

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

ARSN 155 770 095

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2024**

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

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2024**

TABLE OF CONTENTS

	Page
Table Of Contents	i
Directors' Report	1
Auditor's Independence Declaration	7
Interim Financial Report For The Half Year Ended 30 June 2024	
Condensed Consolidated Statement Of Profit & Loss	8
Condensed Consolidated Statement Of Financial Position	9
Condensed Consolidated Statement Of Changes In Net Assets Attributable To Unitholders	10
Condensed Consolidated Statement Of Cash Flows	11
Notes To The Consolidated Condensed Financial Statements	12
Declaration By The Directors' Of Responsible Entity	18
Independent Review Report	19

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2024**

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 2024 (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 has now disposed of all the properties owned in the REIT, and once it has resolved the outstanding dispute with the US Internal Revenue Service (IRS), it will proceed to formally winding up and making a final distribution to investors.

The Fund did not have any employees during the period, however the REIT had one employee.

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 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 substantial investments in the Fund and the Strategic Opportunities (Growth & Income) Fund. Steve has been the Chairman of the Fund since its inception in 2012.

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.

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.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**DIRECTORS' REPORT (CONT'D)
FOR THE HALF YEAR ENDED
30 JUNE 2024**

Directors (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, and operations / administration.

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. He previously served on the Fund's Compliance Committee.

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 the Fund.

Review of Operations & Financial Results

Profit

The Fund's half year profit after income tax was \$4,459,457 (2023: profit of \$2,338,892). The result was higher than the corresponding period because of the significant realised gain on the sale of the REIT's final property and as a result of a net gain on disposal of a foreign operation of \$1,418,277. This gain was partly related to the one-time adjustment to zero out the foreign currency translation reserve now that US operations have ceased.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**DIRECTORS' REPORT (CONT'D)
FOR THE HALF YEAR ENDED
30 JUNE 2024**

Review of Operations & Financial Results (Cont'd)

Units & Unit Price

There is only one class of issued units, the rights and entitlements thereof are detailed in the Fund's PDS dated 4 July 2018, and in the Fund's Constitution. The redemption unit price as at 30 June 2024 was \$0.0474 (31 December 2023: \$0.2018). The decline represents the return of capital to investors during the half year.

Distributions

The following distributions, gross of US withholding tax, were declared during the financial period.

	Six Months Ended 30 June 2024		Six Months Ended 30 June 2023	
	\$	¢ per unit	\$	¢ per unit
Distributions Declared	11,642,542	16.0	18,191,472	25.0

AUD:USD Exchange Rate

	As At / Period Ended 30 June 2024	As At / Period Ended 31 December 2023
At Period End	\$0.6703	\$0.6823
Average Over Period	\$0.6585*	\$0.6644*

* The average rate is for six months to 30 June 2024, and 12 months to 31 December 2023.

Dividends Received

For the six months ended 30 June 2024, the REIT paid the Fund a gross dividend of \$1,153,551 (2023: \$24,942,284). 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.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**DIRECTORS' REPORT (CONT'D)
FOR THE HALF YEAR ENDED
30 JUNE 2024**

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 2024	Six Months Ended 30 June 2023
	\$	\$
Management fees	189,581	1,016,529
Other expense reimbursements	-	2,394
Total Fees & Reimbursements	189,581	1,018,923

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 as later updated via various disclosures to reflect the Fund's wind up. 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.

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 2024	# Units Held At 31 December 2023
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 2024	Value of Units Held At 31 December 2023
Stephen McKnight 's(Director)		
Related Parties	\$100,275	\$452,933
Plantation Capital Limited	\$69,177	\$312,465
	\$169,452	\$765,398

The value of units is calculated using the ex-distribution redemption unit price of \$0.0474.

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

**DIRECTORS' REPORT (CONT'D)
FOR THE HALF YEAR ENDED
30 JUNE 2024**

Related Party Transactions (Cont'd)

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

	Six Months to 30 June 2024	Six Months to 30 June 2023
Stephen McKnight 's(Director)		
Related Parties	\$338,484	\$528,881
Plantation Capital Limited	\$233,510	\$364,859
	<u>\$571,994</u>	<u>\$893,740</u>

Derivatives & Other Financial Instruments

The Fund's USD cash on deposit exposes 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.

Likely Developments and Expected Results of Operations

Fund Target Return & Remaining Life

With all the REIT's properties now sold, the REIT will be wound up once its dispute with the IRS is resolved. That dispute relates to a notice the REIT received 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 return was filed on time, and the right amount of tax owing was paid. It may be that the US REIT, following the advice given to it by its external tax advisers, incorrectly completed the 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 as a liability.

As mentioned, once the IRS dispute is resolved it is expected the REIT will be wound up. At the same time, procedures will be implemented to wind up the Fund too. While it is impossible to know when the IRS will respond, it is hoped the REIT and Fund will be wound up before 31 December 2024.

Significant Changes in State of Affairs

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

Environmental Regulation

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

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

**DIRECTORS' REPORT (CONT'D)
FOR THE HALF YEAR ENDED
30 JUNE 2024**

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: 26 August 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**

As auditor for the review of Passive Income (USA Commercial Property) Fund for the half-year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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



GEORGE S DAKIS
Partner - Audit and Assurance

Melbourne, Victoria

26 August 2024



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257
Chartered Accountants

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

**CONDENSED CONSOLIDATED
STATEMENT OF PROFIT & LOSS
FOR THE HALF YEAR ENDED 30 JUNE 2024**

	Note	Six Months To 30 June 2024 \$	Six Months To 30 June 2023 \$
Revenue			
Disposed Foreign Operation		1,989,516	-
Fair Value Gain On			
Investment Properties		995,127	114,075
Foreign Exchange Gain		516,722	172,218
Interest Income		145,882	123,427
Other Income		140,827	297,225
Realised Gain / (Loss) on			
Sale of Properties		1,418,277	(105,384)
Rental Income		722,835	4,067,094
Total Income		<u>5,929,186</u>	<u>4,668,655</u>
Expenses			
Accounting & Audit Fees		13,014	29,913
Compliance Costs		14,701	11,628
Custodian Fees		4,568	6,957
Finance Costs		188,286	562,250
Insurance		14,450	23,052
Legal & Due Diligence		13,690	87,565
Other Operating Expenses		338,749	36,205
Property Expenses		443,287	3,376,774
Responsible Entity's Fees	8	189,581	1,016,529
Total Expenses		<u>1,220,326</u>	<u>5,150,873</u>
Profit / (Loss) Before Tax		4,708,860	(482,218)
Income Tax Expense		(249,403)	2,821,110
Profit After Tax		<u><u>4,459,457</u></u>	<u><u>2,338,892</u></u>

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

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

**CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024**

	Note	30 June 2024 \$	31 December 2023 \$
Current Assets			
Cash And Cash Equivalents		12,174,904	25,458,289
Sundry Debtors		235,861	50,133
Other Current Assets		48,921	369,719
Total Current Assets		12,459,686	25,878,141
Non - Current Asset			
Investment Properties			
Held for Investment	3	-	11,065,514
Equipment		-	49
Other Non-Current Assets		-	6,742
Total Non - Current Asset		-	11,072,305
Total Assets		12,459,686	36,950,446
Current Liabilities			
Borrowings	6	137,998	-
Provisions		11,590	30,476
Trade And Other Payables	4	573,015	830,620
Distributions Payable	5	7,276,564	14,522,494
Other Current Liabilities		179,220	496,139
Total Current Liabilities		8,178,387	15,879,729
Non - Current Liabilities			
Borrowings	6	-	5,411,842
Deferred Tax Liability		-	135,942
Total Non – Current Liabilities		-	5,547,784
Total Liabilities		8,178,387	21,427,513
Net Assets		4,281,299	15,522,933
Net Assets Attributable To Unitholders			
Unitholders' Funds		82,403,732	82,205,267
Distributions Paid/Payable		(78,122,433)	(70,939,348)
Foreign Currency Reserve Account		-	4,257,014
Total Net Assets Attributable To Unitholders		4,281,299	15,522,933

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

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

**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE HALF YEAR ENDED 30 JUNE 2024**

30 June 2024		Unitholders'	Distributions	Foreign	Total
Consolidated Entity	Note	Funds	Paid/Payable	Currency	Equity
		\$	\$	\$	\$
Total Comprehensive Income For The Year		-	4,459,457	-	4,459,457
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 31 December 2023		82,205,267	(70,939,348)	4,257,014	15,522,933
Set Up Costs		198,465	-	-	198,465
Foreign Currency Reserve		-	-	(4,257,014)	(4,257,014)
Distributions	5	-	(11,642,542)	-	(11,642,542)
Total Transactions With Unitholders In Their Capacity As Unitholders		198,465	(11,642,542)	(4,257,014)	(15,701,091)
Balance At 30 June 2024		82,403,732	(78,122,433)	-	4,281,299

31 December 2023		Unitholders'	Distributions	Foreign	Total
Consolidated Entity	Note	Funds	Paid/Payable	Currency	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	5	-	(69,127,594)	-	(69,127,594)
Units Redeemed		(2,725,210)	-	-	(2,725,210)
Transfer to/from FCTR and Distributions Paid / Payable		-	6,809,228	(6,809,228)	-
Total Transactions With Unitholders In Their Capacity As Unitholders		(2,725,210)	(62,318,366)	(17,858,028)	(82,901,604)
Balance At 31 December 2023		82,205,267	(70,939,348)	4,257,014	15,522,933

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

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

**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2024**

	Six Months To 30 June 2024 \$	Six Months To 30 June 2023 \$
Cash Flows From Operating Activities		
Receipts From Customers	1,522,196	4,695,245
Payments To Suppliers & Employees	(1,160,036)	(3,385,520)
Management Fee	(189,581)	(1,053,695)
Interest Received	145,882	-
Interest Paid	(188,286)	(499,485)
Other Income	-	295,645
Net Cash Provided By Operating Activities Before Performance Fee & Taxes Paid	130,175	52,190
Performance Fee	-	(3,556,056)
Tax Paid	(462,664)	(3,216,100)
Net Cash Provided By Operating Activities After Performance Fee & Taxes Paid	(332,489)	(6,719,966)
Cash Flows From Investing Activities		
Sale Of Investment Properties	11,211,420	48,938,505
Investment Property Capital Expenditure	-	(978,732)
Net Cash Provided By Investing Activities	11,211,420	47,959,773
Cash Flows From Financing Activities		
Loan Repayments	(5,273,844)	(5,705,105)
Redemptions Paid	-	(2,725,210)
Distributions Paid	(18,888,472)	(9,128,265)
Net Cash Provided By Financing Activities	(24,162,316)	(17,558,580)
Net Decrease In Cash And Cash Equivalents	(13,283,385)	23,681,227
Cash At Beginning Of The Financial Period	25,458,289	24,644,427
Effect Of Exchange Rate On Cash And Cash Equivalents	-	1,453,792
Cash At The End Of The Financial Period	12,174,904	49,779,446

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 2024**

NOTE 1: MATERIAL 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 Interim Financial Reporting. Compliance* 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 Presentation of Financial Statements*. 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.

**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 2024 (CONT'D)**

NOTE 1: MATERIAL 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 Financial Instruments*. 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.

NOTE 3: INVESTMENT PROPERTIES	As At 30 June 2024		As At 31 December 2023	
	AUD	USD	AUD	USD
400 Tech Pkway, Peachtree Corners	-	-	11,065,514	7,550,000

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2024 (CONT'D)**

	30 June 2024 \$	31 December 2023 \$
NOTE 4: TRADE AND OTHER PAYABLES		
Trade Creditors	353,290	474,985
Accrued Property Taxes	-	33,170
Unclaimed money	219,725	223,335
Security Deposits Held	-	99,130
	573,015	830,620
NOTE 5: DISTRIBUTIONS PAID & PAYABLE		
Distributions Declared (Six Months Ended 30 June)	11,642,542	69,127,594
Distributions Payable (As At Period End)	7,276,564	14,522,494
NOTE 6: BORROWINGS		
CURRENT		
USA REIT Funding	137,998	-
NON CURRENT		
USA REIT Funding	-	135,571
Real Estate Loans	-	5,276,271
Total Borrowings	-	5,411,842
	\$(‘000)	\$(‘000)
	Loan AUD	Loan USD
RGA		
Due January 2026.		
4.500% pa interest-only.		
Secured by 400 Technology Pkwy.	-	5,282
	-	3,600
USA REIT Funding		
No maturity.		
12.500% pa interest-only .		
Unsecured.	138	93
	93	136

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 2024 (CONT'D)**

NOTE 7: CONTROLLED ENTITIES

	As At 30 June 2024	
	Country of Incorporation	% Owned
Subsidiaries controlled by the Fund during the period were:		
Ozinus Realty, LLC <i>(acquired 30 November 2012)</i>	USA	100%
Ozinus Westlake, LLC <i>(acquired 18 December 2015)</i>	USA	100%

During the half year the REIT disposed of its final property, and accordingly US trading operations ceased. As the only outstanding matter is resolving the contingent liabilities (see Note 9), the balance of the Foreign Currency Translation Reserve was taken to the profit and loss and included in account 'Disposed Foreign Operation'.

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
Ewan MacDonald *(Appointed 1 January 2024)*
Keith Woodhead *(Resigned 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.

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 2024 \$	Six Months To 30 June 2023 \$
The following fees were paid to the Responsible Entity out of Fund property during the financial period:		
Management Fees	189,581	1,016,529
Other Expense Reimbursements	-	2,394
Total Fees & Reimbursements	1,018,923	1,018,923

**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 2024 (CONT'D)**

NOTE 8: RELATED PARTY TRANSACTIONS (CONT'D)

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.

	# Units Held At 30 June 2024	# Units Held At 30 June 2023
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 2024	Value of Units Held At 30 June 2023
Stephen McKnight's (Director)		
Related Parties	\$100,275	\$2,190,412
Plantation Capital Limited	\$69,177	\$1,511,100
	\$169,452	\$3,701,512

The value of units is calculated using the ex-distribution redemption unit price of \$0.0474.

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

	Six Months to 30 June 2024	Six Months to 30 June 2023
Stephen McKnight's (Director)		
Related Parties	\$338,484	\$528,881
Plantation Capital Limited	\$233,510	\$364,859
	\$571,994	\$893,740

NOTE 9: COMMITMENTS AND CONTINGENCIES

Contingent Liability – IRS dispute

On 9 February 2024 the US REIT received a notice the REIT received 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 return was filed on time, and the right amount of tax owing was paid. It may be that the US REIT, following the advice given to it by its external tax advisers, incorrectly completed the 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 as a liability.

**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 2024 (CONT'D)**

NOTE 9: COMMITMENTS AND CONTINGENCIES (CONT'D)

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.

NOTE 10: 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: 26 August 2024

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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 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 2024, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a material 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 accompanying half-year financial report of the Fund does not comply with the Corporations Act 2001 including:

- a. giving a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
- b. complying with *Australian Accounting Standards and Corporations Regulations 2001*.

Emphasis of Matter - Orderly Windup

Without modifying our opinion, as the Passive Income (USA Commercial Property) Fund has an expected life of less than a 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 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 Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 2024 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.



GEORGE DAKIS
Partner – Audit and Assurance

Melbourne, Victoria

26 August 2024



Moore Australia Audit (VIC)
ABN 16 847 721 257
Chartered Accountants