

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

ARSN 155 770 095

**FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2023**

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2023**

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DIRECTORS' REPORT

The Directors of Plantation Capital Limited (PCL), the Responsible Entity of the Passive Income (USA Commercial Property) Fund (Fund), present their report together with the financial statements of the Fund for the year ended 31 December 2023. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal Activities

The Fund is an unlisted managed investment scheme that seeks to generate passive income and growth returns via its controlling interest in Ozinus Realty, LLC, a USA-based real estate investment trust (US REIT). The US REIT is being wound up and as at the date of this report there was one property remaining – an flexible use office building in Atlanta, Georgia. As outlined later in this report, an offer has been received and accepted for this property, and a conditional contract of sale is expected to be signed on or before 29 March 2024. The Fund is also being wound up, with its capital being progressively returned to investors via distributions.

The timing of the finalisation of the US REIT and Fund are dependent on the timely sale of the US REIT's last property, and resolving outstanding matters with the US Internal Revenue Service (IRS). Unless there are unforeseen delays, it is expected the US REIT will be wound up on or before 30 June 2024, and the Fund wound up on or after 31 December 2024.

The Fund did not have any employees during the period, however Sunizo, LLC, a wholly-owned USA-based subsidiary of the US REIT that manages the Fund's properties, had 2 employees (2022: 6 employees) at the end of the year. After ceasing operations at the end of the year, one employee re-engaged as a contractor and another employee (Rich Hering) was re-employed by the US REIT.

Directors

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

Stephen (Steve) McKnight – Director & Secretary

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

Steve, a qualified chartered accountant and experienced investor, is a recognised authority 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, in addition to a substantial investment in the Fund.

Steve is the co-founder and 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.

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DIRECTORS' REPORT

Directors (cont'd)

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.

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.

Paul has made a profound contribution to the success of the Fund, initially as a non-executive director (2012 – 2023), and more recently as an executive director.

Ewan MacDonald – Director (Appointed 1 January 2024)

Bachelor of Arts, Diploma of Law.

Ewan has worked in the financial services sector for over 30 years. He is an experienced lawyer specialising in funds management, fund raising and financial services regulation. He is also an experienced director and external compliance committee member.

He regularly consults on regulatory and compliance issues across a broad range of financial services activities, including property funds, derivatives and equities.

Ewan was appointed as a director of Plantation Capital Limited on 1 January 2024.

Keith Woodhead – Director (Resigned 29 January 2024)

Master of Business Administration, Bachelor of Surveying, Graduate Diploma (Town Planning)

Keith is a highly experienced property professional with specific expertise in areas 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 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.

Keith retired and resigned from the board on 29 January 2024 after more than a decade of much appreciated service to PCL and the Fund. We wish him well.

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DIRECTORS' REPORT

Review of Operations & Financial Results

A detailed review of operations and the financial results thereof is as follows:

Going Concern Basis

As the Fund is winding up it is no longer considered a going concern as defined by accounting standard 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. Furthermore, there is no question about the Fund being able to meet its debt requirements or make capital returns to investors.

Profit

The Fund's consolidated net operating profit after tax, but before distributions, attributable to Unitholders for the year was \$11,774,892 (2022: \$18,566,279). The decrease in the profit reflects their being fewer properties in the Fund as it executes its wind up strategy. Profit was also impacted by sale costs passing through the profit and loss, and because the Fund's final investment property suffered a significant write-down in its fair market value.

The parent entity recorded a net operating profit (before consolidation of US operations) of \$55,961,425 (2022: \$6,713,513).

The Fund's performance is derived from three components: net rental income, capital growth, and movements in the AUD:USD foreign currency exchange rate. A summary of each component's contribution to overall profit is as follows:

Net Rental Income

As the US REIT owned fewer properties than the corresponding period, net rental income declined as expected compared to the prior year.

Capital Gains (Losses)

Capital gains (losses) comprise three components: movements in fair market value as a result of periodic revaluations, when a property's sales price differs from its carrying value, and as the Fund realises its investment in its US REIT. A summary of the components of capital gains is as follows:

	<u>2023</u>	<u>2022</u>
Movement in Fair Market Value from periodic revaluations	(\$5,602,168)	\$20,568,628
Capital gains from sales prices in excess of carrying values	\$1,565,302	\$5,352,601
Capital gains from investments in the US REIT	\$13,419,159	\$-
Total	\$9,382,293	\$25,921,229

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DIRECTORS' REPORT

Review of Operations & Financial Results (cont'd)

Profit (cont'd)

Capital Gains (cont'd)

After being reappraised in December 2023, the fair market value of Westlake, the US REIT's last remaining property, decreased from US\$10,500,000 (i.e. it's independently appraised price at 31 December 2022) to US\$7,500,000 at 31 December 2023.

Subsequent to year end an offer to purchase Westlake was received and accepted at a sale price of US\$8,400,000, an increase of US\$900,000 above its fair market value as included in this report. It is expected a conditional contract of sale will be executed on or before 29 March 2024.

Independent appraisals are conducted in accordance with the Fund's Valuation Policy, a copy of which is available at www.PassiveIncomeFund.com.

Foreign Exchange

Some of the Fund's assets are held in US dollars, so a rising AUD:USD results in an unrealised loss to Unitholders on such assets since the Fund's USD assets convert to comparatively fewer AUD assets.

	<u>2023</u>	<u>2022</u>
At Beginning Of The Year	0.6815	0.7281
At End Of The Year	0.6823	0.6815
Movement	(0.0008)	0.0466
Movement %	(0.12%)	6.40%
At Date Of This Report	0.6568	0.6601

The rate disclosed above is the rate applicable on the Fund's foreign currency transactions, which is the wholesale bank rate, plus 10 basis points.

During the year the Responsible Entity converted a total of US\$49.5m at an average exchange rate of AUD:USD 0.6614. The strategy of dollar cost averaging transfers from USD to AUD generated a benefit to investors of AUD 2,291,842, compared to that money had been transferred in one sum at the AUD:USD at the end of the year. This benefit is not reflected in this financial statements as only the realised portion of the foreign exchange movement is reflected in the Statement of Comprehensive Income.

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DIRECTORS' REPORT

Review of Operations & Financial Results (cont'd)

Distributions

As shown in the table below, the Fund paid the following distributions (gross of US withholding tax) during the year:

	Twelve Months Ended 31 December 2023		Twelve Months Ended 31 December 2022	
	\$	Cents Per Unit	\$	Cents Per Unit
Interim Distributions Paid	54,574,416	75.00	11,843,674	15.00
Final Distribution Payable	14,553,178	20.00	9,128,173	13.00
Total Distribution	69,127,594	95.00	20,971,847	28.00

No distributions were reinvested by Unitholders as all distributions were paid out in cash with no reinvestments permitted (2022: nil).

Applications & Redemptions

No application money was received as the Fund was closed to new and top-up investments. An amount of \$5.0m was allocated to the redemption offer in March 2023, of which \$2,725,210 was paid out (2022: \$2,652,131).

Redemption Price

The ex-distribution redemption unit price as at 31 December 2023 was \$0.2018 (31 December 2022: \$1.2750). The reduction in the redemption price is not a reflection of poor performance, rather the large distributions of profit and capital remitted to investors during the year.

Performance Fee

As the Fund is being wound up no performance fee was payable in the current period (2022: \$3,232,779).

Units on Issue

	Number As At 31 December 2023	Number As At 31 December 2022
Opening Balance	74,899,460	77,211,491
Units redeemed under the redemption offer	(2,133,571)	(2,312,031)
Number of units on issue at period end	72,765,889	74,899,460

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DIRECTORS' REPORT

Review of Operations & Financial Results (cont'd)

Dividends Received

During the year the US REIT paid gross dividends (ordinary and capital gains) to the Fund totalling US\$44,213,713 (2022: US\$11,089,040). The current year dividends were higher because of profits from the sale of US properties.

Fees Paid To and Interests Held By the Responsible Entity

The following fees (net of GST) were due to the Responsible Entity out of the Fund assets during the financial period:

	12 Months Ended 31 December 2023	12 Months Ended 31 December 2022
	\$	\$
Management Fees	1,565,471	2,180,994
Performance Fees	-	3,260,904
Total fees	1,565,471	5,441,898
Other Expense Reimbursements	11,245	17,790

Management fees decreased in line with less funds under management following redemptions, distributions of returns of capital and profit, decreases in fair market value and unfavourable exchange movements. Expense reimbursements relate to Fund costs that are paid for by the Responsible Entity and reimbursed by the Fund.

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 had not entered into any derivative contracts to date. It purchases US dollars at market price based on prevailing advice and board policy. As at 31 December 2023, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD).

Likely Developments and Expected Results of Operations

Fund Life

Effective 23 January 2023, the US REIT executed a Plan of Complete Liquidation and Dissolution thereby providing investors with a favourable outcome as the US tax on capital gains made by the US REIT will reduce to a flat 21%. As the Fund no longer needed to rely on AUS:US tax treaty benefits, it did not renew its Qualified Intermediary agreement with the IRS when the current agreement lapsed in March 2023. Unitholders will continue to receive foreign income tax offsets for the US tax paid by the Fund.

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

Fund Life (cont'd)

Assuming the sale of the final property transacts as anticipated, the US REIT will be wound up on or before 30 June 2024 and the Fund on or before 31 December 2024.

The Fund's ability to resolve a dispute with the IRS in an amicable and timely manner will impact the actual timing of the winding up. More details about this dispute are outlined under the heading 'Contingent Liability' on page 8.

Future Distributions

The next distribution is forecast to approximately 30 days after the settlement of Westlake. The timing and amount will depend on the cash available for distribution at that time.

Significant Changes in State of Affairs

Other than what has been already mentioned, there have not been any significant changes to the state of affairs during the year.

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:

	# of Units Held at 31 December 2023	# of Units Held at 31 December 2022
Stephen McKnight (<i>Director</i>) & Associated Parties	2,115,522	2,115,522
Plantation Capital Limited (PCL)	1,459,436	1,459,436
	3,574,958	3,574,958

The number of units held had not changed during the year as no distribution reinvestments were available to all investors.

	Value of Units Held at 31 December 2023	Value of Units Held at 31 December 2022
Stephen McKnight (<i>Director</i>) & Associated Parties	452,933	2,872,033
Plantation Capital Limited (PCL)	312,465	1,981,330
	765,398	4,853,363

Related party entities received gross distributions from the Fund of \$3,396,210 (2022: \$1,000,988). Fees paid to Plantation Capital Limited were disclosed earlier in this report.

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DIRECTORS' REPORT

Subsequent Events

Sale of Westlake

An offer has been received and accepted for this property, and a conditional contract of sale is expected to be signed on or before 29 March 2024. The agreed sale price is US\$8,400,000, an increase of US\$900,000 above its fair market value as included in this report. It is expected a conditional contract of sale will be executed on or before 29 March 2024.

Contingent Liability – IRS dispute

On 9 February 2024 the US REIT received a notice from the IRS claiming that it failed to file a return, and failed to pay tax, in respect to withholding tax on capital gains dividends in 2020. The penalties and interest levied totalled US\$1,226,948. The Responsible Entity vehemently disagrees with the IRS' position, contending that the amount of tax owing was paid on time and in full. It may be that the US REIT, following the advice given to it by its external tax advisers, filed using the wrong IRS form, but even if this was the case, the maximum fine in that situation is US\$485. The US REIT has engaged KPMG, LLC to appeal the IRS' notice. As the Responsible Entity believes there is a reasonable likelihood of the appeal being successful, it has not included the penalties and interest in the financial statements.

Contingent Liability – Public liability law suit

The US REIT was served legal papers about a public liability matter pertaining to an incident that is alleged to have happened at a property the US REIT used to own. The US REIT has passed the matter over to its insurers. There is not presently expected to be financial implications to the Fund since the incident is covered by insurance.

Environmental Regulation

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

Indemnification and Insurance of Officers and Auditors

The Fund has entered into an insurance policy to indemnify all Directors and Officers of the Responsible Entity, against 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 current insurance policy expires in April 2024 and is expected to be renewed. 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

Dated at Melbourne on 18 March 2024

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PLANTATION CAPITAL LIMITED, THE RESPONSIBLE ENTITY OF
PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND**

I declare that, to the best of my knowledge and belief, during the period ended 31 December 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

18 March 2024

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 \$	2022 \$
Income			
Fair Value (Loss) / Gain On Investment Properties	1(h)	(5,602,168)	20,568,628
Foreign Currency Gain		203,101	714,264
Gain On Sale Of Property and Investment in US REIT		14,984,461	5,352,601
Interest Income		436,717	44,783
Other Income		376,463	302,383
Rental Income		5,666,832	10,827,312
Total Income		16,065,406	37,809,971
Operating Expenses			
Accounting and Audit Fees		59,826	60,034
Compliance Costs		23,614	23,614
Custodian Fees		17,701	13,641
Finance Costs		719,712	702,472
Insurance		46,952	42,988
Legal and Due Diligence		163,943	88,835
Other Operating Expenses		66,553	71,972
Property Expenses		4,834,550	5,082,314
Responsible Entity's Fees	18	1,565,471	5,441,898
Total Operating Expenses		7,498,322	11,527,768
Operating Profit Before Tax		8,567,084	26,282,203
Tax Expense	1(m)	3,207,808	(7,715,924)
Operating Profit After Tax		11,774,892	18,566,279
Other Comprehensive Income		-	-
Total Comprehensive Income		11,774,892	18,566,279

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

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Note	2023 \$	2022 \$
Current Assets			
Cash & Cash Equivalents	4	25,458,289	24,644,427
Sundry Debtors	5	50,133	481,191
Other Current Assets	6	369,719	1,021,632
Total Current Assets		<u>25,878,141</u>	<u>26,147,250</u>
Non-Current Assets			
Investment Properties	7	11,065,514	101,422,632
Equipment		49	197
Other Non-Current Assets	6	6,742	100,147
Total Non-Current Assets		<u>11,072,305</u>	<u>101,522,976</u>
Total Assets		<u>36,950,446</u>	<u>127,670,226</u>
Current Liabilities			
Provisions	9	30,476	30,476
Trade & Other Payables	10	830,620	4,997,960
Distributions Payable	13	14,522,494	9,128,173
Other Current Liabilities		496,139	826,018
Total Current Liabilities		<u>15,879,729</u>	<u>14,982,627</u>
Non-Current Liabilities			
Borrowings	11	5,411,842	11,005,264
Deferred Tax Liability	12	135,942	15,032,690
Total Non-Current Liabilities		<u>5,547,784</u>	<u>26,037,954</u>
Total Liabilities		<u>21,427,513</u>	<u>41,020,581</u>
Net Assets		<u>15,522,933</u>	<u>86,649,645</u>
Net Assets Attributable To Unitholders			
Unitholders' Funds	17	82,205,267	84,930,477
Distributions Paid / Payable		(70,939,348)	(20,395,874)
Foreign Currency Reserve Account		4,257,014	22,115,042
Total Net Assets Attributable To Unitholders		<u>15,522,933</u>	<u>86,649,645</u>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONSOLIDATED STATEMENT OF CHANGES IN
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2023**

31 December 2023 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Foreign Currency Reserves \$	Total Equity \$
Total Comprehensive Income For The Year		-	11,774,892	-	11,774,892
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		-	-	(11,048,800)	(11,048,800)
Distributions	13	-	(69,127,594)	-	(69,127,594)
Units Redeemed	17	(2,725,210)	-	-	(2,725,210)
Transfer to/from FCTR and Distributions Paid / Payable		-	6,809,229	(6,809,229)	-
Total Transactions With Unitholders In Their Capacity As Unitholders		(2,725,210)	(62,318,365)	(17,858,029)	(82,901,604)
Balance As At 31 December 2023		82,205,267	(70,939,348)	4,257,014	15,522,933
31 December 2022					
Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Foreign Currency Reserves \$	Total Equity \$
Total Comprehensive Income For The Year		-	18,566,279	-	18,566,279
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		-	-	6,250,544	6,250,544
Distributions	13	-	(20,971,847)	-	(20,971,847)
Units Redeemed	17	(2,652,131)	-	-	(2,652,131)
Total Transactions With Unitholders In Their Capacity As Unitholders		(2,652,131)	(20,971,847)	6,250,544	(17,373,434)
Balance As At 31 December 2022		84,930,477	(20,395,874)	22,115,042	86,649,645

* Applications and reinvestments

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 \$	2022 \$
Cash Flows From Operating Activities			
Rental Receipts From Customers		6,474,353	10,787,506
Realised Capital Gains from the Sale of Property		1,565,302	5,352,601
Realised Foreign Exchange Gain		203,101	714,264
Payments To Suppliers		(5,062,390)	(5,282,462)
Management Fees		(5,331,668)	(1,871,020)
Interest Received		436,717	44,783
Interest Paid		(626,307)	(632,144)
Net Cash Provided By Operating Activities Before Taxes Paid		(2,340,892)	9,113,528
Taxes Paid		(11,918,798)	(3,432,416)
Net Cash Provided By Operating Activities After Taxes Paid	14	(14,259,690)	5,681,112
Cash Flows From Investing Activities			
Capital Expenditure On Properties		(1,131,584)	(685,773)
Sale Of Investment Properties		82,844,404	22,542,180
Net Cash From Investing Activities		81,712,820	21,856,407
Cash Flows From Financing Activities			
Repayment Of Borrowings		(5,580,518)	(2,663,114)
Redemptions Paid To Unitholders		(2,725,210)	(2,652,131)
Distributions Paid		(63,733,274)	(18,975,258)
Net Cash From Financing Activities		(72,039,002)	(24,290,503)
Net Increase / (Decrease) In Cash And Cash Equivalents		(4,585,872)	3,247,016
Cash At Beginning Of The Financial Year		24,644,427	21,091,050
Effect Of Exchange Rate On Cash And Cash Equivalents		5,399,734	306,361
Cash At The End Of The Financial Year	4	25,458,289	24,644,427

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 1: STATEMENT OF MATERIAL ACCOUNTING POLICIES

The following is a summary of material accounting policies adopted by the Fund in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis Of Preparation Of The Financial Report

This financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This financial report has been prepared for the Fund as a consolidated Group. The Fund is a for-profit entity for the purpose of preparing this financial report. The Responsible Entity of the Fund is Plantation Capital Limited (the Responsible Entity). Unless otherwise noted, the financial report is presented in Australian currency.

The Fund's objective is to generate passive income and growth returns via its controlling interest in the US REIT in accordance with the objectives disclosed in the PDS.

The financial report was authorised for issue by the Directors of the Responsible Entity as at the date of the Directors' report.

Going Concern Status

As the Fund is being wound 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 to solvency or in the application of accounting policies, including recognition, measurement and fair market value assumptions.

Compliance with IFRS

The financial report of the Fund complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Critical accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the Fund's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Principles Of Consolidation

A controlled entity is any entity controlled by the Fund. Control exists where the Fund has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Fund to achieve the objectives of the Group.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1: STATEMENT OF MATERIAL ACCOUNTING POLICIES (cont'd)

(b) Principles Of Consolidation (cont'd)

The Fund and its controlled entities together are referred to in this financial report as the consolidated entity and the Fund. All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Where control of an entity is obtained during a financial period, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial period its results are included for that part of the period where control existed.

(c) Investments In Subsidiaries

The Fund's indirect property investments are held via its controlling interest in Ozinus Realty, LLC – a limited liability company registered in Delaware that has elected to be treated as a REIT for US tax purposes. In turn, Ozinus Realty, LLC owns 100% of all the Limited Liability Companies that have been established to acquire the US properties purchased as at the date of this report.

(d) Income And Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues and expenses are recognised as follows. Income from cash deposits is recognised at the time of receipt and interest is accrued on term deposits. Property income and expenses from US investment properties are recognised on an accruals basis. Non-property income and expenses are also recognised on an accruals basis.

(e) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred. Borrowing costs for long term borrowings are capitalised and amortised over the period of the loan.

(f) Distributions

Provision is made for the amount of any distribution declared, determined or publicly recommended by the Directors on or before the end of the period but not distributed at reporting date. The distribution amount payable to Unitholders as at period end is recognised separately on the statement of financial position.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1: STATEMENT OF MATERIAL ACCOUNTING POLICIES (cont'd)

(g) Cash And Cash Equivalents

Cash and cash equivalents include cash on hand and at deposit taking institutions including short-term deposits with an original maturity of three months or less which are held at call. The Responsible Entity uses this for day to day management of the Fund's cash requirements.

(h) Investment Property

Investment properties are properties that are held either to earn rental income, for capital appreciation, or both. Investment properties are stated at fair value.

External, independent appraisers, having an appropriate recognised professional qualification and relevant experience in the location and category of property, value the US REIT's property portfolio in accordance with the Responsible Entity's valuation policy. External valuations are taken into consideration when determining fair value. Recent transactions for similar assets and investors required return (property capitalisation rate) are considered when adopting a valuation. Unless noted otherwise, the Directors believe a property's fair value was either: (i) its purchase cost plus any capital expenditure, or (ii) independent appraiser's assessment of fair market value plus any capital expenditure post the valuation date, ignoring transaction costs. Any gain or loss is recognised in the income statement.

(i) Interest Bearing Liabilities

Interest bearing liabilities are initially recognised at fair value and subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the income statement over the period of the interest bearing liability using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Interest bearing liabilities are derecognised from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

(j) Financial Instruments

Loans and Receivables

Loans and receivables are financial assets held in a business model where the objective is to hold the assets in order to collect contractual cashflows. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured either at amortised cost using the effective interest method, fair value through other comprehensive income or fair value through profit or loss.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1: STATEMENT OF MATERIAL ACCOUNTING POLICIES (cont'd)

(j) Financial Instruments (cont'd)

Measurement methods are selected depending on the Fund's business model for managing financial assets and contractual cash flow characteristics of the financial asset. All loans and receivables are measured at amortised cost.

A simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses is used for trade receivables and lease receivables. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but no future credit losses.

The calculation of the effective interest rate includes all fees paid or received are an integral part of the effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

Loans and receivables comprise trade and other receivables.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including amounts due to Direct-related entities.

Non- derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(k) Provisions (Liabilities)

Provisions are recognised when there is a present obligation from past events and it is probable that an outflow of resources will be required to settle the obligation when it can be reliably estimated.

(l) Unitholder Funds

Units issued by the Fund are redeemable at the option of the unit holder ("puttable") per the procedure outlined in the PDS dated 4 July 2018. As units satisfy all criteria for recognition as puttable financial instruments under paras 16A and 16B of AASB 132: Financial Instrument: Presentation, Unitholders' funds are classified as equity.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1: STATEMENT OF MATERIAL ACCOUNTING POLICIES (cont'd)

(m) Distributions And Taxation

Under current Australian income tax legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its Unitholders. The Fund's constitution requires that all taxable income be attributed to Unitholders each year.

The US subsidiary (Ozinus Realty, LLC) has elected to be taxed as a real estate investment trust (REIT) under US Federal taxation law, and on this basis will generally not be subject to US income tax on that portion of taxable income which is distributed to shareholders, provided it complies with the requirements of the US Tax Code and maintains its REIT status. The US REIT may ultimately realise a capital gain or loss on disposal of property which may result in a US income tax liability. If the capital gain is realised, it may give rise to a foreign income tax offset which would be available to Unitholders upon distribution. A deferred tax liability is recognised at 26% (including a 5% Branch Profits tax on liquidating distributions or capital gains dividends) of the temporary difference between the carrying amount of the assets and their US tax cost bases. A current tax liability will be recognised for any realised taxable gain upon disposal of US investment properties if included in the dividends.

Section 9 of the PDS provides a summary of the Australian and US taxation laws and expected taxation treatment of the various returns in the hands of the US REIT, the Fund and its investors (including how investors may be able to claim Foreign Income Tax Offsets for any tax paid on their behalf).

(n) Determination Of Application And Redemption Prices

Application and redemption prices are determined by the value of net tangible assets attributable to Unitholders, (redemption price reached after adjusting for estimated transaction costs), divided by the number of units on issue.

(o) Goods And Services Tax (GST)

Management fees and other expenses are recognised net of goods and services tax (GST), adjusted for reduced input tax credits as applicable, recoverable from the Australian Taxation Office (ATO). The net amount of GST recoverable from, or payable to, the ATO is included in the statement of financial position.

(p) Foreign Currencies

Functional and presentation currency

The Fund's financial report is measured using its functional currency. The financial report is presented in Australian dollars, which is the Fund's functional and presentation currency.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1: STATEMENT OF MATERIAL ACCOUNTING POLICIES (cont'd)

(p) Foreign Currencies (cont'd)

Transactions and balances

Transactions in foreign currencies are translated into functional currency at the rate of exchange at the date of the transaction. Foreign currency monetary items that are outstanding at reporting date (other than monetary items arising under foreign currency contracts where exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial period adjusted for any brokerage margin. Resulting exchange differences arising on settlement or re-statement are recognised as income and expenses for the financial period.

Consolidated Entities

The results and financial position of foreign subsidiaries which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at balance date
- income and expenses in the income statement are translated at average exchange rates
- all resulting exchange differences are recognised as a separate component of Unitholders' Funds under a Foreign Currency Reserve Account.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to Unitholders' Funds. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation of the current financial year.

NOTE 2: 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. These are discussed below:

Income Tax

Under current legislation the Fund is not subject to income tax as its taxable income is distributed fully to Unitholders. Continued consistent treatment by the ATO is assumed.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

Investment Property

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.

The fair values of investment properties are reviewed periodically with reference to the property's purchase price, capital expenditure during the period and latest external independent property appraiser's report, excluding transaction costs. The critical assumptions underlying the Responsible Entity's estimates of fair values relate to the receipt of contractual rents, expected future market rentals, maintenance requirements and discount rates that reflect current market uncertainties. If there is any change in these assumptions or regional or national economic conditions, the fair value of investment properties may differ.

NOTE 3: FINANCIAL RISK MANAGEMENT

The Fund may be exposed to a variety of financial risks comprising:

- | | | |
|-----------------------|-------------------|------------------------|
| (a) Market Price Risk | (b) Currency Risk | (c) Liquidity Risk |
| (d) Fair Values Risk | (e) Credit Risk | (f) Interest Rate Risk |

The Board of Directors of the Responsible Entity has the overall responsibility for identifying and managing operational and financial risks. The Fund held the following financial instruments at balance date:

	2023	2022
	\$	\$
Financial Assets		
Cash and Cash Equivalents	25,458,289	24,644,427
Sundry Debtors	50,133	481,191
Prepayments	63,736	469,315
Borrowing Costs	13,488	120,016
Other Financial Assets	299,236	532,448
	25,884,882	26,247,397
Financial Liabilities		
(excluding net assets attributable to Unitholders)		
Payables & Other Financial Liabilities	1,357,235	5,854,454
Distributions Payable	14,522,494	9,128,173
Long Term Loans	5,276,271	10,869,534
USA REIT Funding	135,571	135,730
	21,291,571	25,987,891

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market price (except that arising from interest rate or currency risk).

(b) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changing exchange rates. The Fund, via its controlled entities, invests in financial instruments denominated primarily in US Dollars (USD or US\$). The Fund has not entered into Forward Exchange contracts. It purchases foreign currency at market price based on prevailing advice and board policy.

At balance date, the carrying value of the Fund's net financial assets and liabilities held in foreign currencies expressed in AUD and as a percentage of its net assets were as follows:

	2023		2022	
	\$	% of	\$	% of
	\$	net assets	\$	net assets
Cash Held In USD	8,437,985	54.36	11,359,592	13.11

	2023		2022	
	Year End	Average	Year End	Average
AUD:USD exchange rates	0.6823	0.6644	0.6815	0.6947

Market Derivatives

The Fund may utilise forward exchange contracts to mitigate foreign currency risk for transactions undertaken in foreign currencies. At balance date there were no outstanding forward contracts.

Sensitivity

If foreign exchange rates were to increase/decrease by 10% from rates as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the period and net assets attributable to Unitholders is as follows:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(b) Currency Risk (cont'd)

Sensitivity (cont'd)

	2023		2022	
	\$		\$	
	+10%	-10%	+10%	-10%
Impact on profit allocated to Unitholders	5,368,267	(6,560,413)	(8,768,847)	10,701,609
Impact on net assets attributable to Unitholders	(951,096)	1,162,347	(1,542,112)	1,884,964

(c) Liquidity Risk

Given the Fund invests, albeit indirectly, in real estate, which is an illiquid asset, there is no guarantee that the Responsible Entity will be able to honour every redemption request in full. There is also a risk that the Fund will be unable to meet these requests in a timely manner and that they may be scaled back. In the event the Fund is wound up and required to dispose assets, the Fund may not be able to realise sufficient assets in a timely manner or at an optimal price.

This may affect the Responsible Entity's ability to return capital to Unitholders. The liquidity risk associated with redemptions is managed by the redemption policy as disclosed on the website. The Responsible Entity manages this risk by ensuring there are sufficient liquid assets to meet operating debt and other obligations. For instance, the Responsible Entity permits borrowings of up to 60% of a property's value so long as the total loan-to-valuation ratio across the portfolio remains at 40% or less (based on fair market value).

Maturity Analysis

The following tables represent the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

31 December 2023	< 1 Year	1-5 Years	> 5 Years	Carrying
	\$'000	\$'000	\$'000	Amount
	\$'000	\$'000	\$'000	\$'000
Liabilities				
Trade & Other Payables	(861)	-	-	(861)
Distributions Payable	(14,522)	-	-	(14,522)
Borrowings	-	(5,412)	-	(5,412)
Other Financial Liabilities	(496)	-	-	(496)
	(15,879)	(5,412)	-	(21,291)

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NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity Analysis (cont'd)

31 December 2022	< 1 Year \$'000	1-5 Years \$'000	> 5 Years \$'000	Carrying Amount \$'000
Liabilities				
Trade & Other Payables	(5,028)	-	-	(5,028)
Distributions Payable	(9,128)	-	-	(9,128)
Borrowings	-	(11,005)	-	(11,005)
Other Financial Liabilities	(826)	-	-	(826)
	(14,982)	(11,005)	-	(25,987)

Puttable Financial Instruments

Units issued by the Fund are redeemable at the option of the unit holder (“puttable”) as per the procedure outlined in the PDS. As the units satisfy all relevant criteria for recognition as puttable financial instruments under AASB 132, Unitholders’ Funds are classified as equity (rather than financial liabilities). Consequently, the liquidity risk disclosures do not include contractual or expected cash flow information in respect of the units.

(d) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to meet contractual obligations. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market. The total credit risk for Financial Position items including fixed income and equity securities is therefore limited to the amount carried on the Statement of Financial Position.

(e) Fair Values Of Financial Assets And Liabilities

Financial assets and liabilities measured and recognised at fair value have been determined using the following fair value measurement hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Fair value of listed equity securities is determined at the quoted closing bid price.
- Level 2: Input other than quoted prices, observable for the assets or liabilities, either directly or indirectly. Fair value of derivatives is determined at quoted prices from financial institutions at balance date.
- Level 3: Inputs are not based on observable market data. Unlisted securities have unobservable inputs. Fair value is established using valuation techniques as described in Note 1(h) and Note 2.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(e) Fair Values Of Financial Assets And Liabilities (cont'd)

Due to the short term nature of settlement, carrying amounts of trade and other receivables, trade and other payables, and distributions payable are approximate fair values. Fair value of investment properties disclosed in Note 14 have been determined using Level 3 inputs.

	Fair Value Measurement At 31 December 2023			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets At Fair Value Through Profit and Loss				
Investment Properties	-	-	11,065,514	11,065,514

	Fair Value Measurement At 31 December 2022			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets At Fair Value Through Profit and Loss				
Investment Properties	-	-	101,422,632	101,422,632

	Reconciliation Of Level 3 Fair Value Instruments	
	2023	2022
	\$	\$
Investment Properties		
Opening Balance	101,422,632	95,890,133
Gains		
In Profit & Loss - Unrealised	(5,602,168)	20,568,628
In Profit & Loss - Realised	1,565,302	5,352,601
Purchases/ Capital Expenditure	1,131,584	685,773
Sale of Properties	(82,844,404)	(20,553,260)
Foreign Exchange Impact	(4,607,432)	(521,243)
Closing Balance	11,065,514	101,422,632

Valuation Techniques Used	Inputs Used To Measure Fair Value	FV Sensitivity To Increase In Inputs	FV Sensitivity To Decrease In Inputs
	Projected net	Increase	Decrease
Income capitalisation & sales comparison approach	operating income per management		
	Capitalisation rates	Decrease	Increase

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(e) Fair Values Of Financial Assets And Liabilities (cont'd)

Income Capitalisation Approach analyses a property's income producing capabilities. Valuation techniques employed in this approach are discounted cash flow and direct capitalisation analysis. The Sales Comparison Approach is based on the assumption that a prudent buyer would not pay more for a property than it would cost to acquire a comparable substitute property. Property valuations are conducted in accordance with the Fund's valuation policy.

(f) Interest Rate Risk

The Fund's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and liabilities at balance date is as follows:

31 December 2023	Interest Bearing \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	Weighted Average Effective Interest Rate	Fixed / Variable Rate
Financial Assets					
Cash & Cash					
Equivalents	25,458	-	25,458	3.6%	Variable
Sundry Debtors	-	50	50		
Other Financial Assets	-	376	376		
Total Financial Assets	25,458	426	25,884		
Financial Liabilities					
Trade Creditors	-	(861)	(861)		
Distribution Payable	-	(14,522)	(14,522)		
USA REIT Funding	(136)	-	(136)		
Borrowings	(5,276)	-	(5,276)	4.50%	Fixed
Other Liabilities	-	(496)	(496)		
Total Financial Liabilities	(5,412)	(15,879)	(21,291)		
Net Financial Assets	20,046	(15,453)	4,593		

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(f) Interest Rate Risk (cont'd)

31 December 2022	Interest Bearing \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	Weighted Average Effective Interest Rate	Fixed / Variable Rate
Financial Assets					
Cash & Cash Equivalents	24,644	-	24,644	0.0%	Variable
Sundry Debtors	-	481	481		
Other Financial Assets	-	1,122	1,122		
Total Financial Assets	24,644	1,603	26,247		
Financial Liabilities					
Trade Creditors	-	(5,028)	(5,028)		
Distribution Payable	-	(9,128)	(9,128)		
USA REIT Funding	(136)	-	(136)		
Borrowings	(10,869)	-	(10,869)	4.83%	Fixed
Other Liabilities	-	(826)	(826)		
Total Financial Liabilities	(11,005)	(14,982)	(25,987)		
Net Financial Assets	13,639	(13,379)	260		

Sensitivity

The impact of an increase or decrease in interest rates by 100 basis points (a decrease would mean effective interest rate is zero) is as follows:

	2023		2022	
	\$	\$	\$	\$
	+100bps	-100bps	+100bps	-100bps
Impact on profit before finance costs allocated to Unitholders	254,583	(246,444)	246,444	(246,444)
Impact on net assets attributable to Unitholders	254,583	(246,444)	246,444	(246,444)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022
	\$	\$
	<hr/>	<hr/>
NOTE 4: CASH & CASH EQUIVALENTS		
Cash In Bank - AUD	17,020,305	13,284,635
Cash In Bank – USD*	8,437,984	11,359,792
	<hr/>	<hr/>
	25,458,289	24,644,427
	<hr/> <hr/>	<hr/> <hr/>
* AUD equivalent		
NOTE 5: SUNDRY DEBTORS		
GST Refund	23,457	351,037
Rent Receivable	26,676	130,154
	<hr/>	<hr/>
	50,133	481,191
	<hr/> <hr/>	<hr/> <hr/>
NOTE 6: OTHER ASSETS		
Current Assets		
Security Deposits	12,275	33,759
Prepaid Insurance	51,786	361,454
Prepaid Expenses	11,950	107,861
Borrowing Costs #	6,746	48,033
Other Current Assets	286,962	470,525
	<hr/>	<hr/>
	369,719	1,021,632
	<hr/> <hr/>	<hr/> <hr/>
Non-Current Assets		
Borrowing Costs #	6,742	71,983
Office Set-Up Costs	-	28,164
	<hr/>	<hr/>
	6,742	100,147
	<hr/> <hr/>	<hr/> <hr/>

Borrowing costs totalling US\$46,015 relating to the US\$3.6m finance for RGA being amortised over 10 years. Note the prior year included Wells Fargo refinance costs.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7: INVESTMENT PROPERTIES

	As At 31 December 2023		As At 31 December 2022	
	AUD	USD	AUD	USD
Georgia Properties				
270 Scientific Drive, Norcross	-	-	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	11,065,514	7,550,000	15,407,191	10,500,000
Total Georgia Property	11,065,514	7,550,000	31,907,557	21,745,000
Florida Properties				
3350 Hanson St, Fort Myers	-	-	3,477,623	2,370,000
2853 Work Dve, Fort Myers	-	-	9,275,127	6,321,000
1408 Hamlin & 2013 Murcott, St Cloud	-	-	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. Orange Blossom Trail	-	-	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	-	-	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	-	-	69,515,075	47,374,524
Total Property	11,065,514	7,550,000	101,422,632	69,119,524

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022		
	\$	\$		
NOTE 8: AUDITORS REMUNERATION				
Amounts Paid and Payable to the Auditors	59,826	60,034		
NOTE 9: PROVISIONS				
Provision for Audit Fees	30,476	30,476		
NOTE 10: TRADE & OTHER PAYABLES				
Accrued Property Taxes	33,170	34,453		
Unclaimed Monies	223,335	-		
Performance Fee Payable	-	3,556,057		
Security Deposits Held	99,130	752,091		
Trade Creditors	474,985	655,359		
	<u>830,620</u>	<u>4,997,960</u>		
NOTE 11: NON-CURRENT BORROWINGS				
USA REIT Funding	135,571	135,730		
Long Term Loans	5,276,271	10,869,534		
	<u>5,411,842</u>	<u>11,005,264</u>		
Specifics Of Loan	AUD (‘000)	USD (‘000)	AUD (‘000)	USD (‘000)
<i>Wells Fargo</i>				
5.145% pa due Jun 2025 (Repaid)	-	-	5,587	3,808
<i>RGA</i>				
4.500% pa, due Jan 2026	5,276	3,600	5,282	3,600
<i>USA REIT Funding</i>				
12.500% pa, No maturity. Unsecured.	136	93	136	93
Total Borrowings	<u>5,412</u>	<u>3,693</u>	<u>11,005</u>	<u>7,501</u>

Wells Fargo Loan

This loan was repaid in April 2023.

RGA Loan

This loan is secured by Westlake, which became subject to a conditional sales contract after year end. Assuming the property sells as expected, an early loan termination fee of US\$36,000 will be applicable. The US REIT is compliant with all applicable RGA loan covenants. Interest expense is not capitalised.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022
	\$	\$
NOTE 12: DEFERRED TAX LIABILITY		
Opening Balance	15,032,690	9,928,909
Movement From Change in Fair Value of Properties	(14,896,748)	5,103,781
Closing Balance	<u>135,942</u>	<u>15,032,690</u>
NOTE 13: DISTRIBUTIONS PAYABLE		
Interim	54,574,416	11,843,674
Final	14,553,178	9,128,173
	<u>69,127,594</u>	<u>20,971,847</u>
Payable At Year End	<u>14,522,494</u>	<u>9,128,173</u>
NOTE 14: CASH FLOW INFORMATION		
Reconciliation of net cash provided by operating activities to net operating profit		
Net Operating Profit	11,774,892	18,566,279
Add / (Less) Non-Cash Items:		
Unrealised Revaluation Gains	5,602,168	(20,568,628)
(Increase) / Decrease in Sundry Debtors	431,058	(314,123)
Decrease in Other Assets	745,318	42,262
Increase / (Decrease) in Trade Payables & Other Liabilities	(17,916,378)	2,851,541
Increase / (Decrease) in Deferred Tax Liability	(14,896,748)	5,103,781
Net Cash Provided By Operating Activities	<u>(14,259,690)</u>	<u>5,681,112</u>
NOTE 15: PARENT ENTITY INFORMATION		
(a) Parent Entity		
The parent entity of the Group is the Passive Income (USA Commercial Property) Fund.		

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022
	\$	\$
NOTE 15: PARENT ENTITY INFORMATION (cont'd)		
(b) Financial Information		
Income Statement Information		
Net profit attributable to Unitholders of the parent entity	55,961,425	6,713,513
Comprehensive Income Information		
Total comprehensive income attributable to Unitholders of the parent entity	55,961,425	6,713,513
Statement of Financial Position Information		
Current Assets	21,538,423	21,605,267
Non-Current Assets	-	13,896,152
Current Liabilities	(14,856,880)	(12,928,495)
Net Assets	6,681,543	22,572,924
Unitholders Funds	82,403,732	85,128,942
Undistributed Profits	(75,722,189)	(62,556,018)
Total Equity	6,681,543	22,572,924

NOTE 16: CONTROLLED ENTITIES

	Country of Incorporation	% Owned
Entities controlled by the Fund during the period were:		
Ozinus Realty, LLC <i>(acquired 30 November 2012)</i>	USA	100%
Ozinus Hanson, LLC <i>(acquired 13 March 2013)</i>	USA	100%
Ozinus Palmetto Grove, LLC <i>(acquired 15 August 2013)</i>	USA	100%
Ozinus Hamlin, LLC <i>(acquired 8 October 2013)</i>	USA	100%
Ozinus Eagle Plaza, LLC <i>(acquired 3 December 2013)</i>	USA	100%
Ozinus Giron, LLC <i>(acquired 13 December 2013)</i>	USA	100%
Ozinus NSB, LLC <i>(acquired 14 February 2014)</i>	USA	100%

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 16: CONTROLLED ENTITIES (cont'd)

	<u>Country of Incorporation</u>	<u>% Owned</u>
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 49N CW, LLC (acquired 23 June 2014)	USA	100%
Ozinus Texas Star, LLC (acquired 16 July 2014)	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%
Sunizo, LLC (acquired 30 March 2015)	USA	100%
	2023	2022
	\$	\$

NOTE 17: UNITHOLDERS' FUNDS

Opening Balance	84,930,477	87,582,608
Redemptions	(2,725,210)	(2,652,131)
Closing Balance	82,205,267	84,930,477

The Fund's redemption policies are disclosed in Note 1(n), and in the PDS. The amount of net assets attributable to Unitholders can change on a monthly basis.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 18: RELATED PARTY TRANSACTIONS

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

Key Management Personnel

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

Stephen McKnight
Paul Harper
Ewan MacDonald (appointed 1 January 2024)
Keith Woodhead (resigned on 29 January 2024)

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 Compliance Director was remunerated \$23,257 for providing compliance services for twelve months to 31 December 2023 (2022: \$23,257).

Fees Paid To and Interests Held By the Responsible Entity

The following fees (net of GST) were paid to the Responsible Entity out of the Fund assets during the financial period:

	12 Months Ended 31 December 2022	12 Months Ended 31 December 2022
	\$	\$
Management Fees	1,565,471	2,180,994
Performance Fees	-	3,260,904
Total fees	1,565,471	5,441,898
Other Expense Reimbursements	11,245	17,790

Management fees decreased in line with less funds under management following redemptions, distributions of returns of capital and profit, decreases in fair market value and unfavourable exchange movements. Expense reimbursements relate to Fund costs that are paid for by the Responsible Entity and reimbursed by the Fund. Expense reimbursements relate to Fund costs that are paid for by the Responsible Entity and reimbursed by the Fund. This is lower than the prior year as the cost of insurance premium is now paid directly by the Fund and hence a reimbursement was not necessary.

Related Party Investments Held By the Fund

The Fund has no investment in the Responsible Entity.

Except as noted above, none of the Directors, or Director related entities held units in the Fund, directly, indirectly or beneficially. Responsible Entity or its Director-related entities may invest in or withdraw from the Fund on the same terms and conditions as applicable to other investors.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 18: RELATED PARTY TRANSACTIONS (cont'd)

Units In The Fund Held By Related Parties

	# of Units Held at 31 Dec 2023	# of Units Held at 31 Dec 2022
Stephen McKnight (<i>Director</i>) & Associated Parties	2,115,522	2,115,522
Plantation Capital Limited (PCL)	1,459,436	1,459,436
	<u>3,574,958</u>	<u>3,574,958</u>
	Value of Units Held at 31 Dec 2023	Value of Units Held at 31 Dec 2022
Stephen McKnight (<i>Director</i>) & Associated Parties	\$452,933	\$2,872,033
Plantation Capital Limited (PCL)	\$312,465	\$1,981,330
	<u>\$765,398</u>	<u>\$4,853,363</u>

Related party entities received gross distributions from the Fund of \$3,396,210 (2022: \$1,000,988). Fees paid to Plantation Capital Limited were disclosed earlier in this report.

NOTE 19: SUBSEQUENT EVENTS

Sale of Westlake

An offer to purchase Westlake was received and accepted at a sale price of US\$8,400,000, an increase of US\$900,000 above its fair market value as included in this report. It is expected a conditional contract of sale will be executed on or before 29 March 2024.

Contingent Liability – IRS dispute

On 9 February 2024 the US REIT received a notice from the IRS claiming that it failed to file a return, and failed to pay tax, in respect to withholding tax on capital gains dividends in 2020. The penalties and interest levied totalled US\$1,226,948. The Responsible Entity vehemently disagrees with the IRS' position, contending that the amount of tax owing was paid on time and in full. It may be that the US REIT, following the advice given to it by its external tax advisers, filed using the wrong IRS form, but even if this was the case, the maximum fine in that situation is US\$485. The US REIT has engaged KPMG, LLC to appeal the IRS' notice. As the Responsible Entity believes there is a reasonable likelihood of the appeal being successful, it has not included the penalties and interest in the financial statements.

Contingent Liability – Public liability law suit

The US REIT was served legal papers about a public liability matter pertaining to an incident that is alleged to have happened at a property the US REIT used to own. The US REIT has passed the matter over to its insurers. There is not presently expected to be financial implications to the Fund since the incident is covered by insurance.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 20: COMMITMENTS AND CONTINGENCIES

Apart from the IRS dispute discussed in Note 19, there were no other commitments or contingencies to report.

NOTE 21: RESPONSIBLE ENTITY DETAILS

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

Registered Office	Postal Address	Other Details
2 / 271 PARA RD	PO BOX 532	P: 03 8592 0270
GREENSBOROUGH	CANTERBURY	F: 03 8592 0276
VIC. 3088	VIC. 3126	W: www.PassiveIncomeFund.com
AUSTRALIA	AUSTRALIA	E: admin@passiveincomefund.com

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

DIRECTOR'S DECLARATION

In the opinion of the Directors of Plantation Capital Limited, the Responsible Entity of Passive Income Fund:

1. The financial statements and notes as set out on pages 11 to 36, are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Accounting Standards in Australia and the Corporations Regulations 2001;
 - (b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
 - (c) Give a true and fair view of the financial position of the Fund as at 31 December 2023 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
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

Dated at Melbourne on 18 March 2024

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Passive Income (USA Commercial Property) Fund (**the Scheme**), which comprises the statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

The accompanying financial report of Passive Income (USA Commercial Property) Fund is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the Scheme's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- ii. complying with *Australian Accounting Standards and the Corporations Regulations 2001*; and

Emphasis of Matter - Going Concern

Without modifying our opinion, as the Passive Income (USA Commercial Property) Fund has an expected life of less than 1 year 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 for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Scheme 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 (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Scheme's annual report for the year ended 31 December 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of Plantation Capital Limited are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



GEORGE S. DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

18 March 2024