PASSIVE INCOME
(USA COMMERCIAL PROPERTY) FUND
AND CONTROLLED ENTITIES

ARSN 155 770 095

FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2017

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DIRECTORS' REPORT

The Directors of Plantation Capital Ltd - the Responsible Entity of the Passive Income (USA Commercial Property) Fund (the Fund), a Managed Investment Scheme, present their report together with the financial statements of the Fund for the year ended 31 December 2017. 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 via its controlling interest in Ozinus Realty, LLC, a USA-based real estate investment trust (REIT) which owns a diversified portfolio of commercial properties located in the United States of America.

The investment activities of the Fund continued to meet the investment policy of the Fund as outlined in the Product Disclosure Statement (PDS) dated 18 July 2013 and the Supplementary Product Disclosure Statement (SPDS) dated 4 October 2017.

The Fund did not have any employees during the period, however Sunizo, LLC, a wholly owned subsidiary of the US REIT, which manages the properties and is controlled by the Fund, had eleven employees.

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 recognised as one of Australia's foremost authorities on property investment as a means of creating personal wealth.

Since buying his first investment property in May 1999, Steve has completed hundreds of property transactions. Presently, his real estate portfolio includes residential and commercial properties in Australia and the USA, together with a substantial investment in the Fund.

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

Paul Harper – Director
Chartered Accountant, Master of Entrepreneurship and Innovation, Bachelor of Business (Accounting)

Paul has been providing financial advisory services to corporations, institutions and high net worth individuals for over 25 years.

Directors (cont'd)

Until November 2011, Paul worked as the Managing Director of Jeena Limited, a Melbourne-based firm of Chartered Accountants that provided family office services and specialised investment opportunities to select, high-net wealth clients and families. Recently Paul has been pursuing real estate acquisition and development opportunities in regional and rural markets. Paul also continues to hold a number of board and advisory positions within the financial sector.

In addition to holding a Masters in Entrepreneurship and Innovation and a Bachelor of Business (Accounting), Paul is a Fellow of the Institute of Chartered Accountants.

Keith Woodhead – Director
Master of Business Administration, Bachelor of Surveying, Graduate Diploma (Town Planning)

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.

Review of Operations & Financial Results

This financial report covers the twelve months ended 31 December 2017.

A total of $3,575,234 of application money was received during the financial period, after deducting contribution fees. This resulted in the issue of 2,515,440 units. Under the distribution reinvestment plan a total of $4,697,742 was reinvested during the period, resulting in the issue of 3,305,016 units. The opportunity to redeem was offered to unitholders in September 2017. This resulted in a redemption of $3,334,120, being 2,569,649 units at a redemption price of $1.2975 per unit. The Fund opened to new applications following the redemption offer and was fully subscribed again in October 2017, at which point it was closed to new and top up applications.

Between 1 January 2017 and 31 December 2017, the Fund, via its controlled entities, purchased two properties, both in the state of Georgia (at 350 Technology Parkway, Gwinnett County and 6564 Tara Boulevard, Jonesboro).

Review of Operations & Financial Results (cont'd)

The Fund's consolidated net operating profit before distributions attributable to Unitholders for the year ended 31 December 2017 was $12,926,577 (year ended 31 December 2016: Profit $7,061,578).

The parent entity recorded a net operating profit of $1,460,894, mainly benefitting from the deferred tax adjustment, which is now calculated at 21% (previously 35%) following the signing of the tax reform legislation in the US. (year ended 31 December 2016: Loss $1,893,333). This parent entity result was before consolidation of US operations.

	Twelve Months Ended 31 December 2017		Twelve Months Ended 31 December 2016	
	$	Cents Per Unit	$	Cents Per Unit
Interim Distribution Paid	3,726,760	5.0*	3,421,115	4.8*
Final Distribution Payable	3,809,140	5.0*	3,500,735	4.8*
Total Distribution	7,535,900	10.0*	6,921,850	9.6*

*Gross of US withholding tax

The ex-distribution unit price as at 31 December 2017 was $1.4092 (31 December 2016: $1.4424). There is only one class of issued units, the rights and entitlements thereof are detailed in the PDS dated 18 July 2013 and SPDS dated 4 October 2017, and in the Fund's Constitution.

For the twelve months ended 31 December 2017, Ozinus Realty, LLC – a US subsidiary, paid US$3,363,701 in dividends to the Fund (year ended 31 December 2016: US$2,206,790).

Fund Performance (Net Of Fees)

The Fund returns in cents per unit are as below:

	12 Months Ended 31 December 2017 (Cents Per Unit)	12 Months Ended 31 December 2016 (Cents Per Unit)	Since Inception 1 January 2013 (Cents Per Unit)
Capital growth (including effect of foreign exchange)	(3.32)	5.16	40.92
Cash Distribution	10.00*	9.60*	39.60*
Total Return	**6.68***	**14.76***	**80.52***

*Gross of US withholding tax

Note: Past performance is not a guarantee of future performance.

Units on Issue

	Number As At 31 December 2017	Number As At 31 December 2016
Opening Balance	72,931,984	69,764,039
New units issued during the period under the capital raising	2,515,440	2,456,789
New units issued under the distribution reinvestment plan	3,305,016	2,717,821
Units redeemed under the redemption offer	(2,569,649)	(2,006,665)
Number of units on issue at period end	**76,182,791**	**72,931,984**

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:

	12 Months Ended 31 December 2017 $	12 Months Ended 31 December 2016 $
Management fees	2,373,384	2,316,958
Other expense reimbursements	40,585	42,543
Total fees & reimbursements	2,413,969	2,359,501

Expense reimbursements relate to Fund costs that are paid for and reimbursed from the Fund by the Responsible Entity.

Derivatives & Other Financial Instruments

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

The Fund has not entered into any derivative contracts to date. It purchases US dollars at market price based on prevailing advice and board policy. As at 31 December 2017, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD).

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:

	$ Value Units Held At 31 December 2017	**# Units Held At 31 December 2017**
Stephen McKnight *(Director)* & Associated Parties*	2,478,794	1,759,008
Plantation Capital Limited (PCL)*	1,474,755	1,046,519
	3,953,549	2,805,527
Davendra Prasad *(CFO)*	-	-

*During the year PCL acquired all units held by PropertyInvesting.com Pty Ltd at arm's length.

	$ Value Units Held At 31 December 2016	**# Units Held At 31 December 2016**
Stephen McKnight *(Director)* & Associated Parties	2,646,015	1,834,453
Plantation Capital Limited	1,173,128	813,317
	3,819,143	2,647,770
Davendra Prasad *(CFO)*	106,351	73,732

Likely Developments and Expected Results of Operations

The Fund expects to continue to operate in accordance with its investment policy as detailed in the PDS issued 18 July 2013 and the SPDS dated 4 October 2017.

Significant Changes in State of Affairs

The Responsible Entity has called a unitholder meeting, to be held on 18 March 2018 to vote on two special resolutions:

(a) To ratify the decision of the directors of Plantation Capital Limited to wind up the REIT structure on or before 31 December 2028, and to wind up the Passive Income (USA Commercial Property) Fund on or before 31 December 2029 and return all capital to members.

(b) To ratify the decision of the directors of Plantation Capital Limited to increase the limit on subscriptions to the Passive Income (USA Commercial Property) Fund to 100,000,000 issued units (not including reinvestment of distributions)

The Fund honoured in full, all requests during its annual redemption offer in September 2017.

DIRECTORS' REPORT (cont'd)

Two properties were purchased during the year, both in Georgia, in January and April 2017.

Apart from the above, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial period.

Subsequent Events

Contracted Property

A contract for the sale of 18538 US Hwy 19, Clearwater, FL went unconditional on 16 February 2018 and is expected to settle on or before 19 April 2018. The agreed contract price was USD 765,000 which was USD 130,000 or 20.47% above the December 2017 appraised value of this property.

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 Insurance policy was renewed in February 2018.

The Fund has not indemnified any auditor of the Fund.

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

Dated at Melbourne on 16 March 2018.

Steve McKnight

Stephen McKnight
Chairman

Deloitte Touche Tohmatsu
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The Board of Directors
Plantation Capital Limited
893A Canterbury Road
Box Hill VIC 3128

16 March 2018

Dear Board Members

Passive Income (USA Commercial Property) Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Plantation Capital Limited, the Responsible Entity, regarding the financial year ended 31 December 2017 for Passive Income (USA Commercial Property) Fund.

As lead audit partner for the audit of the financial statements of Passive Income (USA Commercial Property) Fund for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chester Hii
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Twelve Months To 31 December 2017 $	Twelve Months To 31 December 2016 $
Income			
Interest Income		4,570	16,652
Fair Value Gain On Investment Properties	1(h)	9,092,265	6,508,595
Rental Income		13,693,449	12,480,214
Realised Gain On Sale Of Property		-	715,755
Realised Foreign Currency Loss		(166,461)	(68,894)
Other Income		185,834	111,617
Total Income		22,809,657	19,763,939
Operating Expenses			
Accounting And Audit Fees		49,662	48,815
Responsible Entity's Fees	18	2,373,384	2,316,958
Compliance Costs		49,033	42,622
Custodian Fees		30,528	32,973
Insurance		27,058	29,518
Finance Costs		1,343,969	1,390,506
Legal And Due Diligence		81,032	81,116
Property Expenses		6,029,807	6,028,565
Other Operating Expenses		62,079	71,892
Total Operating Expenses		10,046,552	10,042,965
Operating Profit Before Tax		12,763,105	9,720,974
Tax (Expense)/ Credit	1(n)	163,472	(2,659,396)
Operating Profit After Tax		**12,926,577**	**7,061,578**
Other Comprehensive Income		-	-
Total Comprehensive Income		**12,926,577**	**7,061,578**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 $	31 December 2016 $
Current Assets			
Cash And Cash Equivalents	4	9,648,060	16,501,951
Sundry Debtors	5	211,081	203,875
Other Current Assets	6	530,582	598,351
Total Current Assets		10,389,723	17,304,177
Non-Current Assets			
Investment Properties	13	127,435,439	120,739,305
Equipment		52,706	58,600
Other Non-Current Assets	6	501,544	623,138
Total Non-Current Assets		127,989,689	121,421,043
Total Assets		138,379,412	138,725,220
Current Liabilities			
Provisions	8	28,504	33,788
Trade And Other Payables	9	2,358,651	2,338,726
Distributions Payable	12	3,449,737	3,353,600
Borrowings	10	1,875,826	35,563
Other Current Liabilities		139,360	248,259
Total Current Liabilities		7,852,078	6,009,936
Non-Current Liabilities			
Borrowings	10	23,169,217	27,122,017
Deferred Tax Liability	11	7,838,607	8,095,517
Total Non-Current Liabilities		31,007,824	35,217,534
Total Liabilities		38,859,902	41,227,470
Net Assets		**99,519,510**	**97,497,750**
Net Assets Attributable To Unitholders			
Unitholders' Funds	17	85,952,721	81,013,865
Retained Earnings		4,442,583	(948,094)
Foreign Currency Reserve Account		9,124,206	17,431,979
Total Net Assets Attributable To Unitholders		**99,519,510**	**97,497,750**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS FOR THE YEAR ENDED 31 DECEMBER 2017

31 December 2017 Consolidated Entity	**Note**	**Unitholders' Funds $**	**Retained Earnings $**	**Foreign Currency Reserves $**	**Total Equity $**
Total Comprehensive Income For The Year		-	12,926,577	-	12,926,577
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 31 December 2016		81,013,865	(948,094)	17,431,979	97,497,750
Foreign Currency Reserve		-	-	(8,307,773)	(8,307,773)
Distributions	12	-	(7,535,900)	-	(7,535,900)
Units Issued*	17	8,272,976	-	-	8,272,976
Units Redeemed	17	(3,334,120)	-	-	(3,334,120)
Total Transactions With Unitholders In Their Capacity As Unitholders		4,938,856	(7,535,900)	(8,307,773)	(10,904,817)
Balance As At 31 December 2017		**85,952,721**	**4,442,583**	**9,124,206**	**99,519,510**

31 December 2016 Consolidated Entity	**Note**	**Unitholders' Funds $**	**Retained Earnings $**	**Foreign Currency Reserves $**	**Total Equity $**
Total Comprehensive Income For The Year		-	7,061,578	-	7,061,578
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 31 December 2015		76,283,188	(1,087,822)	16,409,101	91,604,467
Foreign Currency Reserve		-	-	1,022,878	1,022,878
Distributions	12	-	(6,921,850)	-	(6,921,850)
Units Issued*	17	7,183,224	-	-	7,183,224
Units Redeemed	17	(2,452,547)	-	-	(2,452,547)
Total Transactions With Unitholders In Their Capacity As Unitholders		4,730,677	(6,921,850)	1,022,878	(1,168,295)
Balance As At 31 December 2016		**81,013,865**	**(948,094)**	**17,431,979**	**97,497,750**

* Applications And Reinvestments

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Twelve Months To 31 December 2017 $	Twelve Months To 31 December 2016 $
Cash Flows From Operating Activities			
Receipts From Customers		13,748,189	11,937,472
Payments To Suppliers		(6,355,216)	(6,060,896)
Management Fee		(2,361,828)	(1,873,522)
Performance Fee		-	(881,522)
Interest Received		4,570	16,652
Interest Paid		(1,224,457)	(1,321,961)
Other Income		185,834	111,617
Net Cash Provided By Operating Activities	14	3,997,092	1,927,840
Cash Flows From Investing Activities			
Sale / (Purchase) Of Investment Properties		(5,605,983)	5,062,186
Net Cash From Investing Activities		(5,605,983)	5,062,186
Cash Flows From Financing Activities			
Payments Of Borrowings		(32,839)	(30,603)
Applications Received From Unitholders		3,575,235	2,977,435
Redemptions Paid To Unitholders		(3,334,120)	(2,452,547)
Distributions Paid*		(2,821,822)	(1,791,710)
Net Cash From Financing Activities		(2,613,546)	(1,297,425)
Net Increase / (Decrease) In Cash And Cash Equivalents		(4,222,437)	5,692,601
Cash At Beginning Of The Financial Year		16,501,951	12,813,059
Effect Of Exchange Rate On Cash And Cash Equivalents		(2,631,454)	(2,003,709)
Cash At The End Of The Financial Year	4	**9,648,060**	**16,501,951**

* During the year distributions totalling $4,697,742 (2016: $3,784,293) were reinvested by unitholders.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant 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 objectives are to seek to generate passive income and growth returns by acquiring equity in a USA-based REIT structure, in accordance with the objectives disclosed in the PDS dated 18 July 2013 and the SPDS dated 4 October 2017.

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT 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, as Unitholders are presently entitled to the distributable income as at year end under the Fund's constitution.

NOTE 1: STATEMENT OF SIGNIFICANT 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.

An external, independent appraiser, having an appropriate recognised professional qualification and relevant experience in the location and category of property being valued, values individual properties every six months, or sooner if considered appropriate as determined by management in accordance with the Responsible Entity's valuation policy. These external valuations are taken into consideration when determining fair value of investment properties. Recent transactions for similar assets and the investors required return (property capitalisation rate) are considered when adopting a valuation.

Unless the Directors believe a property's fair value was its purchase cost plus any capital expenditure, all properties are carried at the independent appraiser's assessment of fair market value, ignoring transaction costs. Any gain or loss arising from a change in fair value is recognised in the income statement.

(i) Trade And Other Receivables

Trade receivables are recognised initially at fair value, and subsequently measured at fair value less a provision for impairment. Trade receivables are generally due within 30 days. A provision for doubtful debt is created for all receivables over 60 days. Collectability of all receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when objective evidence of impairment regarding collection exists. Cash flows for short term receivables are not discounted if the effect of this is immaterial.

(j) Interest Bearing Liabilities

Interest bearing liabilities are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Financial Instruments

Classification
The Fund classifies its financial instruments in the following categories depending on the purpose for which they were acquired: financial assets at fair value through profit or loss, and loans and receivables. Management determines the classification at initial recognition.

Loans and Receivables
Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities
Financial liabilities include trade payables, other creditors and loans from third parties including amounts due to Director-related entities. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(l) 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.

(m) 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 18 July 2013 and the SPDS dated 4 October 2017. 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.

(n) Distributions And Taxation

Under current Australian income tax legislation, the Fund is not liable to pay income tax provided Unitholders are presently entitled to the Fund's distributable income and taxable income is fully distributed to Unitholders. The Fund's constitution requires that all taxable income be distributed to Unitholders each year. However, due to differences in the accounting and taxation treatment, financial accounts may show a balance of undistributed income at period end where all income has been distributed for taxation purposes.

The US subsidiary (Ozinus Realty, LLC) has elected to be taxed as a US (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. A deferred tax liability is recognised at 21% 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) 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.

(p) Goods And Services Tax (GST)

Payables, 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.

(q) 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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) New Accounting Standards For Application In Future Periods

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Scheme. The Responsible Entity's assessment of the new and amended pronouncements relevant to the Scheme but applicable in future reporting periods is set out below:

Standard Number	Standard Title	Applicable for periods ending
AASB 9	Financial Instruments	31-Dec-2018
AASB 15	Revenue from Contracts with Customers	31-Dec-2018
AASB 16	Leases	31-Dec-2019
AASB 2015-10	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	31-Dec-2018
AASB 40	Transfers of Investment Property	31-Dec-2018

AASB 9 Financial Instruments

AASB 9 will replace AASB 139: Financial Instruments: Recognition and Measurement. The Group is yet to complete an assessment. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost based on an expected loss approach.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) New Accounting Standards For Application In Future Periods (cont'd)

AASB 15 Revenue From Contracts with Customers

AASB 15 will provide (except in relation to specific exceptions, such as lease and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The Group is yet to complete an assessment.

Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. AASB 15 requires adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 16 Leases

Under IFRS 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their Statement of Financial Position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the Statement of Financial Position will be required to be capitalised on the Statement of Financial Position once AASB 16 is adopted. The Group is yet to complete an assessment.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Fund makes certain estimates and assumptions which, by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherent risk, which could have a material impact on the assets and liabilities in the financial period, 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.

Investment Property
Critical judgements are made by the Responsible Entity in respect of fair values of investment properties. Fair values are reviewed every six months with reference to the property's purchase price, capital expenditure during the period and external independent property appraiser's report of estimated fair value, 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
(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:

	31 December 2017 $	31 December 2016 $
Financial Assets		
Cash and Cash Equivalents	9,648,060	16,501,951
Sundry Debtors	211,081	203,875
Prepayments	390,012	431,138
Borrowing Costs	524,205	643,717
Other Financial Assets	117,909	146,634
	10,891,267	17,927,315
Financial Liabilities (excluding net assets attributable to Unitholders)		
Payables and Other Financial Liabilities	2,526,515	2,620,773
Distributions Payable	3,449,737	3,353,600
Vendor Loans	5,609,477	6,110,231
Long Term Loans	19,317,310	20,919,286
USA REIT Funding	118,256	128,063
	31,021,295	33,131,953

(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). 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:

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(b) Currency Risk (cont'd)

	31 December 2017 $		31 December 2016 $	
	$	% of net assets	$	% of net assets
Cash Held In USD	6,660,319	6.69%	13,997,657	14.36%

	31 December 2017 $		31 December 2016 $	
	Year End	Average	Year End	Average
AUD:USD exchange rates	0.7822	0.7669	0.7223	0.7437

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:

	31 December 2017 $		31 December 2016 $	
	+10%	-10%	+10%	-10%
Impact on profit allocated to Unitholders	(1,433,441)	1,752,033	(1,092,234)	1,335,060
Impact on net assets attributable to Unitholders	(9,817,260)	11,998,255	(9,582,268)	11,710,684

(c) Liquidity Risk

Given the Fund invests, albeit indirectly, in real estate, which by its nature 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 or that they be scaled back. In the event the Fund is wound up and required to dispose assets to, 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 in the PDS dated 18 July 2013 and SPDS dated 4 October 2017.

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).

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity Analysis
The table below represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

31 December 2017	**< 1 Year $'000**	**1-5 Years $'000**	**> 5 Years $'000**	**Carrying Amount $'000**
Liabilities				
Trade & Other Payables	(2,359)	-	-	(2,359)
Distributions Payable	(3,450)	-	-	(3,450)
Borrowings	(1,876)	(3,734)	(19,435)	(25,045)
Other Financial Liabilities	(167)	-	-	(167)
	(7,852)	(3,734)	(19,435)	(31,021)

31 December 2016	**< 1 Year $'000**	**1-5 Years $'000**	**> 5 Years $'000**	**Carrying Amount $'000**
Liabilities				
Trade & Other Payables	(2,339)	-	-	(2,339)
Distributions Payable	(3,354)	-	-	(3,354)
Borrowings	(36)	(4,468)	(22,654)	(27,158)
Other Financial Liabilities	(281)	-	-	(281)
	(6,010)	(4,468)	(22,654)	(33,132)

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 dated 18 July 2013 and SPDS dated 4 October 2017. 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.

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(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.

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 13 have been determined using Level 3 inputs.

	Fair Value Measurement At 31 December 2017			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets At FVTPL				
Investment Properties	-	-	127,435,439	127,435,439

	Fair Value Measurement At 31 December 2016			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets At FVTPL				
Investment Properties	-	-	120,739,305	120,739,305

	Reconciliation Of Level 3 Fair Value Instruments	
	31 December 2017 $	31 December 2016 $
Investment Properties		
Opening Balance	120,739,305	115,581,375
Gains/(Losses)		
In Profit and Loss - Unrealised	9,092,265	6,508,595
In Profit and Loss - Realised	-	715,755
Purchases/ Capital Expenditure	7,027,796	2,090,838
Sale of Properties	-	(4,850,479)
Foreign Exchange Impact	(9,423,927)	693,221
Closing Balance	127,435,439	120,739,305

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

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

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

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 by an independent valuation expert every six months. These recommended valuations are reviewed by the Directors.

(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 2017	Interest Bearing $'000	Non-Interest Bearing $'000	Total Carrying Amount $'000	Weighted Average Effective Interest Rate	Fixed / Variable Rate
Financial Assets					
Cash & Cash Equivalents	9,648	-	9,648	0.0%	Variable
Sundry Debtors	-	211	211		
Other Financial Assets	-	1,032	1,032		
Total Financial Assets	9,648	1,243	10,891		
Financial Liabilities					
Trade Creditors	-	(2,359)	(2,359)		
Distribution Payable		(3,450)	(3,450)		
USA REIT Funding	(118)		(118)		
Borrowings	(24,927)	-	(24,927)	4.85%	Fixed
Other Liabilities	-	(167)	(167)		
Total Financial Liabilities	(25,045)	(5,976)	(31,021)		
Net Financial Assets	(15,397)	(4,733)	(20,130)		

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(f) Interest Rate Risk (cont'd)

31 December 2016	Interest Bearing $'000	Non-Interest Bearing $'000	Total Carrying Amount $'000	Weighted Average Effective Interest Rate	Fixed / Variable Rate
Financial Assets					
Cash & Cash Equivalents	16,502	-	16,502	0.0%	Variable
Sundry Debtors	-	204	204		
Other Financial Assets	-	1,166	1,166		
Total Financial Assets	16,502	1,370	17,872		
Financial Liabilities					
Trade Creditors	-	(2,339)	(2,339)		
Distribution Payable		(3,354)	(3,354)		
USA REIT Funding	(128)		(128)		
Borrowings	(27,030)	-	(27,030)	4.86%	Fixed
Other Liabilities	-	(281)	(281)		
Total Financial Liabilities	(27,158)	(5,974)	(33,132)		
Net Financial Assets	(10,656)	(4,604)	(15,260)		

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:

	31 December 2017 $		31 December 2016 $	
	+100bps	-100bps	+100bps	-100bps
Impact on profit before finance costs allocated to Unitholders	96,481	-	165,020	-
Impact on net assets attributable to Unitholders	96,481	-	165,020	-

NOTE 4: CASH AND CASH EQUIVALENTS

	31 December 2017 $	31 December 2016 $
Cash in bank Australian accounts AUD	2,987,741	2,504,294
Cash in bank Australian accounts USD	1,133	800,387
Cash in bank US accounts USD	6,659,186	13,197,270
	9,648,060	16,501,951

	31 December 2017 $	31 December 2016 $
NOTE 5: SUNDRY DEBTORS		
GST Refund	66,430	54,325
Rent Receivable	144,651	149,550
	211,081	203,875
NOTE 6: OTHER ASSETS		
Current Assets		
Security Deposits	70,353	91,173
Prepaid Insurance	354,335	404,195
Prepaid Expenses	35,677	26,943
Borrowing Costs	70,217	76,040
	530,582	598,351
Non-Current Assets		
Borrowing Costs	453,988	567,677
Office Set-Up Costs	47,556	55,461
	501,544	623,138

Borrowing costs totalling $524,205 relating to the US$15.11m refinance are being amortised over 10 years. The current portion of $70,217 is included in current assets as other current assets. The non-current portion of $453,988 is included in non-current assets as other non-current assets.

	31 December 2017 $	31 December 2016 $
NOTE 7: AUDITORS REMUNERATION		
Amounts paid and payable to the auditors	49,662	48,815
NOTE 8: PROVISIONS		
Provision for Audit Fees	28,504	33,788
NOTE 9: TRADE AND OTHER PAYABLES		
Trade Creditors	943,796	982,596
Accrued Property Taxes	346,744	350,169
Security Deposits Held	1,068,111	1,005,961
Other Current Liabilities	-	-
	2,358,651	2,338,726

	31 December 2017 $	31 December 2016 $

NOTE 10: BORROWINGS

	31 December 2017 $	31 December 2016 $
Current Borrowings		
Due within 12 months	1,875,826	35,563
Non-Current Borrowings		
USA REIT Funding	118,256	128,063
Long Term Loans (excluding current)	23,050,961	26,993,954
	23,169,217	27,122,017

Specifics of Loan	**Loan AUD** (2017)	**Loan USD** (2017)	**Loan AUD** (2016)	**Loan USD** (2016)
1671 Riverview Drive, Lewisville, TX				
4.0% pa, due Dec 2018	1,840,961	1,440,000	1,993,631	1,440,000
401 Powerhouse, McKinney, TX 6.0% pa, due Feb 2019*	900,195	704,133	1,010,411	729,820
2634 N. Orange Blossom Trail, FL				
5.00% pa, due Mar 2019	1,001,790	783,600	1,084,868	783,600
830 NE 24th Lane, Cape Coral, FL				
4.25% pa, due Apr 2019	383,534	300,000	415,340	300,000
13584 49th St Nth, Clearwater, FL 3.5% pa to Apr 2018, thereafter 5.0% pa due Apr 2023	1,482,997	1,160,000	1,605,981	1,160,000
Long Term Borrowings - Refinance				
7 properties, 5.145% pa due Jun 2025	14,714,907	11,510,000	15,935,207	11,510,000
400 Technology Parkway, GA 4.5% pa, due Jan 2026	4,602,403	3,600,000	4,984,079	3,600,000
USA REIT Funding 12.5% pa interest, no maturity	118,256	92,500	128,063	92,500
Total Borrowings	25,045,043	19,590,233	27,157,580	19,615,920

* Principal and interest loan (all other borrowings are interest only)

	31 December 2017 $	31 December 2016 $
NOTE 11: DEFERRED TAX		
Opening Balance	8,095,517	5,424,656
Movement From Change In Fair Value Of Properties*	363,036	2,659,396
Foreign Exchange Impact	(619,946)	11,465
Closing Balance	7,838,607	8,095,517

*Includes effect of change in tax rate from 35% to 21%

	31 December 2017 $	31 December 2016 $
NOTE 12: DISTRIBUTIONS		
Interim	3,726,760	3,421,115
Final	3,809,140	3,500,735
	7,535,900	6,921,850
Payable At Period End	3,449,737	3,353,600

	Fair Value		Fair Value	
	USD	AUD	USD	AUD
NOTE 13: INVESTMENT PROPERTIES				
Texas Properties				
1671 Riverview Dve, Lewisville	4,320,000	5,522,884	4,100,000	5,676,312
401 Powerhouse, McKinney	4,675,000	5,976,732	4,150,000	5,745,535
1205 Texas Parkway, Euless	5,000,000	6,392,227	4,400,000	6,091,652
Total Texas Property	13,995,000	17,891,843	12,650,000	17,513,499
Georgia Properties				
6620 Tara Blvd, Jonesboro	5,300,000	6,775,761	4,880,000	6,756,195
6205/15 Shiloh Crossing, Alpharetta	6,600,000	8,437,740	6,440,000	8,915,963
1461 HWY 20 W, McDonough	4,900,000	6,264,383	4,750,000	6,576,215
2081 Jonesboro Rd, McDonough	4,300,000	5,497,315	4,150,000	5,745,535
270 Scientific Drive, Norcross	4,850,000	6,200,460	4,750,000	6,576,215
358 McDonough Pkway, McDonough	1,010,000	1,291,230	950,000	1,315,243
2192 Eastview Parkway, Conyers	2,360,000	3,017,131	2,300,000	3,184,272
400 Tech Pkway, Peachtree Corners	7,750,000	9,907,952	7,600,000	10,521,944
350 Tech Pkway, Peachtree Corners	5,380,000	6,878,036	-	-
6564 Tara Blvd, Jonesboro	680,000	869,343	-	-
Total Georgia Property	43,130,000	55,139,351	35,820,000	49,591,582
Florida Properties				
3350 Hanson St, Fort Myers	1,320,000	1,687,548	1,150,000	1,592,136
13584 49th St Nth, Clearwater	3,865,000	4,941,192	3,700,000	5,122,525
4700 110th Ave Nth, Pinellas Park	1,560,000	1,994,375	1,510,000	2,090,544

	31 December 2017 $		31 December 2016 $	
	Fair Value		Fair Value	
	USD	AUD	USD	AUD
NOTE 13: INVESTMENT PROPERTIES (cont'd)				
Florida Properties (cont'd)				
2853 Work Dve, Fort Myers	3,300,000	4,218,870	2,830,000	3,918,040
2148 Fowler St, Fort Myers	1,280,000	1,636,410	1,260,000	1,744,428
1408/24 Hamlin Av, 2013 Murcott Dv	2,900,000	3,707,492	2,400,000	3,322,719
1904 Oak Grove Blvd, Lutz	3,960,000	5,062,644	3,500,000	4,845,632
5250 Giron Circle, Kissimmee	2,300,000	2,940,424	2,100,000	2,907,379
720 S. Dixie Fwy, New Smyrna Beach	2,870,000	3,669,138	2,800,000	3,876,506
2634 N. Orange Blossom Trail	2,350,000	3,004,347	2,270,000	3,142,738
5961 Northland Rd, Fort Myers	1,290,000	1,649,195	1,100,000	1,522,913
16151 Pine Ridge Rd, Fort Myers	970,000	1,240,092	900,000	1,246,020
830 NE 24th Lane, Cape Coral	1,700,000	2,173,357	1,465,000	2,028,243
12050 49th St Nth, Clearwater	4,750,000	6,072,616	4,275,000	5,918,593
2621 NE 9th Ave, Cape Coral	1,050,000	1,342,368	975,000	1,349,855
1221 SE 9th Ter, Cape Coral	1,000,000	1,278,445	935,000	1,294,476
1013 SE 12th Avenue, Cape Coral	815,000	1,041,933	795,000	1,100,651
18538 US Hwy 19, Clearwater	635,000	811,813	580,000	802,990
932 NE 24th Lane, Cape Coral	970,000	1,240,092	815,000	1,128,340
5636 Youngquist Rd, Fort Myers	700,000	894,911	605,000	837,602
5760 Youngquist Rd, Fort Myers	970,000	1,240,092	875,000	1,211,408
3419 Westview Drive, Naples	2,000,000	2,556,891	1,900,000	2,360,486
Total Florida Property	42,555,000	54,404,245	38,740,000	53,634,224
Total Property	99,680,000	127,435,439	87,210,000	120,739,305

NOTE 14: CASH FLOW INFORMATION

	31 December 2017	31 December 2016
Reconciliation of net cash provided by operating activities to net operating profit		
Net Operating Profit	12,926,577	7,061,578
Add/(Less) Non-Cash Items:		
Foreign Currency Gain/ (Loss)	166,461	68,894
Unrealised Revaluation Gains	(9,092,265)	(7,224,350)
Increase In Sundry Debtors	(7,206)	(574,370)
Decrease In Other Current Assets	181,458	31,628
Decrease In Trade Creditors And Other Payables	(9,177)	(97,557)
Increase / (Decrease) In Deferred Tax Liability	(163,472)	2,659,396
Increase / (Decrease) In Provisions	(5,284)	2,621
Net Cash Provided By Operating Activities	3,997,092	1,927,840

NOTE 15: PARENT ENTITY INFORMATION

(a) Parent Entity

The parent entity of the Group is the Passive Income (USA Commercial Property) Fund

(b) Financial Information – Passive Income (USA Commercial Property) Fund

	Twelve Months To 31 December 2017 $	Six Months To 31 December 2016 $
Income Statement Information		
Net profit (loss) attributable to Unitholders of the parent entity	1,460,894	(1,893,333)
Comprehensive Income Information		
Total comprehensive income attributable to Unitholders of the parent entity	1,460,894	(1,893,333)
Statement of Financial Position Information		
Current Assets	3,455,402	4,350,365
Non-Current Assets	61,454,583	61,454,583
Current Liabilities	(3,714,636)	(3,614,977)
Non-Current Liabilities	(7,838,607)	(7,697,080)
Net Assets	53,356,742	54,492,891
Net Assets Attributable To Unitholders Of The Parent Entity		
Unitholders Funds	86,151,187	81,212,329
Undistributed Profits	(32,595,980)	(26,520,973)
Set Up Costs	(198,465)	(198,465)
Total Equity	53,356,742	54,492,891

NOTE 16: CONTROLLED ENTITIES

	31 December 2017	
	Country of Incorporation	**% Owned**
Entities controlled by the Fund during the period were:		
Ozinus Realty, LLC *(acquired 30 November 2012)*	USA	100%
Ozinus Hanson, LLC *(acquired 13 March 2013)*	USA	100%
Ozinus Pinellas Park, LLC (acquired 12 April 2013)	USA	100%

NOTE 16: CONTROLLED ENTITIES (cont'd)

	31 December 2017	
	Country of Incorporation	% Owned
Ozinus Breckinridge, LLC *(acquired 16 April 2013)*	USA	100%
Ozinus Palmetto Grove, LLC *(acquired 15 August 2013)*	USA	100%
Ozinus Rams Plaza, LLC *(acquired 9 September 2013)*	USA	100%
Ozinus Hamlin, LLC *(acquired 8 October 2013)*	USA	100%
Ozinus Eagle Plaza, LLC *(acquired 3 December 2013)*	USA	100%
Ozinus Giron, LLC *(acquired 13 December 2013)*	USA	100%
Ozinus Riverview Drive, LLC *(acquired 26 December 2013)*	USA	100%
Ozinus Powerhouse, LLC *(acquired 6 February 2014)*	USA	100%
Ozinus NSB, LLC *(acquired 14 February 2014)*	USA	100%
Ozinus Orange Blossom, LLC *(acquired 7 March 2014)*	USA	100%
Ozinus Northland, LLC *(acquired 4 April 2014)*	USA	100%
Ozinus Pine Ridge, LLC *(acquired 15 April 2014)*	USA	100%
Ozinus Cape Coral 830CC, LLC *(acquired 30 April 2014)*	USA	100%
Ozinus Shops of Tara, LLC *(acquired 1 May 2014)*	USA	100%
Ozinus Pitney, LLC *(acquired 23 June 2014)*	USA	100%
Ozinus NE 9th CC, LLC *(acquired 27 June 2014)*	USA	100%
Ozinus SE 9-CC, LLC *(acquired 11 July 2014)*	USA	100%
Ozinus Texas Star, LLC *(acquired 16 July 2014)*	USA	100%
Ozinus Shiloh, LLC *(acquired 23 July 2014)*	USA	100%
Ozinus 1013 SE12-CC, LLC *(acquired 24 September 2014)*	USA	100%
Ozinus US 19N, LLC *(acquired 29 September 2014)*	USA	100%
Ozinus 932NE24-CC, LLC *(acquired 30 September 2014)*	USA	100%

NOTE 16: CONTROLLED ENTITIES (cont'd)

	31 December 2017	
	Country of Incorporation	**% Owned**
Ozinus McDonough, LLC *(acquired 30 December 2014)*	USA	100%
Ozinus Jonesboro Towne Cr, LLC *(acquired 18 May 2015)*	USA	100%
Ozinus Scientific, LLC *(acquired 12 June 2015)*	USA	100%
Ozinus 5636 Youngquist, LLC *(acquired 15 July 2015)*	USA	100%
Ozinus 5760 Youngquist, LLC *(acquired 15 July 2015)*	USA	100%
Ozinus 358 McDonough, LLC *(acquired 24 July 2015)*	USA	100%
Ozinus Westview, LLC *(acquired 31 August 2015)*	USA	100%
Ozinus 2192 Parkway, LLC *(acquired 1 October 2015)*	USA	100%
Ozinus Westlake, LLC *(acquired 18 December 2015)*	USA	100%
Ozinus 350Tech, LLC *(acquired 19 December 2016)*	USA	100%
Ozinus 6564 Tara, LLC *(acquired 13 April 2017)*	USA	100%
Ozinus Thornton, LLC *(acquired 9 August 2013)*	USA	100%
Sunizo, LLC *(acquired 30 March 2015)*	USA	100%

NOTE 17: UNITHOLDERS' FUNDS

	31 December 2017 $	31 December 2016 $
Opening Balance	81,013,865	76,283,188
Applications	3,575,234	3,398,931
Distributions Reinvested	4,697,742	3,784,293
	8,272,976	7,183,224
Redemptions	(3,334,120)	(2,452,547)
Net Movement During The Period	4,938,856	4,730,677
Closing Balance	85,952,721	81,013,865

The Fund's redemption policies are disclosed in Note 1(o), and in the PDS dated 18 July 2013 and the SPDS dated 4 October 2017. The amount of net assets attributable to Unitholders can change on a monthly basis.

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
Keith Woodhead

Key management personnel also included Mr. Davendra Prasad, Chief Financial Officer.

Remuneration of the key personnel is paid directly by the Responsible Entity. Key personnel are not provided with any remuneration by the Fund itself. Directors are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, as a result of the remuneration provided by the Responsible Entity. One Director, as Compliance Director was paid $21,922 for providing compliance services for twelve months to 31 December 2017.

	Twelve Months To 31 December 2017 $	Twelve Months To 31 December 2016 $
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:		
Management Fees	2,373,384	2,316,958
Total Fees To The Responsible Entity	2,373,384	2,316,958
Other Expense Reimbursements	40,585	42,543
Total Fees & Reimbursements	2,413,969	2,359,501

Fees paid to the Responsible Entity are pursuant to the disclosures made in the PDS dated 18 July 2013 and the SPDS dated 4 October 2017.

Related Party Investments Held By the Fund

The Fund has no investment in the Responsible Entity at period end.

During the year, Plantation Capital Limited CEO, Steve McKnight, returned back from the US where he spent a year as CFO, Sunizo LLC on a one year contract, on an annual salary of US $96,000 p.a. plus associated employment expenses. The outflows during the year were recouped from management fees payable to 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 Fund investors.

NOTE 18: RELATED PARTY TRANSACTIONS (cont'd)

Units In The Fund Held By Related Parties

Holdings in the Fund by related parties:	**Units Held At 31 December 2017 #**	**Units Held At 31 December 2017 Value in AUD**
Stephen McKnight (Director) & Associated Parties (except Plantation Capital Limited)*	1,759,008	2,478,794
Plantation Capital Limited*	1,046,519	1,474,755
	2,805,527	3,953,549
Davendra Prasad (CFO)	-	-

	Units Held At 31 December 2016 #	**Units Held At 31 December 2016 Value in AUD**
Stephen McKnight (Director) & Associated Parties (except Plantation Capital Limited)	1,834,453	2,646,015
Plantation Capital Limited	813,317	1,173,128
	2,647,770	3,819,143
Davendra Prasad (CFO)	73,732	106,351

*During the year PCL acquired all units held by PropertyInvesting.com Pty Ltd at arm's length.

NOTE 19: SUBSEQUENT EVENTS

The following significant events occurred subsequent to 31 December 2017:

Contracted Property

A contract for the sale of 18538 US Hwy 19, Clearwater, FL went unconditional on 16 February 2018 and is expected to settle on or before 19 April 2018. The agreed contract price was USD 765,000 which was USD 130,000 or 20.47% above the December 2017 appraised value of this property.

NOTE 20: COMMITMENTS AND CONTINGENCIES

The Fund has no 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**
893A Canterbury Rd	PO Box 2193	P: 03 8892 3800 F: 03 8892 3811
BOX HILL VIC 3128	BLACKBURN SOUTH VIC 3130	www.passiveincomefund.com
AUSTRALIA	AUSTRALIA	admin@passiveincomefund.com

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 8 to 33, 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 2017 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.

Steve McKnight

Stephen McKnight
Director
Melbourne: 16 March 2018

Deloitte.

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Independent Auditor's Report to the Unitholders of Passive Income (USA Commercial Property) Fund and its controlled entities

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Passive Income (USA Commercial Property) Fund and its controlled entities (the "Group") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets attributable to unitholders for the year then ended and the 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 declaration by the directors of Plantation Capital Limited ("Responsible Entity").

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 Group 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 the Responsible Entity**,** 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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Other Information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the Director's Report included in the Group's financial report for the year ended 31 December 2017, 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 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 the Responsible Entity 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 ability of the Group 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 Group or to cease operations, or has 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chester Hii
Partner
Chartered Accountants
Melbourne, 16 March 2018