023	Six Months To 30 June 2022
	\$	\$
The following fees were paid to the Responsible Entity out of Fund property during the financial period:		
Management Fees	1,016,529	1,037,384
Other Expense Reimbursements	2,394	15,456
Total Fees & Reimbursements	1,018,923	1,052,840

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 2023 (CONT'D)**

NOTE 8: RELATED PARTY TRANSACTIONS (CONT'D)

Units In The Fund Held By Related Parties

	# Units Held At 30 June 2023	# Units Held At 31 December 2022
Stephen McKnight (Director) & Associated 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 2023	Value of Units Held At 31 December 2022
Stephen McKnight (Director) & Associated Parties	\$2,190,412	\$2,872,033
Plantation Capital Limited	\$1,511,100	\$1,981,330
	<u>\$3,701,512</u>	<u>\$4,853,363</u>

The value of units is calculated using the ex-distribution price of \$1.0354.

Gross Distributions Paid During The Financial Period.

	Six Months to 30 June 2023	Six Months to 30 June 2022
Stephen McKnight (Director) & Associated Parties	\$528,881	\$211,552
Plantation Capital Limited	\$364,859	\$145,944
	<u>\$893,740</u>	<u>\$357,496</u>

NOTE 9: SUBSEQUENT EVENTS

Depreciation in the Value of the AUD against the USD

Between 1 July 2023 and the date these accounts were issued the AUD depreciated against the USF from \$0.6674 to \$0.6484 resulting in an estimated foreign exchange gain of \$2,076,749.

Distribution Declared & Paid

An interim distribution of 20 cents per unit amounting to \$14,553,178 was declared in July and paid in August 2023.

Fund Wind-up Status

The Fund is continuing to wound down and properties have either been settled or expected to be settled or are on the market for sale.

**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 2023 (CONT'D)**

NOTE 9: SUBSEQUENT EVENTS (CONT'D)

Apart from the matters discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 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 & Principal Place Of Business

2/271 Para Road
GREENSBOROUGH, VIC 3088
AUSTRALIA

Postal Address

PO Box 532
Canterbury, VIC 3126
AUSTRALIA

Other Details

Phone: 03 8592 0270
Internet: www.passiveincomefund.com
Email: 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: 4th September 2023

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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 statement of financial position as at 30 June 2023, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed 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 Scheme does not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Fund's financial position as at 30 June 2023 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*.

Emphasis of Matter - Going Concern

Without modifying our opinion, as the Passive Income (USA Commercial Property) Fund has an expected life of less than two years remaining, we draw attention to Note 1 of the financial report, which discloses that the Responsible Entity has initiated the winding-up of the Passive Income (USA Commercial Property) Fund. As such, the Scheme is no longer regarded a going concern under AASB 101 *Presentation of Financial Statements*.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

We are independent of the Fund in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

4 September 2023