

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

**ARSN 155 770 095**

**HALF YEAR REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2016**

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

**HALF YEAR REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2016**

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**DIRECTORS' REPORT**

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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 half year ended 30 June 2016. 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 - a USA-based real estate investment trust (REIT) that owns a diversified portfolio of commercial properties located in the United States of America.

The investment activities of the Fund continued to be in accordance with 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 16 November 2015. The Fund, via its controlled subsidiaries, has primarily invested in USA based commercial properties.

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

**Directors**

The Directors of the Responsible Entity during the period 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. In addition to being the Fund's biggest investor, Steve's other real estate assets include properties in Australia and USA.

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.

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**DIRECTORS' REPORT (cont'd)**

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*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 two decades.

Until November 2011, he 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.

After successfully selling and transitioning Jeena Ltd into an ASX listed Company, Paul was appointed CEO of the Social Media software company DC123. With headquarters in Melbourne, DC123 provides disruptive turn-key social media solutions for some of Australia's leading brands in financial services, property, health services, aviation, recruitment and hospitality industries.

*Keith Woodhead – Director*

Master of Business Administration, Bachelor of Surveying, Graduate Diploma (Town Planning), licensed Estate Agent.

Keith is a highly experienced property professional with specific expertise in numerous property aspects, including acquisitions, disposals, subdivision, leasing, construction, and project and development management. His property-based experience also includes direct property assets and listed and unlisted property trusts across a range of property sectors including rural, residential, retail, industrial and commercial.

Much of Keith's work has been within the property funds management sector, where he has been largely responsible for debt and equity raisings, offer document preparation, product management, corporate governance, compliance and transaction management.

**Review of Operations & Financial Results**

In November 2015 the Australian Taxation Office approved the Fund's request to change its financial year end from 30 June to 31 December. As a result of this change this Half Year report is for the six months ended 30 June 2016, and the comparative period is for the 6 months ended 30 June 2015.

Pursuant to the PDS dated 18 July 2013 and the SPDS dated 16 November 2015, a total of \$425,791 of application money was received during the financial period, after deducting contribution fees. This resulted in the issue of 299,724 units. Under the distribution reinvestment plan a total of \$1,682,642 was reinvested during the period, resulting in an issue of 1,209,469 units.

No new property acquisitions were made between 1 January 2016 and 30 June 2016.

Steve McKnight relocated temporarily to the USA and on 1 September 2016 commenced in the capacity as CFO of Sunizo, LLC (the property management taxable REIT subsidiary).

The Fund's consolidated net operating profit before distributions attributable to Unitholders for the six months ended 30 June 2016 was \$4,093,267 (2015: Profit \$2,050,956).

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**DIRECTORS' REPORT (cont'd)**

The parent entity alone (without consolidating US operations) recorded a net operating profit for the period before distributions attributable to Unitholders of \$671,128 (2015: Loss \$3,129,964).

	<b>Six Months Ended 30 June 2016</b>		<b>Six Months Ended 30 June 2015</b>	
	<b>\$</b>	<b>Cents / unit</b>	<b>\$</b>	<b>Cents / unit</b>
Interim Distribution Paid	3,421,131	4.8*	-	-
Final Distribution Payable	-	-	2,645,705	4*
Total Distribution	3,421,131	4.8*	2,645,705	4*

\*Gross of US withholding tax

The ex-distribution unit price as at 30 June 2016 was \$1.3930 (30 June 2015: \$1.3277).

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 16 November 2015, and in the Fund's Constitution.

**Fund Performance (Net Of Fees)**

	<b>Six Months Ended 30 June 2016</b>	<b>Six Months Ended 30 June 2015</b>
Capital growth (cents per unit)	0.22	12.64
Cash Distribution (cents per unit)	4.80*	4.00*
<b>Total Return (cents per unit)</b>	<b>5.02*</b>	<b>16.64*</b>

\*Gross of US withholding tax

For the six months ended 30 June 2016, Ozinus Realty, LLC – a US subsidiary, paid \$2,016,000 in dividends to the Fund (2015: \$Nil).

**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:

	<b>Six Months Ended 30 June 2016 \$</b>	<b>Six Months Ended 30 June 2015 \$</b>
Management fees	1,173,785	780,923
Performance fees	-	2,124,076
Total fees to the Responsible Entity	1,173,785	2,904,999
Other expense reimbursements	44,262	184
Total Fees & Reimbursements	1,218,047	2,905,183

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**DIRECTORS' REPORT (cont'd)**

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Management fees are paid to the Responsible Entity to execute the investment strategy as outlined in the PDS dated 18 July 2013 and the SPDS dated 16 November 2015. Expense reimbursements relate to costs incurred by the Fund but paid by the Responsible Entity and later reimbursed to the Responsible Entity. Most expenses attributable to the Fund are paid directly by the Fund. Performance fees are payable to the Responsible Entity where specific performance criteria is met. During the period, performance of the Fund did not exceed the target hurdle (including any shortfall from prior period(s) if any) and therefore the Responsible Entity was not entitled to a performance fee for this period.

**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:

	<b># Units Held At 30 June 2016</b>	<b>\$ Value Units Held At 30 June 2016</b>
Stephen McKnight <i>(Director)</i> & Associated Parties	1,786,226	2,488,213
Plantation Capital Limited	495,182	689,789
Davendra Prasad <i>(CFO)</i>	73,732	102,709
	<b># Units Held At 31 December 2015</b>	<b>\$ Value Units Held At 31 December 2015</b>
Stephen McKnight <i>(Director)</i> & Associated Parties	1,748,261	2,431,481
Plantation Capital Limited	482,938	671,670
Davendra Prasad <i>(CFO)</i>	71,909	100,011

**Derivatives & Other Financial Instruments**

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

The Fund has not entered into any derivative contracts to date. It purchases US dollars at market price based on prevailing advice and board policy. As at 30 June 2016, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD).

**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 16 November 2015.

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**DIRECTORS' REPORT (cont'd)**

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**Significant Changes in State of Affairs**

In November 2015 the Fund changed its financial year end from 30 June to 31 December.

During the year Moore Stephens Audit (Vic) resigned as auditor of the Fund, Responsible Entity, the AFSL and the Compliance Plan and Deloitte Touche Tohmatsu was appointed as the replacement auditor.

The Fund was disadvantaged from an increase in the value of the AUD against the USD resulting in unrealised losses.

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**

*Annual Redemption Period*

The Fund completed its annual redemption offer on 31 August 2016. A total of \$2,668,153 were requested to be redeemed at an estimated unit price of \$1.3000 per unit. As this was less than the amount set aside, all redemption requests will be paid in full.

*Personnel Update*

Steve McKnight relocated temporarily to the USA and on 1 September 2016 commenced in the capacity as CFO of Sunizo, LLC – a wholly owned subsidiary of Ozinus Realty, LLC. Undertaking this role will allow Steve to provide greater guidance and scrutiny of the Fund's indirect property interests.

*Potential Sale Of Thornton*

A contract has been signed for the sale of the office building at 8344 RL Thornton Fwy in Dallas, Texas for a price that is commercial in confidence, but that is higher than the fair value listed in these accounts. The sale is subject to a due diligence period that had not yet expired at the date of these accounts.

*Potential Sale Of New Smyrna Beach*

A letter of intent had been received for the building at 720 S. Dixie Fwy in New Smyrna Beach, Florida for a price that is commercial in confidence, but that is higher than the fair value listed in these accounts. The sale is subject to a first right of refusal to another party, and a further due diligence period to the party who provided the letter of intent, both of which had not yet expired at the date of these accounts.

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**DIRECTORS' REPORT (cont'd)**

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*Issue Of Units To Plantation Capital Ltd*

The Director's of the responsible entity, Plantation Capital Ltd, had resolved to receive units in the Fund in lieu of cash management fees for the months of April and May 2016. A total of 302,581 units were issued on 1 July 2016 thereby bringing the total number of units (inclusive of reinvested units) held by Stephen McKnight (Director) & Associated Parties to 2,647,770 units.

**Environmental Regulation**

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

**Auditor's Independence Declaration**

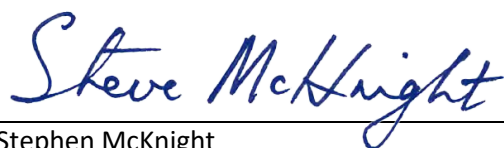
A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included in this report. No officer of the Company is or has been a partner/director of any auditor of the Company.

**Indemnification and Insurance of Officers and Auditors**

The Responsible Entity has entered into an insurance policy to indemnify all directors and officers of the Responsible Entity, to an amount of \$5,000,000, against any liability arising from a claim brought against the company and the directors by a third party for the supply of inappropriate services or advice. The agreement provides for the insurer to pay all damages and costs which may be brought against the directors.

The Fund has not indemnified any auditor of the Fund.

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



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Stephen McKnight

Chairman

Melbourne: 14 September 2016

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

14 September 2016

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 half year financial report for Passive Income (USA Commercial Property) Fund.

As lead audit partner for the review of the financial statements of Passive Income (USA Commercial Property) Fund for the half year ended 30 June 2016, 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



Neil Brown  
Partner  
Chartered Accountants

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**CONDENSED CONSOLIDATED  
STATEMENT OF PROFIT & LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

	Note	Six Months To 30 June 2016 \$	Six Months To 30 June 2015 \$
<b>Revenue</b>			
Due Diligence Rebate		-	79,661
Interest Income		12,662	17,299
Fair Value Gain On			
Investment Properties	2	4,164,738	6,572,550
Rental Income		6,308,940	4,290,018
Foreign Currency Gain/ (Loss)		20,895	(129,815)
Other Income		9,373	127,150
<b>Total Income</b>		<b>10,516,608</b>	<b>10,956,863</b>
<b>Operating Expenses</b>			
Accounting And Audit Fees		25,487	30,483
Responsible Entity's Fees	9	1,173,785	2,904,999
Compliance Costs		23,817	23,845
Custodian Fees		17,484	20,310
Insurance		29,518	30,025
Finance Costs		661,908	209,624
Legal & Due Diligence		58,388	139,728
Property Expenses		3,044,704	2,793,074
Other Operating Expenses		50,061	43,616
<b>Total Operating Expenses</b>		<b>5,085,152</b>	<b>6,195,704</b>
Operating Profit			
Before Income Tax		5,431,456	4,761,159
Income Tax Expense		(1,338,189)	(2,710,203)
<b>Operating Profit</b>			
<b>After Income Tax</b>		<b>4,093,267</b>	<b>2,050,956</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income</b>		<b>4,093,267</b>	<b>2,050,956</b>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**CONDENSED CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

	<b>Note</b>	<b>30 June 2016 \$</b>	<b>31 December 2015 \$</b>
<b>Current Assets</b>			
Cash And Cash			
Equivalents		11,845,616	12,813,059
Sundry Debtors		195,237	42,181
Other Current Assets		882,468	608,862
<b>Total Current Assets</b>		<b>12,923,321</b>	<b>13,464,102</b>
<b>Non - Current Asset</b>			
Investment Properties	3	118,561,828	115,581,375
Equipment		74,040	108,076
Other Non-Current Assets		643,797	716,143
<b>Total Non - Current Asset</b>		<b>119,279,665</b>	<b>116,405,594</b>
<b>Total Assets</b>		<b>132,202,986</b>	<b>129,869,696</b>
<b>Current Liabilities</b>			
Provisions		23,819	51,719
Trade And Other			
Payables	4	2,983,835	2,881,233
Distributions Payable	7	3,117,351	2,458,652
Borrowings	5	33,508	23,835
Other Current Liabilities		411,875	538,343
<b>Total Current Liabilities</b>		<b>6,570,388</b>	<b>5,953,782</b>
<b>Non - Current Liabilities</b>			
Borrowings	5	26,348,479	26,886,791
Deferred Tax Liability		6,762,845	5,424,656
<b>Total Non – Current Liabilities</b>		<b>33,111,324</b>	<b>32,311,447</b>
<b>Total Liabilities</b>		<b>39,681,712</b>	<b>38,265,229</b>
<b>Net Assets</b>		<b>92,521,274</b>	<b>91,604,467</b>
<b>Net Assets Attributable To Unitholders</b>			
Unitholders' Funds	6	78,391,621	76,283,188
Distributions			
Paid/Payable		(415,686)	(1,087,822)
Foreign Currency			
Reserve Account		14,545,339	16,409,101
<b>Total Net Assets Attributable To Unitholders</b>		<b>92,521,274</b>	<b>91,604,467</b>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**CONDENSED CONSOLIDATED  
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

<b>30 June 2016 Consolidated Entity</b>	<b>Note</b>	<b>Unitholders' Funds \$</b>	<b>Distributions Paid/Payable \$</b>	<b>Other Reserves \$</b>	<b>Total Equity \$</b>
Total Comprehensive Income For The Year		-	4,093,267	-	4,093,267
<b>Transactions With Unitholders In Their Capacity As Unitholders:</b>					
Balance At 31 December 2015		76,283,188	(1,087,822)	16,409,101	91,604,467
Foreign Currency Reserve		-	-	(1,863,762)	(1,863,762)
Distributions		-	(3,421,131)	-	(3,421,131)
Units Issued – Applications And Reinvestments	6	2,108,433	-	-	2,108,433
Total Transactions With Unitholders In Their Capacity As Unitholders		2,108,433	(3,421,131)	(1,863,762)	(3,176,460)
<b>Balance As At 30 June 2016</b>		<b>78,391,621</b>	<b>(415,686)</b>	<b>14,545,339</b>	<b>92,521,274</b>
<b>30 June 2015 Consolidated Entity</b>	<b>Note</b>	<b>Unitholders' Funds \$</b>	<b>Distributions Paid/Payable \$</b>	<b>Other Reserves \$</b>	<b>Total Equity \$</b>
Total Comprehensive Income For Six Months		-	2,050,956	-	2,050,956
<b>Transactions With Unitholders In Their Capacity As Unitholders:</b>					
Balance At 31 December 2014		54,395,880	245,213	7,043,274	61,684,367
Foreign Currency Reserve		-	-	4,598,782	4,598,782
Distributions		-	(2,645,705)	-	(2,645,705)
Units Issued – Applications And Reinvestments	6	16,638,492	-	-	16,638,492
Capital Raising Costs	6	(18,452)	-	-	(18,452)
Total Transactions With Unitholders In Their Capacity As Unitholders		16,620,040	(2,645,705)	4,598,782	18,573,117
<b>Balance As At 30 June 2015</b>		<b>71,015,920</b>	<b>(349,536)</b>	<b>11,642,056</b>	<b>82,308,440</b>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**CONDENSED CONSOLIDATED  
STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

	Six Months To 30 June 2016 \$	Six Months To 30 June 2015 \$
<b>Cash Flows From</b>		
<b>Operating Activities</b>		
Receipts From Customers	5,488,501	4,506,933
Payments To Suppliers	(2,737,413)	(2,231,433)
Management Fee	(747,183)	(715,991)
Performance Fee	(881,522)	-
Interest Received	12,662	17,299
Interest Paid	(611,499)	-
Other Income	9,373	206,811
Net Cash Provided By Operating Activities	532,919	1,783,619
<b>Cash Flows From</b>		
<b>Investing Activities</b>		
Purchase Of Investment Properties	-	(15,243,159)
Net Cash Used In Investing Activities	-	(15,243,159)
<b>Cash Flows From</b>		
<b>Financing Activities</b>		
Proceeds From Borrowings	(18,640)	13,869,919
Applications Received From Unitholders	425,791	15,137,711
Distributions Paid	(776,006)	(636,252)
Net Cash Provided By Financing Activities	(368,855)	28,371,378
Net Increase In Cash And Cash Equivalents	164,064	14,911,838
Cash At Beginning Of The Financial Period	12,813,059	4,163,459
Effect Of Exchange Rate On Cash And Cash Equivalents	(1,131,507)	4,468,967
<b>Cash At The End Of The Financial Period</b>	<b>11,845,616</b>	<b>23,544,264</b>

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

**(b) Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations instrument amounts in the directors' report and the financial statements are rounded off, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the financial report for the period ended 31 December 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**(c) New Accounting Standards For Application In Future Periods**

The Australian Accounting Standards Board has issued a number of 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 has decided not to early adopt any of the new and amended pronouncements. The Responsible Entity has not assessed the full impact of the new and amended pronouncements that are relevant to the Scheme but applicable in future reporting periods as set out below:

Reference	Title	Applicable for reporting periods beginning on or after
AASB 9	Financial Instruments	1 January 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018
AASB 16	Leases	1 January 2019
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	1 January 2018

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

**AASB 9 Financial Instruments**

AASB 9 will replace AASB 139: Financial Instruments: Recognition and Measurement. 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 and
- 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.

**AASB 15 Revenue from Contracts with Customers**

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

These Standards provide a revised principle for recognising and measuring revenue. 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. The give effect to this principle, AASB 15 requires the 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 the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

**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 IFRS 16 is adopted.

**(d) Comparative Period**

As a result of a change of financial year end from 30 June to 31 December, current financial report is based on six months to 30 June 2016 and the comparative profit and loss period is 6 months to 30 June 2015.

**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.

	<b>30 June 2016</b>		<b>31 December 2015</b>	
	<b>Fair Value</b>		<b>Fair Value</b>	
	<b>USD</b>	<b>AUD</b>	<b>USD</b>	<b>AUD</b>
<b>NOTE 3: INVESTMENT PROPERTIES</b>				
<b>Texas Properties</b>				
8344 RL Thornton Fwy, Dallas	3,500,000	4,704,301	3,400,000	4,658,172
1671 Riverview Dve, Lewisville	3,950,000	5,309,140	3,935,000	5,391,149
401 Powerhouse, McKinney	4,150,000	5,577,957	4,150,000	5,685,710
1205 Texas Parkway, Euless	4,250,000	5,712,366	4,200,000	5,754,213
Total Texas Property	15,850,000	21,303,764	15,685,000	21,489,244
<b>Georgia Properties</b>				
6620 Tara Blvd, Jonesboro	4,650,000	6,250,000	4,200,000	5,754,213
6205 & 6215 Shiloh Crossing, Alpharetta	6,360,000	8,548,387	6,300,000	8,631,319
1461 HWY 20 W, McDonough	4,600,000	6,182,796	4,500,000	6,165,228
2081 Jonesboro Rd, McDonough	4,150,000	5,577,957	4,000,000	5,480,203
270 Scientific Drive, Norcross	4,550,000	6,115,591	4,221,470	5,783,628
358 McDonough Pkway, McDonough	870,000	1,169,355	701,377	960,921
2192 Eastview Parkway, Conyers	2,270,000	3,051,075	1,900,000	2,603,096
400 Tech Pkway, Peachtree Corners	7,400,000	9,946,237	7,200,000	9,864,365
Total Georgia Property	34,850,000	46,841,398	33,022,847	45,242,973

**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 2016**

	<b>30 June 2016</b>		<b>31 December 2015</b>	
	<b>Fair Value</b>		<b>Fair Value</b>	
	<b>USD</b>	<b>AUD</b>	<b>USD</b>	<b>AUD</b>
<b>NOTE 3: INVESTMENT PROPERTIES</b>				
<b>(Cont'd)</b>				
<b>Florida Properties</b>				
3350 Hanson St, Fort Myers	1,200,000	1,612,903	1,110,000	1,520,756
13584 49th St Nth, Clearwater	3,660,000	4,919,355	3,530,000	4,836,279
4700 110th Ave Nth, Pinellas Park	1,500,000	2,016,129	1,425,000	1,952,322
2853 Work Dve, Fort Myers	2,740,000	3,682,796	2,650,000	3,630,634
2148 Fowler St, Fort Myers	1,200,000	1,612,903	1,200,000	1,644,061
1408 & 1424 Hamlin Ave				
& 2013 Murcott Dve, St Cloud	2,350,000	3,158,602	2,400,000	3,288,122
1904 Oak Grove Blvd, Lutz	3,300,000	4,435,484	3,050,000	4,178,655
5250 Giron Circle, Kissimmee	2,070,000	2,782,258	2,050,000	2,808,604
720 S. Dixie Fwy, New Smyrna Beach	2,500,000	3,360,215	2,500,000	3,425,127
2634 N. Orange Blossom Trail,				
Kissimmee	2,260,000	3,037,634	2,250,000	3,082,614
5961 Northland Rd, Fort Myers	870,000	1,169,355	760,000	1,041,239
16151 Pine Ridge Rd, Fort Myers	890,000	1,196,237	840,000	1,150,843
830 NE 24th Lane, Cape Coral	1,450,000	1,948,925	1,265,000	1,733,114
12050 49th St Nth, Clearwater	4,275,000	5,745,968	4,275,000	5,856,967
2621 NE 9th Ave, Cape Coral	930,000	1,250,000	825,000	1,130,292
1221 SE 9th Ter, Cape Coral	890,000	1,196,237	775,000	1,061,789
1013 SE 12th Avenue, Cape Coral	785,000	1,055,108	725,000	993,287
18538 US Hwy 19, Clearwater	580,000	779,570	580,000	794,629
932 NE 24th Lane, Cape Coral	790,000	1,061,828	730,000	1,000,137
5636 Youngquist Rd, Fort Myers	555,000	745,968	465,000	637,074
5760 Youngquist Rd, Fort Myers	835,000	1,122,311	750,000	1,027,538
3419 Westview Drive, Naples	1,880,000	2,526,880	1,500,000	2,055,075
Total Florida Property	37,510,000	50,416,666	35,655,000	48,849,158
<b>Total Property</b>	<b>88,210,000</b>	<b>118,561,828</b>	<b>84,362,847</b>	<b>115,581,375</b>

**30 June 2016**  
**\$**

**31 December 2015**  
**\$**

**NOTE 4: TRADE AND OTHER PAYABLES**

Trade Creditors	1,277,153	1,280,533
Accrued Property Taxes	743,838	312,350
Security Deposits Held	962,844	873,174
Other Current Liabilities	-	415,176
	<b>2,983,835</b>	<b>2,881,233</b>

**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 2016**

	30 June 2016 \$	31 December 2015 \$
<b>NOTE 5: BORROWINGS</b>		
<b>Current Borrowings</b>		
Borrowings due within the next 12 months	33,508	23,835
<b>Non-Current Borrowings</b>		
USA REIT Funding	124,328	126,730
Long Term Loans (excluding borrowings due within the next 12 months)	26,224,151	26,760,061
	26,348,479	26,886,791

Borrowing costs totalling \$661,853 relating to the USD 15.11m refinance are being amortised over 10 years. The current portion of \$73,822 is included in current assets. The non-current portion of \$588,031 is included in non-current assets as other non-current assets.

Specifics of the finance terms for each loan are as follows:

	Loan AUD	Loan USD	Loan AUD	Loan USD
<i>1671 Riverview Drive, Lewisville, TX</i> 4.0% pa interest, interest-only repayments until December 2018	1,935,484	1,440,000	1,972,873	1,440,000
<i>401 Powerhouse, McKinney, TX</i> 6.0% pa interest, principal and interest repayments amortised over 5 years with a balloon payment due February 2019	997,443	742,098	1,035,712	755,966
<i>2634 N. Orange Blossom Trail, Kissimmee, FL</i> 5.0% pa interest, interest-only repayments until March 2019	1,053,226	783,600	1,073,572	783,600
<i>830 NE 24th Lane, Cape Coral, FL</i> 4.25% pa interest, interest-only repayments until April 2019	403,226	300,000	411,015	300,000
<i>13584 49th St Nth, Clearwater, FL</i> 3.5% pa interest, interest-only repayments until April 2018, then 5.0% pa interest, interest-only repayments until April 2023	1,559,140	1,160,000	1,589,259	1,160,000

**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 2016**

	<b>30 June 2016</b>		<b>31 December 2015</b>	
	<b>\$</b>		<b>\$</b>	
<b>NOTE 5: BORROWINGS (cont'd)</b>				
	<b>Loan AUD</b>	<b>Loan USD</b>	<b>Loan AUD</b>	<b>Loan USD</b>
<i>Long Term Borrowings (Refinance)</i>				
Covering 7 properties:				
2081 Jonesboro Rd, McDonough, GA				
6205 & 6215 Shiloh Crossing, Alpharetta, GA				
1205 Texas Parkway , Eules, TX				
2853 Work Dve, Fort Myers, FL				
1904 Oak Grove Blvd, Lutz, FL				
12050 49th St Nth, Clearwater, FL				
1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud, FL				
5.145% pa interest, interest-only repayments until June 2025	15,470,430	11,510,000	15,769,283	11,510,000
<i>Long Term Borrowings (Refinance):</i>				
400 Technology Parkway, Peachtree Corners, GA				
4.5% pa interest, interest-only repayments until January 2026	4,838,710	3,600,000	4,932,182	3,600,000
<i>USA REIT Funding</i>				
12.5% pa interest. No maturity.	124,328	92,500	126,730	92,500
	<u>26,381,987</u>	<u>19,628,198</u>	<u>26,910,626</u>	<u>19,642,066</u>
	<b>30 June 2016</b>		<b>30 June 2015</b>	

**NOTE 6: UNITHOLDERS' FUNDS**

Opening Balance	<u>76,283,188</u>	<u>54,395,880</u>
Applications	425,791	15,152,884
Distributions Reinvested	<u>1,682,642</u>	<u>1,485,608</u>
Net Applications, Redemptions & Reinvestments	2,108,433	16,638,492
Capital Raising Costs	<u>-</u>	<u>(18,452)</u>
Net Movement During The Period	<u>2,108,433</u>	<u>16,620,040</u>
Closing Balance	<u>78,391,621</u>	<u>71,015,920</u>

**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 2016**

**NOTE 6: UNITHOLDERS' FUNDS (cont'd)**

Under the Fund's constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. When managing capital, management's objective is to ensure the Fund continues to provide Unitholders with returns in accordance with the PDS dated 18 July 2013 and the SPDS dated 16 November 2015.

The Fund's redemption policies are disclosed in the PDS dated 18 July 2013 and the SPDS dated 16 November 2015.

The amount of net assets attributable to Unitholders can change on a monthly basis.

	<b>Six Months To 30 June 2016 \$</b>	<b>Six Months To 30 June 2015 \$</b>
	-	-
Interim	3,421,115	2,645,705
Final	3,421,115	2,645,705

	<b>30 June 2016 \$</b>	<b>31 December 2015 \$</b>
Payable At Period End	3,117,351	2,458,652

**NOTE 8: CONTROLLED ENTITIES**

	<b>Country of Incorporation</b>	<b>At 30 June 2016 % Owned</b>
Subsidiaries controlled by the Fund during the period were:		
Ozinus Realty, LLC (acquired 30 November 2012)	USA	100%
Ozinus Hanson, LLC (acquired 13 March 2013 )	USA	100%
Ozinus Pinellas Park, LLC (acquired 12 April 2013)	USA	100%
Ozinus Breckinridge, LLC (acquired 16 April 2013)	USA	100%
Ozinus Thornton, LLC (acquired 9 August 2013)	USA	100%

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

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**NOTE 8: CONTROLLED ENTITIES (cont'd)**

	<b>Country of Incorporation</b>	<b>At 30 June 2016 % Owned</b>
Ozinus Palmetto Grove, LLC <i>(acquired 15 August 2013)</i>	USA	100%
Ozinus Rams Plaza, LLC <i>(acquired 9 September 2013)</i>	USA	100%
Ozinus Hamlin, LLC <i>(acquired 8 October 2013)</i>	USA	100%
Ozinus Eagle Plaza, LLC <i>(acquired 3 December 2013)</i>	USA	100%
Ozinus Giron, LLC <i>(acquired 13 December 2013)</i>	USA	100%
Ozinus Riverview Drive, LLC <i>(acquired 26 December 2013)</i>	USA	100%
Ozinus Powerhouse, LLC <i>(acquired 6 February 2014)</i>	USA	100%
Ozinus NSB, LLC <i>(acquired 14 February 2014)</i>	USA	100%
Ozinus Orange Blossom, LLC <i>(acquired 7 March 2014)</i>	USA	100%
Ozinus Northland, LLC <i>(acquired 4 April 2014)</i>	USA	100%
Ozinus Pine Ridge, LLC <i>(acquired 15 April 2014)</i>	USA	100%
Ozinus Cape Coral 830CC, LLC <i>(acquired 30 April 2014)</i>	USA	100%
Ozinus Shops of Tara, LLC <i>(acquired 1 May 2014)</i>	USA	100%
Ozinus Pitney, LLC <i>(acquired 23 June 2014)</i>	USA	100%
Ozinus NE 9th CC, LLC <i>(acquired 27 June 2014)</i>	USA	100%
Ozinus SE 9-CC, LLC <i>(acquired 11 July 2014)</i>	USA	100%
Ozinus Texas Star, LLC <i>(acquired 16 July 2014)</i>	USA	100%
Ozinus Shiloh, LLC <i>(acquired 23 July 2014)</i>	USA	100%
Ozinus 1013SE12-CC, LLC <i>(acquired 24 September 2014)</i>	USA	100%
Ozinus US 19N, LLC <i>(acquired 29 September 2014)</i>	USA	100%
Ozinus 932NE24-CC, LLC <i>(acquired 30 September 2014)</i>	USA	100%
Ozinus McDonough, LLC <i>(acquired 30 December 2014)</i>	USA	100%

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

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**NOTE 8: CONTROLLED ENTITIES (cont'd)**

	<b>Country of Incorporation</b>	<b>At 30 June 2016 % Owned</b>
Sunizo, LLC <i>(acquired 31 March 2015)</i>	USA	100%
Ozinus Jonesboro Towne Cr, LLC <i>(acquired 18 May 2015)</i>	USA	100%
Ozinus Scientific, LLC <i>(acquired 12 June 2015)</i>	USA	100%
Ozinus 5636 Youngquist, LLC <i>(acquired 15 July 2015)</i>	USA	100%
Ozinus 5760 Youngquist, LLC <i>(acquired 15 July 2015)</i>	USA	100%
Ozinus 358 McDonough, LLC <i>(acquired 24 July 2015)</i>	USA	100%
Ozinus Westview, LLC <i>(acquired 31 August 2015)</i>	USA	100%
Ozinus 2192 Parkway, LLC <i>(acquired 1 October 2015)</i>	USA	100%
Ozinus Westlake, LLC <i>(acquired 18 December 2015)</i>	USA	100%

**NOTE 9: RELATED PARTY TRANSACTIONS**

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

**Key Management Personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, including any director (whether executive or otherwise) of the Responsible Entity (or its parents), are considered key management personnel of the Fund.

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

Stephen McKnight  
Paul Harper  
Keith Woodhead

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 committee member was paid \$10,500 (\$1,750 per month) for providing compliance services for the six months to 30 June 2016.

**Related Party Investments Held By the Fund**

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

**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 2016**

**NOTE 9: RELATED PARTY TRANSACTIONS  
(cont'd)**

	<b>Six Months To 30 June 2016 \$</b>	<b>Six Months To 30 June 2015 \$</b>
<b>Fees Paid To And Interests Held By The Responsible Entity</b>		
The following fees were paid to the Responsible Entity out of Fund property during the financial period:		
Management Fees	1,173,785	780,923
Performance Fees	-	2,124,076
Total Fees To The Responsible Entity	1,173,785	2,904,999
Other Expense Reimbursements	44,262	184
Total Fees & Reimbursements	1,218,047	2,905,183

Fees paid to the Responsible Entity are pursuant to the disclosures made in the PDS dated 18 July 2013 and the SPDS dated 16 November 2015.

**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:

	<b>Units Held At 30 June 2016 #</b>	<b>Units Held At 30 June 2016 Value in AUD</b>
Stephen McKnight (Director) & Associated Parties	1,786,226	2,488,213
Plantation Capital Limited	495,182	689,789
Davendra Prasad (CFO)	73,732	102,709
	<b>Units Held At 31 December 2015 #</b>	<b>Units Held At 31 December 2015 Value in AUD</b>
Stephen McKnight (Director) & Associated Parties	1,748,261	2,431,481
Plantation Capital Limited	482,938	671,670
Davendra Prasad (CFO)	71,909	100,011

Other than this, for the financial year, the Responsible Entity made a choice to take management fee for the month of April 2016 and May 2016 in the form of units in the Fund. These additional units were issued on 1 July 2016. No contribution fee was paid by the Responsible Entity.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

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**NOTE 10: SUBSEQUENT EVENTS**

The following significant events occurred subsequent to 30 June 2016:

*Annual Redemption Period*

The Fund completed its annual redemption offer on 31 August 2016. A total of \$2,668,153 were requested to be redeemed at an estimated unit price of \$1.3000 per unit. As this was less than the amount set aside, all redemption requests will be paid in full.

*Personnel Update*

Steve McKnight relocated temporarily to the USA and on 1 September 2016 commenced in the capacity as CFO of Sunizo, LLC – a wholly owned subsidiary of Ozinus Realty, LLC. Undertaking this role will allow Steve to provide greater guidance and scrutiny of the Fund's indirect property interests.

*Potential Sale Of Thornton*

A contract has been signed for the sale of the office building at 8344 RL Thornton Fwy in Dallas, Texas for a price that is commercial in confidence, but that is higher than the fair value listed in these accounts. The sale is subject to a due diligence period that had not yet expired at the date of these accounts.

*Potential Sale Of New Smyrna Beach*

A letter of intent had been received for the building at 720 S. Dixie Fwy in New Smyrna Beach, Florida for a price that is commercial in confidence, but that is higher than the fair value listed in these accounts. The sale is subject to a first right of refusal to another party, and a further due diligence period to the party who provided the letter of intent, both of which had not yet expired at the date of these accounts.

*Issue Of Units To Plantation Capital Ltd*

The Director's of the responsible entity, Plantation Capital Ltd, had resolved to receive units in the Fund in lieu of cash management fees for the months of April and May 2016. A total of 302,581 units were issued on 1 July 2016 thereby bringing the total number of units (inclusive of reinvested units) held by Stephen McKnight (Director) & Associated Parties to 2,647,770 units.

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2016**

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**NOTE 11: COMMITMENTS AND CONTINGENCIES**

The Fund has no commitments or contingencies to report.

**NOTE 12: RESPONSIBLE ENTITY DETAILS**

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

**Registered Office**

893A Canterbury Rd  
BOX HILL VIC 3128  
AUSTRALIA

**Postal Address**

PO Box 2193  
BLACKBURN SOUTH VIC 3130  
AUSTRALIA

**Other Details**

Phone: 03 8892 3800  
Fax: 03 8892 3811  
[www.passiveincomefund.com](http://www.passiveincomefund.com)  
[admin@passiveincomefund.com](mailto:admin@passiveincomefund.com)

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**DIRECTOR'S OF RESPONSIBLE ENTITY DECLARATION**

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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 giving 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.



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Stephen McKnight  
Director

Melbourne: 14 September 2016

# Independent Auditor's Review Report to the Unitholders of Passive Income (USA Commercial Property) Fund

## **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Passive Income (USA Commercial Property) Fund, which comprises the condensed consolidated statement of financial position as at 30 June 2016, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed consolidated statement of changes in net assets attributable to unitholders for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 24.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the fund 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*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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*. As the auditor of Passive Income (USA Commercial Property) Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Passive Income (USA Commercial Property) Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Passive Income (USA Commercial Property) Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

Melbourne, 14 September 2016