

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

**ARSN 155 770 095**

**INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
31 DECEMBER 2013**

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

**INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
31 DECEMBER 2013**

---

**TABLE OF CONTENTS**

---

|   | <b>Page</b> |
|---|-------------|
| Directors' Report   | 1           |
| Auditor's Independence Declaration  | 7           |
| Financial Report for the six months ended 31 December 2013  |             |
| Condensed Consolidated Statement of Comprehensive Income  | 8           |
| Condensed Consolidated Statement of Financial Position  | 9           |
| Condensed Consolidated Statement of Statement of Changes in<br>Net Assets Attributable to Unitholders | 10          |
| Condensed Consolidated Statement of Cash Flows  | 12          |
| Notes to the Condensed Consolidated Financial Statements  | 13          |
| Directors Of Responsible Entity Declaration   | 22          |
| Independent Auditor's Review Report   | 23          |

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

---

**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 condensed financial statements of the Fund for the six months ended 31 December 2013 (the interim financial Period). This financial report has been prepared in accordance with Australian Accounting Standards, including AASB 134: Interim Financial Reporting, interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

**Principal activities**

The Fund is an unlisted property fund that seeks to generate passive income and growth returns by acquiring assets in a USA-based real estate investment trust (REIT) structure 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. The Fund, via its controlled subsidiaries, has primarily invested in USA based property.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the period.

**Directors**

The Directors of the responsible entity (Directors) during the year or since the end of the financial year are:

*Stephen (Steve) McKnight – Director & Secretary*

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

Steve, a qualified chartered accountant and experienced investor, is recognised as one of Australia's foremost authorities on property investment as a means of creating personal wealth.

Since buying his first investment property in May 1999, Steve has completed hundreds of property transactions. Presently, his real estate portfolio includes a significant portion of USA properties on a co-ownership basis, including single family homes, multi-family homes, and commercial real estate (including four mobile home parks).

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.

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

---

**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 the past 22 years.

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 worth clients and families.

*Thomas (Tommy) Senatore – Director*

Bachelor of Science, Paralegal Certificate (Honours)

Based in Cape Coral, Florida (USA), Tommy is an authority in tax lien and deed investing and controls an extensive real estate portfolio of USA commercial and residential property. Currently head of TLD International, a group that provides wealth creation consulting and advisory services to both individual clients and corporations, he has conducted numerous seminars in the USA and around the world.

*Keith Woodhead – Director*

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

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

Much of this 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.

*Haydn Wright – Director (Resigned 21 February 2014)*

Master Tax Law, Bachelor of Economics, Associate Financial Services Institute Australasia

Haydn is a highly experienced corporate advisor with specific experience in property development, funds management, banking and finance. Haydn provides consultancy advice to Australian and European investment funds including active management roles such as the recent restructuring of an eastern European property development company with a balance sheet in excess of €200 million. Haydn's experience is across all property classes including major shopping centres, commercial buildings and high-rise residential towers, and Haydn's work includes project oversight and management, as well as finance (including bank funding, balance sheet and cash flow management, debt/equity and mezzanine finance).

Haydn possesses significant experience in the financial services sector including prior roles as Head of Credit with mortgage funds manager Affinity Funds Management Limited, director of the boutique corporate advisory group Teraform Advisory, and property investment group Securitised Asset Management Limited. He has also held senior banking positions with Kleinwort Benson Limited, Citibank Limited and CIBC Australia Limited.

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

---

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

---

**Review of operations and financial results**

The Fund was registered with ASIC on 2 March 2012 under the name of the PCL Direct Property Fund and on the 7 May 2012 changed its name to the Passive Income (USA Commercial Property) Fund.

A new PDS was issued on 18 July 2013 at which time the Fund began accepting and processing new and top up applications. From 18 July to 31 December \$12,513,725 had been received in application monies, including funds received in December 2013 for units issue in January 2014 as per the PDS rules. 10,223,837 new units were issued after deducting contribution fees.

Between 1 July and 31 December 2013 the Fund, via its controlled entities, acquired a further five properties in Florida and two in Texas, USA. Several more properties are being analysed for potential purchase.

The Fund's consolidated net operating profit after tax and before distributions attributable to Unitholders for the interim financial Period was \$379,357 (2012: profit \$118,809.) Rental income for the Fund was \$882,828 for the six months, and foreign exchange gains were \$757,193. The Fund expects that rental income will continue to increase, as more properties are purchased and improved rental agreements are negotiated.

A distribution of \$1,266,428 was declared on 1 January 2014. The funds were distributed to Unitholders on 25 February 2014. No other distributions were declared during the interim financial Period.

The redemption unit price (ex-distribution) as at 31 December was \$1.092 (30 June 2013: \$1.077).

**Fund Performance**

|                                | <b>Six Months Ended<br/>31 Dec 2013</b> | <b>Six Months Ended<br/>31 Dec 2012</b> |
|--------------------------------|---|---|
|                                | <b>%</b>                                | <b>%</b>                                |
| Increase in Unit Price         | 1.3                                     | 0.0                                     |
| Income Distribution            | 0.0                                     | 0.5                                     |
| <b>Total return (per unit)</b> | <b>1.3</b>                              | <b>0.5</b>                              |

Total return assumes the unit has been held for the entire relevant six month period.

As at 31 December 2013, US subsidiary Ozinus Realty LLC had declared a dividend of US\$140,000 to the Fund. This dividend was received by the Fund on 30 January 2014 and, after foreign currency conversion, equated to A\$159,530.

There is only one class of issued unit, the rights and entitlements thereof are detailed in the PDS dated 18 July 2013, and in the Fund's Constitution.

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

---

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

---

**Units On Issue**

|  | <b>Six Months Ended<br/>31 Dec 2013<br/>#</b> |
|--|---|
| Opening Balance  | 27,572,272                                    |
| New units issued under the capital raise based on 18 July 2013 PDS | 10,223,837                                    |
| <b>Number of units on issue at 31 December 2013</b>                | <b>37,796,109</b>                             |

**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 interim financial Period:

|                        | <b>Six Months Ended<br/>31 Dec 2013<br/>\$</b> | <b>Six Months Ended<br/>31 Dec 2012<br/>\$</b> |
|------------------------|--|--|
| Management fee         | 306,945  | 82,165   |
| Expense reimbursements | 146,741  | -  |
|                        | <b>453,686</b>                                 | <b>82,165</b>                                  |

Expense reimbursements relate to costs incurred by the Fund but paid by the Responsible Entity and then later reimbursed. No fee or margin was charged on top of the expense amount.

**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>31 Dec 2013<br/>\$</b> | <b>30 June 2013<br/>\$</b> |
|---------------------|---------------------------|----------------------------|
| Steve McKnight      |                           |                            |
| - # Units           | 468,187                   | 328,374                    |
| - \$ Units          | \$511,260                 | \$353,593                  |
| James Findlay (CFO) |                           |                            |
| - # Units           | 49,010                    | 49,010                     |
| - \$ Units          | \$53,519                  | \$52,774                   |

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

---

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

---

**Derivatives And 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 does not enter into Forward Exchange contracts. It purchases US dollars at market price based on prevailing advice and board policy. As at 31 December 2013, the Fund held cash in AUD and USD. During the year, a number of term deposits on 30 to 60 day terms were arranged via the custodian Australian Executor Trustees Ltd (AET).

**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 year.

**After Balance Date Events**

Apart from those items listed in Note 14 to the accounts, no matters or circumstances have arisen since the end of the financial year which significantly affected the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

**Likely Developments And Expected Results Of Operations**

The Fund will continue to operate in accordance with its investment policy as detailed in the PDS issued 18 July 2013.

**Environmental Regulation**

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

**Indemnification And Insurance Of Officers And Auditors**

The company has paid premiums to insure Directors under a Directors and Officers Insurance policy. The details of the indemnity insurance are as follows:

The Fund has entered into an insurance policy to indemnify each director 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 substandard 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.

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

---

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

---

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

Dated at Melbourne on 13 March 2014



---

Stephen McKnight  
Chairman



**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PLANTATION CAPITAL LIMITED, THE RESPONSIBLE ENTITY**

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2013, there have been:

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



**NEXIA MELBOURNE**  
ABN 16 847 721 257



**GEORGE S DAKIS**  
**Partner**  
**Audit & Assurance Services**

Melbourne

13 March 2014

**Nexia Melbourne**

Level 18, 530 Collins Street, Melbourne VIC 3000  
p +61 3 9608 0100, f +61 3 9608 0192  
info@nexiamelbourne.com.au, www.nexia.com.au

Independent member of Nexia International



Nexia Melbourne (ABN 16 847 721 257) is an independent Victorian firm of chartered accountants using the Nexia International trademark under licence. It is affiliated with, but independent from, Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | <b>Note</b> | <b>6 months to<br/>31 Dec 2013<br/>\$</b> | <b>6 months to<br/>31 Dec 2012<br/>\$</b> |
|--|-------------|---|---|
| <b>Income</b>                          |             |   |   |
| Interest income                        |             | 30,934                                    | 201,204                                   |
| Rental income                          |             | 882,828                                   | -   |
| Realised foreign currency gain         |             | 757,193                                   | -   |
| <b>Total Income</b>                    |             | <b>1,670,955</b>                          | <b>201,204</b>                            |
| <b>Property related expenses</b>       |             |   |   |
| Property management fees               |             | 58,040                                    | -   |
| Insurance                              |             | 161,553                                   | -   |
| Finance costs                          |             | 36,729                                    | -   |
| Due diligence expenses                 |             | 233,630                                   | -   |
| Property expenses                      |             | 287,146                                   | -   |
| Other property related expenses        |             | 54,267                                    | -   |
| <b>Total property related expenses</b> |             | <b>831,365</b>                            | <b>-</b>                                  |
| <b>Fund operating expenses</b>         |             |   |   |
| Accounting and audit fees              |             | 1,904                                     | -   |
| Responsible entity's fees              | 11          | 306,945                                   | 82,165                                    |
| Compliance costs                       |             | 59,835                                    | -   |
| Custodian fees                         |             | 10,392                                    | -   |
| Other Fund operating expenses          |             | 81,076                                    | 230                                       |
| <b>Total Fund operating expenses</b>   |             | <b>460,152</b>                            | <b>82,395</b>                             |
| <b>Total expenses</b>                  |             | <b>1,291,517</b>                          | <b>82,395</b>                             |
| Operating profit before income tax     |             | 379,438                                   | 118,809                                   |
| Income tax expense                     |             | (81)                                      | -   |
| <b>Net profit after income tax</b>     |             | <b>379,357</b>                            | <b>118,809</b>                            |
| <b>Other comprehensive income</b>      |             |   |   |
| Other comprehensive income             |             | -   | -   |
| <b>Total comprehensive income</b>      |             | <b>379,357</b>                            | <b>118,809</b>                            |
| <b>Distribution of Income</b>          |             |   |   |
| Profit attributable to Unitholders     |             | 379,357                                   | 118,809                                   |
| Distribution to Unitholders            | 9           | -   | (103,274)                                 |
| <b>Undistributed income</b>            |             | <b>379,357</b>                            | <b>15,535</b>                             |

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

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

|   | Note | Dec 2013<br>\$    | June 2013<br>\$   |
|---|------|-------------------|-------------------|
| <b>Current Assets</b>                               |      |                   |                   |
| Cash and cash equivalents                           | 2    | 24,946,818        | 25,828,973        |
| Loans receivable                                    | 11   | -                 | 5,990             |
| Sundry debtors                                      | 3    | 142,340           | 75,672            |
| Other current assets                                | 4    | 515,389           | 119,949           |
| <b>Total Current Assets</b>                         |      | <b>25,604,547</b> | <b>26,030,584</b> |
| <b>Non Current Assets</b>                           |      |                   |                   |
| Equipment   |      | 11,211            | -                 |
| Investment property                                 | 5    | 21,094,256        | 5,049,284         |
| <b>Total Non Current Assets</b>                     |      | <b>21,105,467</b> | <b>5,049,284</b>  |
| <b>Total Assets</b>                                 |      | <b>46,710,014</b> | <b>31,079,868</b> |
| <b>Current Liabilities</b>                          |      |                   |                   |
| Trade creditors                                     |      | 250,198           | 110,262           |
| Provisions  |      | 1,541,073         | 12,000            |
| Loans payable                                       | 6    | 22,640            | -                 |
| <b>Total Current Liabilities</b>                    |      | <b>1,813,911</b>  | <b>122,262</b>    |
| <b>Non Current Liabilities</b>                      |      |                   |                   |
| Loans payable                                       | 6    | 3,565,041         | 1,269,147         |
| Other non current liabilities                       | 8    | 108,186           | -                 |
| <b>Total Non Current Liabilities</b>                |      | <b>3,673,227</b>  | <b>1,269,147</b>  |
| <b>Total Liabilities</b>                            |      | <b>5,487,138</b>  | <b>1,391,409</b>  |
| <b>Net Assets</b>                                   |      | <b>41,222,876</b> | <b>29,688,459</b> |
| <b>Net Assets Attributable To Unitholders</b>       |      |                   |                   |
| Unitholders' funds                                  | 7    | 38,391,302        | 27,460,651        |
| Undistributed income                                |      | 1,679,437         | 1,346,131         |
| Foreign currency reserve account                    |      | 1,152,137         | 881,677           |
| <b>Total Net Assets Attributable To Unitholders</b> |      | <b>41,222,876</b> | <b>29,688,459</b> |

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

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

**CONDENSED CONSOLIDATED STATEMENT IN CHANGES IN  
NET ASSETS ATTRIBUTED TO UNITHOLDERS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

| <b>Consolidated Entity</b>   | <b>Note</b> | <b>Unitholders'<br/>Funds<br/>\$</b> | <b>Undistributed<br/>Income<br/>\$</b> | <b>Total<br/>Equity<br/>\$</b> |
|--|-------------|--------------------------------------|--|--------------------------------|
| <b>Balance as at 1 July 2012</b>                                       |             | -                                    | -                                      | -                              |
| Net income attributable to Unitholders                                 |             | -                                    | 118,809                                | 118,809                        |
| Other comprehensive income   |             | -                                    | -                                      | -                              |
| Total comprehensive income for the Period                              |             | -                                    | 118,809                                | 118,809                        |
| <b>Transactions with Unitholders in their capacity as Unitholders:</b> |             |                                      |  |                                |
| Distributions  | 9           | -                                    | (103,274)                              | (103,274)                      |
| Units issued – applications  |             | 27,572,267                           | -                                      | 27,572,267                     |
| Capital raising costs  |             | (111,621)                            |  | (111,621)                      |
| Total Transactions with Unitholders in their capacity as Unitholders   |             | 27,460,646                           | (103,274)                              | 27,357,372                     |
| <b>Balance as at 31 Dec 2012</b>                                       |             | <b>27,460,646</b>                    | <b>15,535</b>                          | <b>27,476,181</b>              |

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

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

**CONDENSED CONSOLIDATED STATEMENT IN CHANGES IN  
NET ASSETS ATTRIBUTED TO UNITHOLDERS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | Note | Unitholders'<br>Funds<br>\$ | Undistributed<br>Income<br>\$ | Other<br>Reserves<br>\$ | Total<br>Equity<br>\$ |
|--|------|-----------------------------|-------------------------------|-------------------------|-----------------------|
| <b>Balance as at 1 July 2013</b>                                       |      | <b>27,460,651</b>           | <b>1,346,131</b>              | <b>881,677</b>          | <b>29,688,459</b>     |
| Net increase attributable to Unitholders                               |      | -                           | 379,357                       | -                       | 379,357               |
| Other comprehensive income   |      | -                           | -                             | -                       | -                     |
| Total comprehensive income for the Period                              |      | -                           | 379,357                       | -                       | 379,357               |
| <b>Transactions with Unitholders in their capacity as Unitholders:</b> |      |                             |                               |                         |                       |
| Foreign currency reserve   |      | -                           | -                             | 270,460                 | 270,460               |
| USA Withholding Tax  |      | -                           | (46,051)                      | -                       | (46,051)              |
| Units issued – applications  | 7    | 10,930,508                  | -                             | -                       | 10,930,508            |
| Capital raising costs refund   | 7    | 143                         | -                             | -                       | 143                   |
| Total Transactions with Unitholders in their capacity as Unitholders   |      | 10,930,651                  | (46,051)                      | 270,460                 | 11,155,060            |
| <b>Balance as at 31 Dec 2013</b>                                       |      | <b>38,391,302</b>           | <b>1,679,437</b>              | <b>1,152,137</b>        | <b>41,222,876</b>     |

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|   | <b>Note</b> | <b>6 Months to<br/>31 Dec 2013<br/>\$</b> | <b>6 Months to<br/>31 Dec 2012<br/>\$</b> |
|---|-------------|---|---|
| <b>Cash flows from operating activities</b>                                   |             |   |   |
| Receipts from customers   |             | 960,326                                   | -   |
| Payments to suppliers   |             | (1,503,323)                               | (230)                                     |
| Interest received   |             | 30,934                                    | 201,204                                   |
| Interest paid   |             | (36,729)                                  | -   |
| <b>Net cash provided by operating activities</b>                              |             | <b>(548,792)</b>                          | <b>200,974</b>                            |
| <b>Cash flows from investing activities</b>                                   |             |   |   |
| Deposit on properties   |             | (143,363)                                 | -   |
| Purchase of investment properties   |             | (16,044,972)                              | -   |
| Purchase of equipment   |             | (11,211)                                  | -   |
| Gain on foreign currency  |             | 757,193                                   | -   |
| <b>Net cash used in investing activities</b>                                  |             | <b>(15,442,353)</b>                       | <b>-</b>                                  |
| <b>Cash flows from financing activities</b>                                   |             |   |   |
| Proceeds from borrowings  |             | 2,318,534                                 | -   |
| Applications received from Unitholders  |             | 12,513,725                                | 28,178,164                                |
| Refunds from unit raising costs   |             | 143                                       | -   |
| Distributions paid  |             | -   | (63,897)                                  |
| Receipts from short term loans  |             | 5,990                                     | -   |
| <b>Net cash provided by financing activities</b>                              |             | <b>14,838,392</b>                         | <b>28,114,267</b>                         |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                   |             | <b>(1,152,753)</b>                        | <b>28,315,241</b>                         |
| Cash at the beginning of the interim financial Period                         |             | 25,828,973                                | -   |
| Effect of foreign currency exchange rate changes on cash and cash equivalents |             | 270,598                                   | -   |
| <b>Cash at the end of the interim financial Period</b>                        | <b>2</b>    | <b>24,946,818</b>                         | <b>28,315,241</b>                         |

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

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

---

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation of the financial report**

This financial report is a general purpose condensed financial report that has been prepared in accordance with Australian Accounting Standards, including AASB 134: Interim Financial Reporting, interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Fund. The half-year financial statements do not include notes of the type normally included in an annual financial report, and should be read in conjunction with the most recent annual financial report.

This financial report has been prepared for the 'Fund' as a consolidated Group. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The responsible entity of the Fund is Plantation Capital Limited (the responsible entity). Unless otherwise noted, the financial report is presented in Australian currency.

The Fund's objectives are to seek to generate passive income and growth returns by acquiring assets in a USA-based REIT structure, in accordance with the objectives disclosed in the PDS dated 18 July 2013.

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

**(b) Accounting policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

**(c) Critical accounting estimates**

The preparation of the financial report requires the use of certain estimates and judgements in applying the Fund's accounting policies. Those estimates and judgements significant to the financial report are the same as those in the most recent annual financial statements.

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

---

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

---

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

**(d) Adoption of new and amended accounting standards that are first operative at 31 December 2013**

None of the new and amended accounting standards effective for the interim financial Period beginning 1 July 2013 affected any amounts recorded in the current or prior period.

1. *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. As the Fund currently uses fair value measures for its financial instruments, the impact of the revised standard has been minimal. Application of the new standard has impacted the nature and extent of information disclosed in the notes to the financial statements.

Other standards and interpretations, including *AASB 10 Consolidated Financial Statements*, *AASB 11 Joint Arrangements*, *AASB 12 Disclosure of Interests in Other Entities*, have been issued at the reporting date however they have no impact on the financial information presented.

**(e) Accounting standards and interpretations issued but not operative at 31 December 2013**

The following standards and interpretations have been issued at the reporting date but are not yet effective. The Directors' assessment of the impact of these standards and interpretations is set out below.

1. *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure (effective from 1 January 2015)*

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading.

As the Fund currently designate financial assets held at fair value through profit or loss on inception and does not have any financial assets held as available-for-sale and loans and receivables, the impact of the revised standard is expected to be minimal.

The Fund has decided not to early adopt AASB 9 as at 31 December 2013.



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | <b>31 Dec 2013</b> | <b>30 June 2013</b> |
|--|--------------------|---------------------|
|  | <b>\$</b>          | <b>\$</b>           |
| <b>NOTE 2: CASH AND CASH EQUIVALENTS</b>   |                    |                     |
| AUD Cash in Australian bank accounts   | 8,396,625          | 8,417,183           |
| USD Cash in Australian bank accounts   | 15,588,383         | 14,021,407          |
| USD Cash in US bank accounts   | 961,810            | 3,390,383           |
| <b>Total Cash &amp; Cash Equivalents</b>   | <b>24,946,818</b>  | <b>25,828,973</b>   |
| <b>NOTE 3: SUNDRY DEBTORS</b>  |                    |                     |
| Rental income owing  | 116,148            | 34,381              |
| GST refund   | 26,192             | 41,291              |
| <b>Total Sundry Debtors</b>  | <b>142,340</b>     | <b>75,672</b>       |
| <b>NOTE 4: OTHER CURRENT ASSETS</b>  |                    |                     |
| Escrow deposits  | 263,312            | 119,949             |
| Other current assets   | 252,077            | -                   |
| <b>Total Other Current Assets</b>  | <b>515,389</b>     | <b>119,949</b>      |
| <b>NOTE 5: INVESTMENT PROPERTY</b>   |                    |                     |
| 3350 Hanson St, Ft Myers<br><i>(Purchase price US\$620,000)</i>                    | 695,113            | 678,337             |
| 13584 49th St Nth, Lago<br><i>(Purchase price US\$2,900,000)</i>                   | 3,251,336          | 3,172,866           |
| 4700 110th Ave Nth, Pinellas Park<br><i>(Purchase price US\$1,095,000)</i>         | 1,227,660          | 1,198,081           |
| 8344 E. RL Thornton Fwy, Dallas, Texas<br><i>(Purchase price US\$3,050,000)</i>    | 3,419,509          | -                   |
| 2853-2861 Work Drive, Fort Myers, Florida<br><i>(Purchase price US\$2,000,000)</i> | 2,242,301          | -                   |
| 2148-2160 Fowler St, Fort Myers, Florida<br><i>(Purchase price US\$708,207)</i>    | 794,007            | -                   |

These accompanying notes form part of these financial statements

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | <b>31 Dec 2013</b> | <b>30 June 2013</b> |
|--|--------------------|---------------------|
|  | <b>\$</b>          | <b>\$</b>           |
| <b>NOTE 5: INVESTMENT PROPERTY (cont'd)</b>  |                    |                     |
| 1408-1412 Hamlin Ave/2013 Murcott Ave,<br>St Cloud, Florida<br><i>(Purchase price US\$1,543,625)</i> | 1,730,636          | -                   |
| 1904 Oak Gve Blvd, Lutz, Florida<br><i>(Purchase price US\$2,323,000)</i>                            | 2,604,432          | -                   |
| 5250 Giron Circle, Kissimmee, Florida<br><i>(Purchase price US\$975,000)</i>                         | 1,093,122          | -                   |
| Riverview Dve, Lewisville, Texas<br><i>(Purchase price US\$3,600,000)</i>                            | 4,036,140          | -                   |
| Total Investment Property<br><i>(Dec 2013: US\$18,814,832<br/>June 2013: US\$4,615,000)</i>          | 21,094,256         | 5,049,284           |

**Valuation method**

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. Investment properties are stated at fair value. The Fund has an internal Director's valuation process for determining the USD fair value at each reporting date, that is then translated from USD to AUD. All investment properties owned by controlled entities were purchased during the 2013 calendar year, and the Directors consider that any movement in fair values to balance date would not have a material impact on the financial statements. Accordingly, no fair value adjustments have been made in the interim financial statements.

An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties every three years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with Responsible Entity approved valuation policy. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. Market data of recent transactions for similar assets and the investors required return (property capitalisation rate) are considered when adopting a valuation figure.

**Contractual obligations**

As at balance date, the controlled entities have paid deposits totalling US\$263,312 in respect of contracts for the purchase of six properties with a combined purchase consideration of US\$11,793,750.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | 31 Dec 2013<br>\$ | 30 June 2013<br>\$ |
|--|-------------------|--------------------|
| <b>NOTE 6: LOANS PAYABLE</b>   |                   |                    |
| Vendor loan – Breckinridge<br>US\$1,160,000 pertaining to the purchase of<br>13584 49 <sup>th</sup> St Nth, Lago. 3.5% pa interest only<br>until 26 April 2018, then 5% pa interest until<br>26 April 2023 | 1,300,534         | 1,269,147          |
| Vendor loan – Palmetto Grove<br>US\$600,000 pertaining to the purchase of<br>2853-2861 Work Dve, Fort Myers, Florida. 4%<br>pa interest and principal until 15 August 2033,<br>5 year balloon payment      | 672,690           | -                  |
| Vendor loan – Riverview<br>US\$1,440,000 pertaining to the purchase of<br>13584 49 <sup>th</sup> St Nth, Lago. 4% pa interest only<br>until 26 December 2018   | 1,614,457         | -                  |
| <b>Total Loans Payable</b>   | <b>3,587,681</b>  | <b>1,269,147</b>   |

Presented as

|                           |           |           |
|---------------------------|-----------|-----------|
| Current Loans Payable     | 22,640    | -         |
| Non Current Loans Payable | 3,565,041 | 1,269,147 |
|                           | 3,587,681 | 1,269,147 |

**NOTE 7: UNITHOLDERS' FUNDS**

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Opening balance                | 27,460,651        | -                 |
| Applications                   | 10,930,508        | 27,572,272        |
| Capital raising (costs)/refund | 143               | (111,621)         |
| <b>Closing Balance</b>         | <b>38,391,302</b> | <b>27,460,651</b> |

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. The Fund's redemption policies are disclosed in the PDS dated 18 July 2013.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | 31 Dec 2013<br>\$ | 30 June 2013<br>\$ |
|--|-------------------|--------------------|
| <b>NOTE 8: OTHER NON CURRENT LIABILITIES</b> |                   |                    |
| Issued Capital – USA REIT                    | 101,370           | -                  |
| Security deposits                            | 6,816             | -                  |
|  | 108,186           | -                  |

USA REIT Capital was issued to USA based investors through the Fund controlled entity, Ozinus Realty LLC as part of the USA REIT structure. USD\$92,500 was raised with investors being paid a coupon rate of interest annually.

**NOTE 9: DISTRIBUTIONS**

|  |   |         |
|--|---|---------|
| Special distribution (31 October 2012) | - | 103,274 |
|--|---|---------|

**NOTE 10: CONTROLLED ENTITIES**

Subsidiaries controlled by the Fund during the interim financial Period were:

|  | Country of<br>Incorporation | % Owned<br>Dec 2013 | % Owned June<br>2013 |
|--|-----------------------------|---------------------|----------------------|
| Ozinus Realty, LLC<br><i>(acquired 30 November 2012)</i>     | USA                         | 100%                | 100%                 |
| Ozinus Hanson, LLC<br><i>(acquired 13 March 2013 )</i>       | USA                         | 100%                | 100%                 |
| Ozinus Pinellas Park, LLC<br><i>(acquired 12 April 2013)</i> | USA                         | 100%                | 100%                 |
| Ozinus Breckinridge, LLC<br><i>(acquired 16 April 2013)</i>  | USA                         | 100%                | 100%                 |
| Ozinus Thornton, LLC<br><i>(acquired 9 August 2013)</i>      | USA                         | 100%                | -                    |
| Ozinus Palmetto, LLC<br><i>(acquired 15 August 2013)</i>     | USA                         | 100%                | -                    |
| Ozinus Rams Plaza, LLC<br><i>(acquired 9 September 2013)</i> | USA                         | 100%                | -                    |
| Ozinus Hamlin, LLC<br><i>(acquired 8 October 2013)</i>       | USA                         | 100%                | -                    |
| Ozinus Eagle Plaza, LLC<br><i>(acquired 3 December 2013)</i> | USA                         | 100%                | -                    |
| Ozinus Giron, LLC<br><i>(acquired 13 December 2013)</i>      | USA                         | 100%                | -                    |
| Ozinus Riverview, LLC<br><i>(acquired 26 December 2013)</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 SIX MONTHS ENDED 31 DECEMBER 2013**

---

**NOTE 11: RELATED PARTY TRANSACTIONS**

The responsible entity of the Fund is Plantation Capital Limited (ABN 65 133 678 089, AFSL 339481).

**Key management personnel**

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

The directors of the responsible entity during the interim financial Period were:

Stephen McKnight  
Paul Harper  
Thomas Senatore  
Keith Woodhead  
Haydn Wright (*resigned 21 February 2014*)

Key management personnel for the Fund also included Mr James Findlay, the 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.

|   | <b>31 Dec 2013</b> | <b>30 June 2013</b> |
|---|--------------------|---------------------|
|   | <b>\$</b>          | <b>\$</b>           |
| <b>Responsible entity fees and other transactions</b> |                    |                     |
| Management fees paid by the Fund                      | 306,945            | 335,863             |
| Expense reimbursements                                | 146,741            | 162,087             |
|   | <u>453,686</u>     | <u>497,950</u>      |

Fees paid to the responsible entity are pursuant to the disclosures made in the PDS dated 18 July 2013. Expense reimbursements relate to costs incurred by the responsible entity on behalf of the Fund, which are charged back to the Fund at cost.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | 31 Dec 2013 | 30 June 2013 |
|--|-------------|--------------|
|  | \$          | \$           |

**NOTE 11: RELATED PARTY TRANSACTIONS (cont'd)**

**Related Party Loans**

Loan to Ozinus Services, LLC – an entity controlled by the responsible entity. No interest is payable on this loan as it is treated as a temporary operational matter.

|  |   |       |
|--|---|-------|
|  | - | 5,990 |
|--|---|-------|

**Related Party Investments Held By The Fund**

The Fund has no investment in the responsible entity at interim financial Period end.

**Unit Holdings**

During the financial Period, the amount of units held in the Fund by the key personnel and their controlled entities are as follows:

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Stephen McKnight – Number Units | 468,187   | 328,374   |
| Stephen McKnight – Units Value  | \$511,260 | \$353,593 |
| James Findlay – Number Units    | 49,010    | 49,010    |
| James Findlay – Units Value     | \$53,519  | \$52,774  |

During, or since the end of the interim financial Period, none of the directors, or director related entities held units in the Fund, either directly, indirectly or beneficially, except as noted above.

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time the Responsible Entity or its director-related entities may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors and are trivial and domestic in nature.

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2013.

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

---

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

---

**NOTE 13: SEGMENT INFORMATION**

The Fund operates solely in the business of investing in real estate assets in the USA. This is considered to be a single operating segment for the purpose of preparing this financial report.

The Responsible Entity operates and is domiciled in Australia.

**NOTE 14: SUBSEQUENT EVENTS**

Subsequent to balance date, three further properties have been purchased via controlled entities of the Fund.

401, 403, 405 Powerhouse St, McKinney, Texas USA was purchased for consideration of \$4,292,859 (US\$4,125,000) on 7 February 2014. A vendor loan of US\$800,000 was obtained to facilitate the purchase. Terms were 6% interest for 20 years with a 10 year balloon.

720 S. Dixie Freeway, New Smyrna Beach, Florida USA was purchased for cash consideration of \$1,712,1477 (US\$1,575,000) on 14 February 2014.

2634-54 N. Orange Blossom Trail, Kissimmee, Florida USA was purchased for consideration of \$2,120,226 (US\$1,959,000) on 25 February 2014. A vendor loan for 40% of the consideration was obtained to facilitate the purchase. Terms were 5% interest only for 5 years.

A distribution of \$1,266,428 was declared on 1 January 2014. The funds were distributed to Unitholders on 25 February 2014. No other distributions were declared during the interim financial Period.

Apart from these items, no other matters or circumstances have arisen since the end of the interim period which significantly affected the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

**NOTE 15: RESPONSIBLE ENTITY DETAILS**

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

| <b>Registered Office &amp; Street Address</b>        | <b>Postal Address</b>                                |
|--|--|
| 893A Canterbury Rd<br>Box Hill VIC 3128<br>AUSTRALIA | PO Box 2193<br>BLACKBURN SOUTH VIC 3130<br>AUSTRALIA |

**Other Details**

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

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

---

**DIRECTOR'S OF RESPONSIBLE ENTITY DECLARATION**

---

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

1. The financial statements and notes as set out on pages 1 to 21, are in accordance with the Corporations Act 2001 and including:
  - (a) Comply with Australian Accounting Standard AASB 134 Interim Financial Reporting; and
  - (b) giving a true and fair view of the consolidated financial position of the Fund as at 31 December 2013 and of its performance, for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a Resolution of the Directors of the Responsible Entity, Plantation Capital Limited.



---

Stephen McKnight  
Director  
Melbourne: 13 March 2014



**INDEPENDENT AUDITOR'S 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 (the "Scheme"), which comprises the condensed statement of financial position as at 31 December 2013, the condensed income statement, the condensed statement of comprehensive income, statement of comprehensive income, condensed statement of changes in net assets and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

The directors of the Plantation Capital Limited (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 (including Australian Accounting Interpretations) 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 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 Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports 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:

- a. giving a true and fair view of the scheme's financial position as at 31 December 2013 and 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*.

As the auditor of the company, 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 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.

**Nexia Melbourne**

Level 18, 530 Collins Street, Melbourne VIC 3000  
p +61 3 9608 0100, f +61 3 9608 0192  
info@nexiamelbourne.com.au, www.nexia.com.au

Independent member of Nexia International



Nexia Melbourne (ABN 16 847 721 257) is an independent Victorian firm of chartered accountants using the Nexia International trademark under licence. It is affiliated with, but independent from, Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

*Independence*

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 the Responsible Entity, would be in the same terms if provided to the directors as at the date 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 Scheme's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read "Nexia".

**NEXIA MELBOURNE**  
ABN 16 847 721 257

A handwritten signature in black ink, appearing to read "George Dakis".

**GEORGE DAKIS**  
**Partner**  
**Audit & Assurance Services**

Melbourne

13 March 2014