

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

ARSN 155 770 095

HALF YEAR REPORT
FOR THE HALF YEAR ENDED
30 JUNE 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 half year ended 30 June 2017. 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 controls 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 21 October 2016. 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 which manages the property portfolio, had eleven 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)

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, 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), 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

Between 1 January 2017 and 30 June 2017, the Fund, via its controlled entities completed the acquisition of two properties. The first was a section 1031 like property situated at 350 Technology Parkway, GA, which settled on 6 January 2017. This was a like replacement property for and following the sale of 8344 RL Thornton Freeway, Dallas, TX in October 2016. 6564 Tara Boulevard, GA was another acquisition completed in April 2017.

The Fund's consolidated net operating profit before distributions attributable to Unitholders for the six months ended 30 June 2017 was \$5,588,760 (Six months ended 30 June 2016: \$4,093,267).

The parent entity alone (without consolidating US operations) recorded a net operating profit for the period before distributions attributable to Unitholders of \$637,116 (Six months ended 30 June 2016: \$671,128).

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DIRECTORS' REPORT (cont'd)

	Six Months Ended 30 June 2017		Six Months Ended 30 June 2016	
	\$	Cents / unit	\$	Cents / unit
Interim Distribution Paid	3,726,754	5.0*	3,421,131	4.8*
Final Distribution Payable	-	-	-	-
Total Distribution	3,726,754	5.0*	3,421,131	4.8*

*Gross of US withholding tax

The ex-distribution unit price as at 30 June 2017 was \$1.4010 (30 June 2016: \$1.3930).

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 21 October 2016, and in the Fund's Constitution.

Fund Performance (Net Of Fees)

	Six Months Ended 30 June 2017	Six Months Ended 30 June 2016
Capital Growth (cents per unit)	(4.14)	0.22
Cash Distribution (cents per unit)	5.00*	4.80*
Total Return (cents per unit)	0.86*	5.02*

*Gross of US withholding tax

For the six months ended 30 June 2017, Ozinus Realty, LLC – a US subsidiary, paid \$1,949,850 in gross dividends to the Fund (Six months ended 30 June 2016: \$2,016,110).

Fees Paid To and Interests Held By the Responsible Entity

The following fees were paid to the Responsible Entity out of Fund property during the financial period:

	Six Months Ended 30 June 2017	Six Months Ended 30 June 2016
	\$	\$
Management fees	1,154,560	1,173,785
Performance fees	-	-
Total fees to the Responsible Entity	1,154,560	1,173,785
Other expense reimbursements	40,082	44,262
Total Fees & Reimbursements	1,194,642	1,218,047

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DIRECTORS' REPORT (cont'd)

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 21 October 2016. 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:

	# Units Held At 30 June 2017	\$ Value Units Held At 30 June 2017
Stephen McKnight <i>(Director)</i> & Associated Parties	1,884,941	2,640,802
Plantation Capital Limited	839,247	1,175,785
Davendra Prasad <i>(CFO)</i>	73,732	103,299
	# Units Held At 31 December 2016	\$ Value Units Held At 31 December 2016
Stephen McKnight <i>(Director)</i> & Associated Parties	1,834,453	2,646,015
Plantation Capital Limited	813,317	1,173,128
Davendra Prasad <i>(CFO)</i>	73,732	106,351

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 2017, 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 21 October 2016.

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DIRECTORS' REPORT (cont'd)

Significant Changes in State of Affairs

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

Subsequent Events

Appreciation In Value Of The AUD Against The USD

Between 1 July 2017 and the date these accounts were issued the AUD appreciated against the USD by over 3% resulting in a corresponding unrealised foreign exchange disadvantage for the Fund.

There were no other subsequent events after 30 June 2017.

Environmental Regulation

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

Auditor's Independence Declaration

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

Indemnification and Insurance of Officers and Auditors

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

The Fund has not indemnified any auditor of the Fund.

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



Stephen McKnight

Chairman

Melbourne: 11 September 2017

The Board of Directors
Passive Income (USA Commercial Property) Fund
893A Canterbury Road
Box Hill, VIC 3128

11 September 2017

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 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 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 Accountant

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**CONDENSED CONSOLIDATED
STATEMENT OF PROFIT & LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Note	Six Months To 30 June 2017 \$	Six Months To 30 June 2016 \$
Revenue			
Interest Income		313	12,662
Fair Value Gain On			
Investment Properties		5,098,265	4,164,738
Rental Income		6,751,322	6,308,940
Foreign Currency Gain/(Loss)		(108,958)	20,895
Other Income		116,878	9,373
Total Income		11,857,820	10,516,608
Operating Expenses			
Accounting And Audit Fees		25,879	25,487
Responsible Entity's Fees	8	1,154,560	1,173,785
Compliance Costs		25,657	23,817
Custodian Fees		15,319	17,484
Insurance		12,886	29,518
Finance Costs		681,600	661,908
Legal & Due Diligence		40,942	58,388
Property Expenses		2,998,543	3,044,704
Other Operating Expenses		42,109	50,061
Total Operating Expenses		4,997,495	5,085,152
Operating Profit Before Tax		6,860,325	5,431,456
Deferred Tax Expense		(1,271,565)	(1,338,189)
Operating Profit After Tax		5,588,760	4,093,267
Other Comprehensive Income		-	-
Total Comprehensive Income		5,588,760	4,093,267

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 2017**

	Note	30 June 2017 \$	31 December 2016 \$
Current Assets			
Cash And Cash			
Equivalents		10,202,787	16,501,951
Sundry Debtors		268,888	203,875
Other Current Assets		903,541	598,351
Total Current Assets		<u>11,375,216</u>	<u>17,304,177</u>
Non - Current Asset			
Investment Properties	3	124,904,148	120,739,305
Equipment		45,562	58,600
Other Non-Current Assets		547,201	623,138
Total Non - Current Asset		<u>125,496,911</u>	<u>121,421,043</u>
Total Assets		<u>136,872,127</u>	<u>138,725,220</u>
Current Liabilities			
Provisions		23,784	33,788
Trade And Other Payables	4	3,066,901	2,338,726
Distributions Payable	6	3,433,573	3,353,600
Borrowings	5	34,404	35,563
Other Current Liabilities		442,608	248,259
Total Current Liabilities		<u>7,001,270</u>	<u>6,009,936</u>
Non - Current Liabilities			
Borrowings	5	25,447,551	27,122,017
Deferred Tax Liability		9,314,958	8,095,517
Total Non – Current Liabilities		<u>34,762,509</u>	<u>35,217,534</u>
Total Liabilities		<u>41,763,779</u>	<u>41,227,470</u>
Net Assets		<u>95,108,348</u>	<u>97,497,750</u>
Net Assets Attributable To Unitholders			
Unitholders' Funds		83,326,876	81,013,865
Distributions			
Paid/Payable		913,912	(948,094)
Foreign Currency			
Reserve Account		10,867,560	17,431,979
Total Net Assets Attributable To Unitholders		<u>95,108,348</u>	<u>97,497,750</u>

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 2017**

30 June 2017 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Comprehensive Income For The Year		-	5,588,760	-	5,588,760
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		-	-	(6,564,419)	(6,564,419)
Distributions	6	-	(3,726,754)	-	(3,726,754)
Units Issued – Applications And Reinvestments		2,313,011	-	-	2,313,011
Total Transactions With Unitholders In Their Capacity As Unitholders		2,313,011	(3,726,754)	(6,564,419)	(7,978,162)
Balance As At 30 June 2017		83,326,876	913,912	10,867,560	95,108,348
30 June 2016 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Comprehensive Income For Six Months		-	4,093,267	-	4,093,267
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		-	-	(1,863,762)	(1,863,762)
Distributions	6	-	(3,421,131)	-	(3,421,131)
Units Issued – Applications And Reinvestments		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)
Balance As At 30 June 2016		78,391,621	(415,686)	14,545,339	92,521,274

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

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**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Six Months To 30 June 2017 \$	Six Months To 30 June 2016 \$
Cash Flows From		
Operating Activities		
Receipts From Customers	6,376,473	5,488,501
Payments To Suppliers	(2,614,843)	(2,737,413)
Management Fee	(934,587)	(747,183)
Performance Fee	-	(881,522)
Interest Received	313	12,662
Interest Paid	(606,575)	(611,499)
Other Income	116,882	9,373
Net Cash Provided By Operating Activities	<u>2,337,663</u>	<u>532,919</u>
Cash Flows From		
Investing Activities		
Purchase Of Investment Properties	<u>(5,699,987)</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(5,699,987)</u>	<u>-</u>
Cash Flows From		
Financing Activities		
Proceeds From Borrowings	(16,445)	(18,640)
Applications Received From Unitholders	-	425,791
Distributions Paid	<u>(1,187,719)</u>	<u>(776,006)</u>
Net Cash Provided By Financing Activities	<u>(1,204,164)</u>	<u>(368,855)</u>
Net Increase In Cash And Cash Equivalents	(4,566,488)	164,064
Cash At Beginning Of The Financial Period	16,501,951	12,813,059
Effect Of Exchange Rate On Cash And Cash Equivalents	<u>(1,732,676)</u>	<u>(1,131,507)</u>
Cash At The End Of The Financial Period	<u>10,202,787</u>	<u>11,845,616</u>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

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 last reporting period, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(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 2017**

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;
- 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'; and
- 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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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.

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.

	30 June 2017		31 December 2016	
	Fair Value		Fair Value	
	USD	AUD	USD	AUD
NOTE 3: INVESTMENT PROPERTIES				
Texas Properties				
1671 Riverview Dve, Lewisville	4,200,000	5,459,509	4,100,000	5,676,312
401 Powerhouse, McKinney	4,280,000	5,563,499	4,150,000	5,745,535
1205 Texas Parkway, Euless	4,650,000	6,044,456	4,400,000	6,091,652
Total Texas Property	13,130,000	17,067,464	12,650,000	17,513,499
Georgia Properties				
6620 Tara Blvd, Jonesboro	4,800,000	6,239,438	4,880,000	6,756,195
6205 & 6215 Shiloh Crossing, Alpharetta	6,450,000	8,384,245	6,440,000	8,915,963
1461 HWY 20 W, McDonough	4,850,000	6,304,433	4,750,000	6,576,215
2081 Jonesboro Rd, McDonough	4,300,000	5,589,497	4,150,000	5,745,535
270 Scientific Drive, Norcross	4,800,000	6,239,438	4,750,000	6,576,215
358 McDonough Pkway, McDonough	1,130,000	1,468,868	950,000	1,315,243
2192 Eastview Parkway, Conyers	2,320,000	3,015,729	2,300,000	3,184,272
400 Tech Pkway, Peachtree Corners	7,680,000	9,983,102	7,600,000	10,521,944
350 Tech Pkway, Peachtree Corners	4,900,000	6,369,427	-	-
6564 Tara Blvd, Jonesboro	543,761	706,826	-	-
Total Georgia Property	41,773,761	54,301,003	35,820,000	49,591,582

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2017**

**NOTE 3: INVESTMENT PROPERTIES
(cont'd)**

	30 June 2017		31 December 2016	
	Fair Value		Fair Value	
	USD	AUD	USD	AUD
Florida Properties				
3350 Hanson St, Fort Myers	1,230,000	1,598,856	1,150,000	1,592,136
13584 49th St Nth, Clearwater	3,800,000	4,939,555	3,700,000	5,122,525
4700 110th Ave Nth, Pinellas Park	1,560,000	2,027,817	1,510,000	2,090,544
2853 Work Dve, Fort Myers	3,130,000	4,068,634	2,830,000	3,918,040
2148 Fowler St, Fort Myers	1,260,000	1,637,853	1,260,000	1,744,428
1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud	2,550,000	3,314,702	2,400,000	3,322,719
1904 Oak Grove Blvd, Lutz	3,875,000	5,037,047	3,500,000	4,845,632
5250 Giron Circle, Kissimmee	2,200,000	2,859,743	2,100,000	2,907,379
720 S. Dixie Fwy, New Smyrna Beach	2,800,000	3,639,672	2,800,000	3,876,506
2634 N. Orange Blossom Trail, Kissimmee	2,300,000	2,989,731	2,270,000	3,142,738
5961 Northland Rd, Fort Myers	1,250,000	1,624,854	1,100,000	1,522,913
16151 Pine Ridge Rd, Fort Myers	940,000	1,221,890	900,000	1,246,020
830 NE 24th Lane, Cape Coral	1,570,000	2,040,816	1,465,000	2,028,243
12050 49th St Nth, Clearwater	4,750,000	6,174,444	4,275,000	5,918,593
2621 NE 9th Ave, Cape Coral	1,030,000	1,338,880	975,000	1,349,855
1221 SE 9th Ter, Cape Coral	1,000,000	1,299,883	935,000	1,294,476
1013 SE 12th Avenue, Cape Coral	805,000	1,046,406	795,000	1,100,651
18538 US Hwy 19, Clearwater	625,000	812,427	580,000	802,990
932 NE 24th Lane, Cape Coral	900,000	1,169,895	815,000	1,128,340
5636 Youngquist Rd, Fort Myers	695,000	903,419	605,000	837,602
5760 Youngquist Rd, Fort Myers	965,000	1,254,387	875,000	1,211,408
3419 Westview Drive, Naples	1,950,000	2,534,770	1,900,000	2,630,486
Total Florida Property	41,185,000	53,535,681	38,740,000	53,634,224
Total Property	96,088,761	124,904,148	87,210,000	120,739,305

30 June 2017

\$

31 December 2016

\$

NOTE 4: TRADE AND OTHER PAYABLES

Trade Creditors	1,263,246	982,596
Accrued Property Taxes	726,911	350,169
Security Deposits Held	1,076,744	1,005,961
	<u>3,066,901</u>	<u>2,338,726</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 2017**

	30 June 2017 \$	31 December 2016 \$
NOTE 5: BORROWINGS		
Current Borrowings		
Borrowings due within the next 12 months	34,404	35,563
Non-Current Borrowings		
USA REIT Funding	120,239	128,063
Long Term Loans (excluding borrowings due within the next 12 months)	25,327,312	26,993,954
	25,447,551	27,122,017

Borrowing costs totalling \$568,692 relating to the USD 15.11m refinance are being amortised over 10 years. The current portion is \$71,394 and the non-current portion is \$497,298.

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	1,871,832	1,440,000	1,993,631	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	932,235	717,168	1,010,411	729,820
<i>2634 N. Orange Blossom Trail, Kissimmee, FL</i> 5.0% pa interest, interest-only repayments until March 2019	1,018,588	783,600	1,084,868	783,600
<i>830 NE 24th Lane, Cape Coral, FL</i> 4.25% pa interest, interest-only repayments until April 2019	389,965	300,000	415,340	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	1,507,864	1,160,000	1,605,981	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 2017**

	30 June 2017		31 December 2016	
	\$		\$	
NOTE 5: BORROWINGS (cont'd)				
	Loan AUD	Loan USD	Loan AUD	Loan USD
Long Term Borrowings (Refinance)				
Covering 7 properties:				
2081 Jonesboro Rd, McDonough, GA				
6205 & 6215 Shiloh Crossing, Alpharetta, GA				
1205 Texas Parkway , Euless, 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	14,961,653	11,510,000	15,935,207	11,510,000
Long Term Borrowings (Refinance):				
400 Technology Parkway, Peachtree Corners, GA				
4.5% pa interest, interest-only repayments until January 2026	4,679,579	3,600,000	4,984,079	3,600,000
USA REIT Funding				
12.5% pa interest. No maturity.	120,239	92,500	128,063	92,500
	25,481,955	19,603,268	27,157,580	19,615,920
	Six Months To 30 June 2017		Six Months To 30 June 2016	
	\$		\$	
NOTE 6: DISTRIBUTIONS				
Interim		-		-
Final		3,726,754		3,421,131
		3,726,754		3,421,131
	30 June 2017		31 December 2016	
	\$		\$	
Payable At Period End		3,433,573		3,353,600

**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 2017**

NOTE 7: CONTROLLED ENTITIES

	Country of Incorporation	At 30 June 2017 % Owned
Subsidiaries controlled by the Fund during the period were:		
Ozinus Realty, LLC <i>(acquired 30 November 2012)</i>	USA	100%
Ozinus Hanson, LLC <i>(acquired 13 March 2013)</i>	USA	100%
Ozinus Pinellas Park, LLC <i>(acquired 12 April 2013)</i>	USA	100%
Ozinus Breckinridge, LLC <i>(acquired 16 April 2013)</i>	USA	100%
Ozinus Thornton, LLC <i>(acquired 9 August 2013)</i>	USA	100%
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%

**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 2017**

NOTE 7: CONTROLLED ENTITIES (cont'd)

		At 30 June 2017
	Country of Incorporation	% Owned
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%
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%
Ozinus 350 Tech, LLC <i>(acquired 6 January 2017)</i>	USA	100%
Ozinus 6564 Tara, LLC <i>(acquired 18 April 2017)</i>	USA	100%

**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 2017**

NOTE 8: RELATED PARTY TRANSACTIONS

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

Key Management Personnel

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

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

Stephen McKnight
Paul Harper
Keith Woodhead

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 \$10,815 (\$1,802.50 per month) for providing compliance services for the six months to 30 June 2017 (30 June 2016 - \$10,500).

	Six Months To 30 June 2017 \$	Six Months To 30 June 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	1,154,560	1,173,785
Performance Fees	-	-
Total Fees To The Responsible Entity	1,154,560	1,173,785
Other Expense Reimbursements	40,082	44,262
Total Fees & Reimbursements	<u>1,194,642</u>	<u>1,218,047</u>

Fees paid to the Responsible Entity are pursuant to the disclosures made in the PDS dated 18 July 2013 and the SPDS dated 21 October 2016.

**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 2017**

NOTE 8: RELATED PARTY TRANSACTIONS (cont'd)

Units In The Fund Held By Related Parties

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

	Units Held At 30 June 2017 #	Units Held At 30 June 2017 Value in AUD
Stephen McKnight (Director) & Associated Parties	1,884,941	2,640,802
Plantation Capital Limited	839,247	1,175,785
Davendra Prasad (CFO)	73,732	103,299
	Units Held At 31 December 2016 #	Units Held At 31 December 2016 Value in AUD
Stephen McKnight (Director) & Associated Parties	1,834,453	2,646,015
Plantation Capital Limited	813,317	1,173,128
Davendra Prasad (CFO)	73,732	106,351

NOTE 9: SUBSEQUENT EVENTS

Appreciation In Value Of The AUD Against The USD

Between 1 July 2017 and the date these accounts were issued the AUD appreciated against the USD by over 3% resulting in a corresponding unrealised foreign exchange disadvantage for the Fund.

There were no other subsequent events after 30 June 2017.

NOTE 10: COMMITMENTS AND CONTINGENCIES

The Fund has no commitments or contingencies to report.

NOTE 11: RESPONSIBLE ENTITY DETAILS

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

Registered Office
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
admin@passiveincomefund.com

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

DIRECTOR'S OF RESPONSIBLE ENTITY DECLARATION

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.



Stephen McKnight
Director

Melbourne: 11 September 2017

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 2017, 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 of the Plantation Capital Limited's ("Responsible Entity") 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 7 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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 2017 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

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Member of Deloitte Touche Tohmatsu Limited

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 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 2017 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

DELOITTE TOUCHE TOHMATSU



Chester Hii
Partner
Chartered Accountants

Melbourne, 11 September 2017