

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

**ARSN 155 770 095**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2018**

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

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2018**

---

**TABLE OF CONTENTS**

---

	<b>Page</b>
Table Of Contents	i
Directors' Report	1
Auditor's Independence Declaration	7
Interim Financial Report For The Half Year Ended 30 June 2018	
Condensed Consolidated Statement Of Profit & Loss And Other Comprehensive Income	8
Condensed Consolidated Statement Of Financial Position	9
Condensed Consolidated Statement Of Changes In Net Assets Attributable To Unitholders	10
Condensed Consolidated Statement Of Cash Flows	11
Notes To The Consolidated Condensed Financial Statements	12
Directors' Of Responsible Entity Declaration	23
Independent Review Report	24

**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 interim financial statements of the Fund for the half year ended 30 June 2018. 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 4 July 2018. 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 twelve employees.

**Directors**

The Directors of the Responsible Entity during the period or since the end of the financial period 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.

**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 since 1990.

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**

The Fund experienced a pleasing result over the six months to 30 June 2018. Although capital appreciation in its property portfolio, as measured by the independent appraiser, was less than the corresponding period in 2017, investors benefited from the AUD falling in value against the USD. Net rental income continues to trend in a positive fashion, with growth in rent exceeding increases in operating expenses.

The Fund's consolidated net profit after income tax and before distributions was \$506,192 (Six months ended 30 June 2017: \$5,588,760) and was impacted by a one-time increase in the provision for deferred income tax of \$2,093,777 arising from the inclusion for the first time of US branch profit tax.

In May, the Fund, via its controlled entities, sold 18538 - 18562 US Hwy 19, Clearwater FL, 33764 for US\$765,000, thereby realising a gain on sale of US\$100,492. The proceeds have been set aside for reinvestment in new property acquisitions.

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

**DIRECTORS' REPORT (Cont'd)**

The ex-distribution unit price as at 30 June 2018 was \$1.4819 (30 June 2016: \$1.4010).

	<b>Six Months Ended 30 June 2018</b>		<b>Six Months Ended 30 June 2017</b>	
	<b>\$</b>	<b>¢ per unit</b>	<b>\$</b>	<b>¢ per unit</b>
Interim Distribution Paid	3,895,413	5.0*	3,726,754	5.0*
Final Distribution Payable	-	-	-	-
<b>Total Distribution</b>	<b>3,895,413</b>	<b>5.0*</b>	<b>3,726,754</b>	<b>5.0*</b>

\*Gross of US withholding tax

There is only one class of issued units, the rights and entitlements thereof are detailed in the PDS dated 4 July 2018, and in the Fund's Constitution.

**Fund Performance (Net Of Fees)**

	<b>Six Months Ended 30 June 2018</b>	<b>Six Months Ended 30 June 2017</b>
Capital Growth (cents per unit)	7.27 <sup>#</sup>	(4.14) <sup>#</sup>
Cash Distribution (cents per unit)	5.00*	5.00*
<b>Total Return (cents per unit)</b>	<b>12.27*</b>	<b>0.86*</b>

\* Gross of US withholding tax

# Capital growth includes net appreciation across the property portfolio and the effects of movement in exchange rates.

For the six months ended 30 June 2018, Ozinus Realty, LLC – a US subsidiary, paid \$2,156,916 in gross dividends to the Fund (Six months ended 30 June 2017: \$1,949,850).

**Fees Paid To and Interests Held By the Responsible Entity**

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

	<b>Six Months Ended 30 June 2018</b>	<b>Six Months Ended 30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Management fees	1,283,448	1,154,560
Performance fees	-	-
<b>Total fees to the Responsible Entity</b>	<b>1,283,448</b>	<b>1,154,560</b>
Other expense reimbursements	40,178	40,082
<b>Total Fees &amp; Reimbursements</b>	<b>1,323,626</b>	<b>1,194,642</b>

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

**DIRECTORS' REPORT (Cont'd)**

Management fees are paid to the Responsible Entity to execute the investment strategy as outlined in the PDS dated 4 July 2018. Expense reimbursements relate to costs incurred by the Fund but paid by the Responsible Entity and later reimbursed to the Responsible Entity. Most expenses attributable to the Fund are paid directly by the Fund. 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. At half year end there was still a shortfall from previous periods of \$3.8m that would need to be made up before a performance fee was payable.

**Related Party Transactions**

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

**Units In The Fund Held By Related Parties**

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

	<b># Units Held At 30 June 2018</b>	<b># Units Held At 31 December 2017</b>
Stephen McKnight (Director) & Associated Parties	1,807,498	1,759,008
Plantation Capital Limited	1,080,166	1,046,519
	<u>2,887,664</u>	<u>2,805,527</u>
	<b>Value of Units Held At 30 June 2018</b>	<b>Value of Units Held At 31 December 2017</b>
Stephen McKnight (Director) & Associated Parties	\$2,678,531	\$2,478,794
Plantation Capital Limited	\$1,600,698	\$1,474,755
	<u>\$4,279,229</u>	<u>\$3,953,549</u>

**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 2018, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD).

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

---

**DIRECTORS' REPORT (Cont'd)**

---

**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 4 July 2018.

**Significant Changes in State of Affairs**

In the opinion of the Directors, aside from the items mentioned below, there were no significant changes in the state of affairs of the Fund that occurred during the financial period:

- 18538 - 18562 US Hwy 19, Clearwater FL 33764, a property acquired by the REIT on 29 September 2014 for US\$400,000, was sold on 17 May 2019 for US\$765,000. The Directors have earmarked the sale proceeds for reinvestment in new acquisitions.
- After finalising leasing negotiations with Starbucks, construction began on a new dual retail building at 6564 Tara Blvd, Jonesboro, GA 30326.
- A special meeting of unitholders was held on 18 March 2018 where it agreed to:
  - To ratify the decision of the directors of Plantation Capital Limited to wind up the REIT structure on or before 31 December 2028 and to wind up the Passive Income (USA Commercial Property) Fund on or before 31 December 2029 and return all capital to members.
  - To ratify the decision of the directors of Plantation Capital Limited to increase the limit on subscriptions to the Passive Income (USA Commercial Property) Fund to 100,000,000 issued units (not including reinvestment of distributions).
- After an arson incident, repair works began at 5636 Youngquist Rd, Fort Myers FL 33912. The property was insured and the Directors believe that after the payment of the policy deductible, the net proceeds from insurance will cover the majority of the financial losses suffered as a result of this incident.

**Subsequent Events**

*Property Sold*

401 - 403 Powerhouse, McKinney, TX 75056, a property owned by the Fund that was acquired on 6 February 2014 of US\$4,125,000 was sold on 6 August 2018 for \$4,950,000, resulting in a gain of \$178k. The proceeds from the sale have been quarantined in a 1031 like-kind exchange escrow and will be used to acquire one or more new properties.

*Fund Re-Opening*

The Fund re-opened to new and top up applications on 4 July 2018. By 31 July 2018 an amount of \$7,843,000 of new capital had been received. The Director's expect to use this money to fund the upcoming 2018 redemption offer, settle debt due in the next six months, and to purchase more real estate in the portfolio.

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

---

**DIRECTORS' REPORT (Cont'd)**

---

*Election to Adopt the Attribution Managed Investment Trust (AMIT) Regime*

On 4 July 2018 the Board resolved to adopt the AMIT Regime in accordance with section 248A of the Corporations Act 2001 (Cth), and accordingly amended the Fund's Constitution. AMIT is a significant industry-wide reform, which introduces new tax rules for managed investment trusts.

There were no other subsequent events after 30 June 2018.

**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**

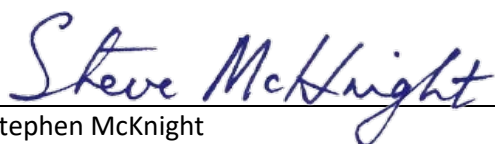
A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included in this report. No officer of the Company is or has been a partner/director of any auditor of the Company.

**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: 10 September 2018



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

10 September 2018

Dear Board Members

**Passive Income (USA Commercial Property) Fund**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Plantation Capital Limited, the Responsible Entity 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 2018, 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

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

**CONDENSED CONSOLIDATED  
STATEMENT OF PROFIT & LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Note	Six Months To 30 June 2018 \$	Six Months To 30 June 2017 \$
<b>Revenue</b>			
Interest Income		-	313
Fair Value Gain On			
Investment Properties		1,237,285	5,098,265
Rental Income		7,295,059	6,751,322
Foreign Currency Gain/(Loss)		21,680	(108,958)
Other Income		361,537	116,878
<b>Total Income</b>		<b>8,915,561</b>	<b>11,857,820</b>
<b>Operating Expenses</b>			
Accounting And Audit Fees		28,156	25,879
Responsible Entity's Fees	8	1,283,448	1,154,560
Compliance Costs		26,205	25,657
Custodian Fees		15,035	15,319
Insurance		14,759	12,886
Finance Costs		666,797	681,600
Legal & Due Diligence		34,183	40,942
Property Expenses		3,214,285	2,998,543
Other Operating Expenses		51,148	42,109
<b>Total Operating Expenses</b>		<b>5,334,016</b>	<b>4,997,495</b>
Operating Profit Before Tax		3,581,545	6,860,325
Deferred Tax Expense		(3,075,353)	(1,271,565)
<b>Operating Profit After Tax</b>		<b>506,192</b>	<b>5,588,760</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income</b>		<b>506,192</b>	<b>5,588,760</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 30 JUNE 2018**

	<b>Note</b>	<b>30 June 2018 \$</b>	<b>31 December 2017 \$</b>
Current Assets			
Cash And Cash			
Equivalents		11,408,121	9,648,060
Sundry Debtors		220,279	211,081
Other Current Assets		878,925	530,582
Total Current Assets		<u>12,507,325</u>	<u>10,389,723</u>
Non - Current Asset			
Investment Properties	3	135,636,290	127,435,439
Equipment		54,819	52,706
Other Non-Current Assets		489,910	501,544
Total Non - Current Asset		<u>136,181,019</u>	<u>127,989,689</u>
Total Assets		<u>148,688,344</u>	<u>138,379,412</u>
Current Liabilities			
Provisions		27,521	28,504
Trade And Other Payables	4	2,725,253	2,358,651
Distributions Payable	6	3,569,607	3,449,737
Borrowings	5	1,977,988	1,875,826
Other Current Liabilities		519,939	139,360
Total Current Liabilities		<u>8,820,308</u>	<u>7,852,078</u>
Non - Current Liabilities			
Borrowings	5	24,412,955	23,169,217
Deferred Tax Liability		10,887,644	7,838,607
Total Non – Current Liabilities		<u>35,300,599</u>	<u>31,007,824</u>
Total Liabilities		<u>44,120,907</u>	<u>38,859,902</u>
<b>Net Assets</b>		<u><b>104,567,437</b></u>	<u><b>99,519,510</b></u>
<b>Net Assets Attributable To Unitholders</b>			
Unitholders' Funds		88,384,986	85,952,721
Distributions			
Paid/Payable		1,053,362	4,442,583
Foreign Currency			
Reserve Account		15,129,089	9,124,206
<b>Total Net Assets Attributable To Unitholders</b>		<u><b>104,567,437</b></u>	<u><b>99,519,510</b></u>

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

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

**CONDENSED CONSOLIDATED  
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE HALF YEAR ENDED 30 JUNE 2018**

<b>30 June 2018 Consolidated Entity</b>	<b>Note</b>	<b>Unitholders' Funds \$</b>	<b>Distributions Paid/Payable \$</b>	<b>Other Reserves \$</b>	<b>Total Equity \$</b>
Total Comprehensive Income For Six Months		-	506,192	-	506,192
<b>Transactions With Unitholders In Their Capacity As Unitholders:</b>					
Balance At 31 December 2017		85,952,721	4,442,583	9,124,206	99,519,510
Foreign Currency Reserve		-	-	6,004,883	6,004,883
Distributions	6	-	(3,895,413)	-	(3,895,413)
Units Issued – Applications And Reinvestments		2,432,265	-	-	2,432,265
Total Transactions With Unitholders In Their Capacity As Unitholders		2,432,265	(3,895,413)	6,004,883	4,541,735
<b>Balance As At 30 June 2018</b>		<b>88,384,986</b>	<b>1,053,362</b>	<b>15,129,089</b>	<b>104,567,437</b>
<b>30 June 2017 Consolidated Entity</b>	<b>Note</b>	<b>Unitholders' Funds \$</b>	<b>Distributions Paid/Payable \$</b>	<b>Other Reserves \$</b>	<b>Total Equity \$</b>
Total Comprehensive Income For Six Months		-	5,588,760	-	5,588,760
<b>Transactions With Unitholders In Their Capacity As Unitholders:</b>					
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)
<b>Balance As At 30 June 2017</b>		<b>83,326,876</b>	<b>913,912</b>	<b>10,867,560</b>	<b>95,108,348</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 CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Six Months To 30 June 2018 \$	Six Months To 30 June 2017 \$
<b>Cash Flows From</b>		
<b>Operating Activities</b>		
Receipts From Customers	6,941,343	6,376,473
Payments To Suppliers	(2,921,652)	(2,614,843)
Management Fee	(1,254,885)	(934,587)
Performance Fee	-	-
Interest Received	-	313
Interest Paid	(658,326)	(606,575)
Other Income	361,537	116,882
Net Cash Provided By Operating Activities	<u>2,468,017</u>	<u>2,337,663</u>
<b>Cash Flows From</b>		
<b>Investing Activities</b>		
Sale Of Investment Properties	961,970	-
Purchase Of Investment Properties	-	(5,699,987)
Net Cash Provided By/(Used In) Investing Activities	<u>961,970</u>	<u>(5,699,987)</u>
<b>Cash Flows From</b>		
<b>Financing Activities</b>		
Proceeds From Borrowings	(18,107)	(16,445)
Distributions Paid	(1,087,763)	(1,187,719)
Net Cash Provided By Financing Activities	<u>(1,105,870)</u>	<u>(1,204,164)</u>
Net Increase/(Decrease) In Cash And Cash Equivalents	2,324,117	(4,566,488)
Cash At Beginning Of The Financial Period	9,648,060	16,501,951
Effect Of Exchange Rate On Cash And Cash Equivalents	(564,056)	(1,732,676)
<b>Cash At The End Of The Financial Period</b>	<u><u>11,408,121</u></u>	<u><u>10,202,787</u></u>

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

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

---

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2018**

---

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

This interim financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 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 And Revised Accounting Standards For Application In Current And 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 current and future reporting periods.

The Responsible Entity has assessed the impact of the new and revised standards that are relevant to the scheme. The impact of adopted new or revised Standards and Interpretations is discussed below.

**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 2018**

---

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

**(c) New And Revised Accounting Standards For Application In Current And Future Periods (Cont'd)**

**New and revised IFRSs in issue but not yet effective:**

At the date of authorisation of the financial statements, the Fund has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Reference	Title	Applicable for Reporting Periods Beginning on or After
AASB 16	Leases	1 January 2019

**AASB 16 Leases**

Under AASB16 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 the 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 AASB16 is adopted.

Management has decided not to early adopt the standard which becomes effective for annual periods beginning on 1 January 2019.

Further analysis of the data relating to Sunizo LLC's rental premises, which is the only item which may require reporting as a right to use asset and obligation to pay a liability, will be performed and incorporated within the financial statements for the year ending 31 December 2019.

The Fund is expected to apply the standard retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. Alternative methods of calculating the right-to-use asset are allowed under AASB 16 which impact the size of the transition adjustment. The Company is still evaluating which method to apply.

**Amendments to Accounting Standards that are mandatorily effective for the current reporting period:**

**AASB 9 Financial Instruments**

In the current year, the Fund has applied AASB 9 Financial Instruments (as revised) and the related consequential amendments to other Accounting Standards for the first time in accordance with the transition provisions set out in AASB 9.

**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 2018**

---

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

**(c) New And Revised Accounting Standards For Application In Current And Future Periods (Cont'd)**

AASB 9 replaces AASB 139. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment.

The investments are reported at fair value and any gains/(losses) recognised through the profit and loss means the method of reporting is already in compliance with the requirements of AASB 9. Receivables will be assessed for impairment under the new expected credit loss model. However given that receivables are expected to be short term and usually settled within a month, these changes will not have a material impact.

The Directors reviewed and assessed the existing financial instruments as at the reporting date, based on the facts and circumstances that existed at that date have concluded that the initial application of AASB 9 had no material impact on the financial position and/or financial performance of the Fund for the current period or prior years.

**AASB 15 Revenue from Contracts with Customers**

The Fund has applied AASB 15 Revenue from Contracts with Customers (as amended) for the first time in the current period. AASB 15 introduces a 5 step approach to revenue recognition.

Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. AASB 15 provides (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 previous accounting pronouncements on revenue.

The application of AASB 15 had no material impact on the financial position and/or financial performance of the Fund for the current period or prior years.

**NOTE 2: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

All property valuations are carried out by a third party independent valuer.



**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 2018**

**NOTE 3: INVESTMENT PROPERTIES**

	30 June 2018		31 December 2017	
	Fair Value		Fair Value	
	USD	AUD	USD	AUD
<b>Texas Properties</b>				
1671 Riverview Dve, Lewisville	4,390,000	5,918,037	4,320,000	5,522,884
401 Powerhouse, McKinney *	4,950,000	6,672,958	4,675,000	5,976,732
1205 Texas Parkway, Euless	5,060,000	6,821,246	5,000,000	6,392,227
Total Texas Property	14,400,000	19,412,241	13,995,000	17,891,843
*Sold on 6 Aug 2018 for US\$4,950,000				
<b>Georgia Properties</b>				
6620 Tara Blvd, Jonesboro	5,340,000	7,198,706	5,300,000	6,775,761
6205 & 6215 Shiloh Crossing, Alpharetta	6,700,000	9,032,084	6,600,000	8,437,740
1461 HWY 20 W, McDonough	4,900,000	6,605,554	4,900,000	6,264,383
2081 Jonesboro Rd, McDonough	4,350,000	5,864,114	4,300,000	5,497,315
270 Scientific Drive, Norcross	4,900,000	6,605,554	4,850,000	6,200,460
358 McDonough Pkway, McDonough	1,010,000	1,361,553	1,010,000	1,291,230
2192 Eastview Parkway, Conyers	2,360,000	3,181,451	2,360,000	3,017,131
400 Tech Pkway, Peachtree Corners	7,800,000	10,514,964	7,750,000	9,907,952
350 Tech Pkway, Peachtree Corners	5,300,000	7,144,783	5,380,000	6,878,036
6564 Tara Blvd, Jonesboro	690,000	930,170	680,000	869,343
Total Georgia Property	43,350,000	58,438,933	43,130,000	55,139,351
<b>Florida Properties</b>				
3350 Hanson St, Fort Myers	1,340,000	1,806,417	1,320,000	1,687,548
13584 49th St Nth, Clearwater	3,865,000	5,210,299	3,865,000	4,941,192
4700 110th Ave Nth, Pinellas Park	1,560,000	2,102,993	1,560,000	1,994,375
2853 Work Dve, Fort Myers	3,400,000	4,583,446	3,300,000	4,218,870
2148 Fowler St, Fort Myers	1,290,000	1,739,013	1,280,000	1,636,410
1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud	2,980,000	4,017,255	2,900,000	3,707,492
1904 Oak Grove Blvd, Lutz	4,070,000	5,486,654	3,960,000	5,062,644
5250 Giron Circle, Kissimmee	2,420,000	3,262,335	2,300,000	2,940,424
720 S. Dixie Fwy, New Smyrna Beach	2,740,000	3,693,718	2,870,000	3,669,138
2634 N. Orange Blossom Trail, Kissimmee	2,400,000	3,235,373	2,350,000	3,004,347
5961 Northland Rd, Fort Myers	1,290,000	1,739,013	1,290,000	1,649,195
16151 Pine Ridge Rd, Fort Myers	1,000,000	1,348,072	970,000	1,240,092
830 NE 24th Lane, Cape Coral	1,730,000	1,050,000	2,332,165	2,173,357
12050 49th St Nth, Clearwater	4,750,000	1,050,000	6,403,343	6,072,616

**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 2018**

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

	30 June 2018 Fair Value		31 December 2017 Fair Value	
	USD	AUD	USD	AUD
<b>Florida Properties (Cont'd)</b>				
2621 NE 9th Ave, Cape Coral	1,160,000	1,563,764	1,050,000	1,342,368
1221 SE 9th Ter, Cape Coral	1,030,000	1,388,514	1,000,000	1,278,445
1013 SE 12th Avenue, Cape Coral	950,000	1,280,669	815,000	1,041,933
18538 US Hwy 19, Clearwater	-	-	635,000	811,813
932 NE 24th Lane, Cape Coral	1,000,000	1,348,072	970,000	1,240,092
5636 Youngquist Rd, Fort Myers	700,000	943,651	700,000	894,911
5760 Youngquist Rd, Fort Myers	1,070,000	1,442,437	970,000	1,240,092
3419 Westview Drive, Naples	2,120,000	2,857,913	2,000,000	2,556,891
Total Florida Property	42,865,000	57,785,116	42,555,000	54,404,245
<b>Total Property</b>	<b>100,615,000</b>	<b>135,636,290</b>	<b>99,680,000</b>	<b>127,435,439</b>

30 June 2018	31 December 2017
\$	\$

**NOTE 4: TRADE AND OTHER PAYABLES**

Trade Creditors	749,648	943,796
Accrued Property Taxes	833,794	346,744
Security Deposits Held	1,141,811	1,068,111
	<u>2,725,253</u>	<u>2,358,651</u>

**NOTE 5: BORROWINGS**

**Current Borrowings**

Borrowings due within the next 12 months	<u>1,977,988</u>	<u>1,875,826</u>
---	------------------	------------------

**Non-Current Borrowings**

USA REIT Funding	124,697	118,256
Long Term Loans (excluding borrowings due within the next 12 months)	<u>24,288,258</u>	<u>23,050,961</u>
	<u>24,412,955</u>	<u>23,169,217</u>

Borrowing costs totalling \$515,734 (2017: \$568,692) relating to the USD 15.11m refinance are being amortised over 10 years. The current portion is \$74,042 (2017: \$71,394) and the non-current portion is \$441,692 (2017: \$497,298).

**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 2018**

**NOTE 5: BORROWINGS (Cont'd)**

	Loan AUD 30 June 2018 \$	Loan USD 30 June 2018 \$	Loan AUD 31 December 2017 \$	Loan USD 31 December 2017 \$
Finance terms for each loan are as follows:				
<i>1671 Riverview Drive, Lewisville, TX</i> 4.0% pa interest, interest-only repayments until December 2018	1,941,224	1,440,000	1,840,961	1,440,000
<i>401 Powerhouse, McKinney, TX</i> 6.0% pa interest, principal and interest repayments amortised over 5 years (repaid in full when the property sale settled on 6 August 2018)	931,115	690,701	900,195	704,133
<i>2634 N. Orange Blossom Trail, Kissimmee, FL</i> 5.0% pa interest, interest-only repayments until March 2019	1,056,349	783,600	1,001,790	783,600
<i>830 NE 24th Lane, Cape Coral, FL</i> 4.25% pa interest, interest-only repayments until April 2019	404,422	300,000	383,534	300,000
<i>13584 49th St Nth, Clearwater, FL</i> 3.5% pa interest to April 2018, then 5.0% pa interest to April 2023, all interest-only	1,563,763	1,160,000	1,482,997	1,160,000

All the above facilities are vendor financed and there are no covenants attached to these facilities.

*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

	15,516,312	11,510,000	14,714,907	11,510,000
--	------------	------------	------------	------------

**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 2018**

**NOTE 5: BORROWINGS (Cont'd)**

	Loan AUD 30 June 2018 \$	Loan USD 30 June 2018	Loan AUD 31 December 2017 \$	Loan USD 31 December 2017
<i>Long Term Borrowings (Refinance):</i>				
400 Technology Parkway, Peachtree Corners, GA				
4.5% pa interest, interest-only repayments until January 2026	4,853,061	3,600,000	4,602,403	3,600,000

The above two long term borrowings have loan covenants attached to them included in the agreed loan documentation and reported accordingly to comply with obligations and deadlines.

*USA REIT Funding*

12.5% pa interest. No maturity.	124,697	92,500	118,256	92,500
	26,390,943	19,576,801	25,045,043	19,590,233

Interest expense is not capitalised for any loan facility of the scheme.

	Six Months To 30 June 2018 \$	Six Months To 30 June 2017 \$
<b>NOTE 6: DISTRIBUTIONS</b>		
Final	\$3,895,413	\$3,726,754
	30 June 2018 \$	30 June 2017 \$
Payable At Period End	\$3,569,607	\$3,433,573

Distributions are paid from free operating cash flow. No forecasts for future distribution rates are made.

**NOTE 7: CONTROLLED ENTITIES**

	At 30 June 2018	
	Country of Incorporation	% Owned
Subsidiaries controlled by the Fund during the period were:		
Ozinus Realty, LLC (acquired 30 November 2012)	USA	100%
Ozinus Hanson, LLC (acquired 13 March 2013 )	USA	100%
Ozinus Pinellas Park, LLC (acquired 12 April 2013)	USA	100%

**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 2018**

---

**NOTE 7: CONTROLLED ENTITIES (Cont'd)**

	<b>At 30 June 2018</b>	
	<b>Country of Incorporation</b>	<b>% Owned</b>
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%
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>	<b>USA</b>	<b>100%</b>
Ozinus 1013SE12-CC, LLC <i>(acquired 24 September 2014)</i>	<b>USA</b>	<b>100%</b>
Ozinus US 19N, LLC <i>(acquired 29 September 2014)</i>	<b>USA</b>	<b>100%</b>
Ozinus 932NE24-CC, LLC <i>(acquired 30 September 2014)</i>	<b>USA</b>	<b>100%</b>

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

---

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2018**

---

**NOTE 7: CONTROLLED ENTITIES (Cont'd)**

	At 30 June 2018	
	Country of Incorporation	% Owned
Ozinus McDonough, LLC (acquired 30 December 2014)	USA	100%
Sunizo, LLC (acquired 31 March 2015)	USA	100%
Ozinus Jonesboro Towne Cr, LLC (acquired 18 May 2015)	USA	100%
Ozinus Scientific, LLC (acquired 12 June 2015)	USA	100%
Ozinus 5636 Youngquist, LLC (acquired 15 July 2015)	USA	100%
Ozinus 5760 Youngquist, LLC (acquired 15 July 2015)	USA	100%
Ozinus 358 McDonough, LLC (acquired 24 July 2015)	USA	100%
Ozinus Westview, LLC (acquired 31 August 2015)	USA	100%
Ozinus 2192 Parkway, LLC (acquired 1 October 2015)	USA	100%
Ozinus Westlake, LLC (acquired 18 December 2015)	USA	100%
Ozinus 350 Tech, LLC (acquired 6 January 2017)	USA	100%
Ozinus 6564 Tara, LLC (acquired 18 April 2017)	USA	100%

**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.

**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 2018**

**NOTE 8: RELATED PARTY TRANSACTIONS (Cont'd)**

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 \$11,139 (\$1,856.57 per month) for providing compliance services for the six months to 30 June 2018 (30 June 2017: \$10,815).

	<b>Six Months To 30 June 2018 \$</b>	<b>Six Months To 30 June 2017 \$</b>
<b>Fees Paid To And Interests Held By The Responsible Entity</b>		
The following fees were paid to the Responsible Entity out of Fund property during the financial period:		
Management Fees	1,283,448	1,154,560
Performance Fees	-	-
Total Fees To The Responsible Entity	1,283,448	1,154,560
Other Expense Reimbursements	40,178	40,082
Total Fees & Reimbursements	1,323,626	1,194,642

Management fees are paid to the Responsible Entity to execute the investment strategy as outlined in the PDS dated 4 July 2018. Expense reimbursements relate to costs incurred by the Fund but paid by the Responsible Entity and later reimbursed to the Responsible Entity. Most expenses attributable to the Fund are paid directly by the Fund. 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.

**Units In The Fund Held By Related Parties**

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

	<b># Units Held At 30 June 2018</b>	<b># Units Held At 31 December 2017</b>
Stephen McKnight (Director) & Associated Parties	1,807,498	1,759,008
Plantation Capital Limited	1,080,166	1,046,519
	2,887,664	2,805,527
	<b>Value of Units Held At 30 June 2018</b>	<b>Value of Units Held At 31 December 2017</b>
Stephen McKnight (Director) & Associated Parties	\$2,678,531	\$2,478,794
Plantation Capital Limited	\$1,600,698	\$1,474,755
	\$4,279,229	\$3,953,549

**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 2018**

---

**NOTE 9: SUBSEQUENT EVENTS**

**Subsequent Events**

*Property Sold*

401 - 403 Powerhouse, McKinney, TX 75056, a property owned by the Fund that was acquired on 6 February 2014 of US\$4,125,000 was sold on 6 August 2018 for \$4,950,000, resulting in a gain of \$178k. The proceeds from the sale have been quarantined in a 1031 like-kind exchange escrow and will be used to acquire one or more new properties.

*Fund Re-Opening*

The Fund re-opened to new and top up applications on 4 July 2018. By 31 July 2018 an amount of \$7,843,000 of new capital had been received. The Director's expect to use this money to fund the upcoming 2018 redemption offer, settle debt due in the next six months, and to purchase more real estate in the portfolio.

*Election to Adopt the Attribution Managed Investment Trust (AMIT) Regime*

On 4 July 2018 the Board resolved to adopt the AMIT Regime in accordance with section 248A of the Corporations Act 2001 (Cth), and accordingly amended the Fund's Constitution. AMIT is a significant industry-wide reform, which introduces new tax rules for managed investment trusts.

**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](http://www.passiveincomefund.com)  
[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**

---

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: 10 September 2018

# 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 2018, 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 8 to 23.

## *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 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Passive Income (USA Commercial Property) Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 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 2018 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, 10 September 2018