

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

ARSN 155 770 095

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2019**

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

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FOR THE HALF YEAR ENDED
30 JUNE 2019**

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DIRECTORS' REPORT

The Directors of Plantation Capital Ltd - the Responsible Entity of the Passive Income (USA Commercial Property) Fund (the Fund), a Managed Investment Scheme, present their report together with the interim financial statements of the Fund for the half year ended 30 June 2019. 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. Presently, his real estate portfolio includes residential and commercial properties in Australia and the USA, together with a substantial investment in the Fund.

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

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DIRECTORS' REPORT (CONT'D)

Paul Harper – Director

Chartered Accountant, Master of Entrepreneurship and Innovation, Bachelor of Business (Accounting)

Paul has worked in the finance and accounting industry for more than 26 years, including 15 years as a partner at Jeena Limited, a Melbourne-based firm of Chartered Accountants that provided taxation, accounting and investment services to 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 first half of the 2019 financial year saw operations unfolding as expected and according to plan.

The Directors toured every property in January and were pleased with the condition and presentation of the portfolio, as well as the oversight shown by Sunizo LLC, our wholly-owned in-house management team.

Two properties have consumed most of our attention. The first, 350 Technology Parkway in Atlanta, experienced a spike in vacancy after the leases of its two main tenants expired. Although we have received a number of tenant enquiries, to date they have not translated into signed leases and our marketing efforts continue. The second, Shops of Tara, also in Atlanta, has seen improvement with increased leasing activity as a result of us engaging a new leasing co-ordinator, and with the pending opening of Starbucks on a property owned by the Fund next door.

Elsewhere, Youngquist 5636 in Fort Myers Florida is almost rent ready again after being subject to an arson attack. The amount of time associated with the permitting process of the necessary repairs has been painfully slow, but we are thankful for the efforts of the Sunizo team and their professional oversight.

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DIRECTORS' REPORT (CONT'D)

Economic conditions in the US remain robust, as evidenced by our generally strong leasing and re-leasing achievements. Setting aside the vacant spaces of the three properties mentioned above, our rent ready vacant space is only 48,599 square feet, or 4.04% of our total portfolio. By industry standards, a vacancy of less than 10% is considered an excellent result, and anything below 5% an exceptional outcome.

As mentioned in 31 December 2018 Director's Report, it appears the pace of generic capital growth across our property portfolio is slowing, so we are ever conscious of finding ways to increase rent, decrease expenses, or ideally both, in order to increase a property's net operating income and hence its value. Our project to get as many Gross and Modified Gross leases over to NNN leases is almost complete and is expected to increase the amount of property outgoings that we can recover in common area maintenance.

The AUD:US exchange rate did not materially change in the first six months of the year, but it has since fallen and is now touching 10-year lows. We are watching this closely and are researching and considering cost-effective options, including refinancing and realising some of the property portfolio's equity, to protect and possibly realise some of the foreign exchange gains made to date,.

Looking ahead to the remainder of 2019, we hope to secure leases over the vacant space at 350 Technology Parkway and Shops of Tara. We have also identified several properties that we expect to sell and, assuming that suitable properties cannot be found to replace them, we expect to declare one or more special distributions to return surplus cash.

Finally, in the current low interest rate environment, we hope that the returns the Fund generates will meet with your approval and continue to reflect the time and effort that your executive and management teams contribute.

Unit Price

The ex-distribution unit price as at 30 June 2019 was \$1.5432 (31 December 2018: \$1.5530), a decrease of 0.98 cents before distribution of 5.0 cents.

Profit

The Fund's consolidated net profit after income tax and before distributions was \$2,384,746 (Six months ended 30 June 2018: \$506,192).

Distributions

	Six Months Ended 30 June 2019		Six Months Ended 30 June 2018	
	\$	¢ per unit	\$	¢ per unit
Interim Distribution Paid	4,176,426	5.0*	3,895,413	5.0*
Final Distribution Payable	-	-	-	-
Total Distribution	4,176,426	5.0*	3,895,413	5.0*

*Gross of US withholding tax

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DIRECTORS' REPORT (CONT'D)

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.

AUD:USD Exchange Rate

	As At / Period Ended 30 June 2019	As At / Period Ended 31 December 2018
At Period End	\$0.7037	\$0.7062
Average Over Period	\$0.7062*	\$0.7475*

* The average rate is for six months to 30 June 2019, and 12 months to 31 December 2018.

Fund Performance (Net Of Fees)

	Six Months Ended 30 June 2019	Six Months Ended 30 June 2018
Ex- Unit Price Movement (cents per unit)	(0.98) [#]	7.27 [#]
Cash Distribution (cents per unit)	5.00*	5.00*
Total Return (cents per unit)	4.02*	12.27*

* 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 2019, Ozinus Realty, LLC – a wholly owned subsidiary of the Fund, paid \$2,913,627 in gross dividends to the Fund (Six months ended 30 June 2018: \$2,156,916).

Fees Paid To and Interests Held By the Responsible Entity

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

	Six Months Ended 30 June 2019 \$	Six Months Ended 30 June 2018 \$
Management fees	1,434,008	1,283,448
Other expense reimbursements	62,865	40,178
Total Fees & Reimbursements	1,496,873	1,323,626

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.

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DIRECTORS' REPORT (CONT'D)

During the period, performance of the Fund did not exceed the target hurdle (including any shortfall from prior period(s) if any) and therefore the Responsible Entity was not entitled to a performance fee for this period.

Related Party Transactions

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

Units 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:

Stephen McKnight (Director)

& Associated Parties

Plantation Capital Limited

**# Units Held At
30 June 2019**

**# Units Held At
31 December 2018**

1,928,206

1,881,635

1,312,827

1,276,377

3,241,033

3,158,012

**Value of Units
Held At
30 June 2019**

**Value of Units
Held At
31 December 2018**

Stephen McKnight (Director)

& Associated Parties

Plantation Capital Limited

\$2,975,607

\$2,922,179

\$2,025,955

\$1,982,213

\$5,001,562

\$4,904,392

The Chairman and CEO of the Fund's Responsible Entity, Plantation Capital Limited, engaged Sunizo, LLC, the Fund's wholly-owned in-house property manager, to manage one of his properties on an arm's length basis. This conflict and related party transaction has been recorded in the appropriate registers and is being managed by the Board.

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 2019, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD).

Likely Developments and Expected Results of Operations

The Fund expects to continue to operate in accordance with its investment policy as detailed in the PDS issued 4 July 2018.

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DIRECTORS' REPORT (CONT'D)

Significant Changes in State of Affairs

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

Subsequent Events

After finalising construction of a dual retail building at 6564 Tara Blvd, Jonesboro, GA 30326, Starbucks began occupancy in July 2019.

An offer of US\$5.8m was accepted for the Fund's property at 1461 Hwy 20 W, McDonough, GA and an offer of US\$1.07m was accepted for 1013 SE 12th Avenue, Cape Coral. Both offers are presently still conditional upon passing due diligence.

The AUD:USD exchange rate fell to 10-year lows. If it stays at, or below, that level then it will provide a substantial boost the Fund's performance in the second half of the year.

There were no other subsequent events after 30 June 2019.

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

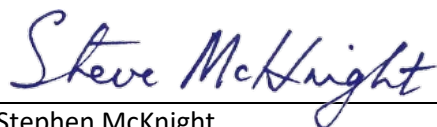
A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included in this report. No officer of the Company is or has been a partner/director of any auditor of the Company.

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: 12 September 2019

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

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2019, 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 review.

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

12 September 2019

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED
STATEMENT OF PROFIT & LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Note	Six Months To 30 June 2019 \$	Six Months To 30 June 2018 \$
Revenue			
Fair Value Gain On			
Investment Properties		658,148	1,237,285
Rental Income		8,030,161	7,295,059
Foreign Currency Gain/(Loss)		(398,371)	21,680
Other Income		165,780	361,537
Total Income		8,455,718	8,915,561
Operating Expenses			
Accounting And Audit Fees		27,522	28,156
Responsible Entity's Fees	8	1,434,008	1,283,448
Compliance Costs		35,165	26,205
Custodian Fees		15,574	15,035
Insurance		15,355	14,759
Finance Costs		636,979	666,797
Legal & Due Diligence		37,218	34,183
Property Expenses		3,694,754	3,214,285
Other Operating Expenses		59,745	51,148
Total Operating Expenses		5,956,320	5,334,016
Operating Profit Before Tax		2,499,398	3,581,545
Deferred Tax Expense		(114,652)	(3,075,353)
Operating Profit After Tax		2,384,746	506,192
Other Comprehensive Income		-	-
Total Comprehensive Income		2,384,746	506,192

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	30 June 2019 \$	31 December 2018 \$
Current Assets			
Cash And Cash			
Equivalents		12,765,103	18,537,412
Sundry Debtors		241,957	170,409
Other Current Assets		1,109,847	786,909
Total Current Assets		14,116,907	19,494,730
Non - Current Asset			
Investment Properties	3	145,047,229	140,232,820
Equipment		60,360	52,780
Other Non-Current Assets		505,225	473,694
Total Non - Current Asset		145,612,814	140,759,294
Total Assets		159,729,721	160,254,024
Current Liabilities			
Provisions		25,045	28,264
Trade And Other Payables	4	3,179,703	3,691,656
Distributions Payable	7	3,982,516	3,631,102
Borrowings	5	-	1,534,410
Other Current Liabilities		371,707	938,353
Total Current Liabilities		7,558,971	9,823,785
Non - Current Liabilities			
Borrowings	5	23,252,096	23,169,782
Deferred Tax Liability		12,308,543	11,795,406
Lease Liability	1	16,608	-
Total Non – Current Liabilities		35,577,247	34,965,188
Total Liabilities		43,136,218	44,788,973
Net Assets		116,593,503	115,465,051
Net Assets Attributable To Unitholders			
Unitholders' Funds		96,983,437	94,527,205
Distributions			
Paid/Payable		(1,554,668)	237,012
Foreign Currency			
Reserve Account		21,164,734	20,700,834
Total Net Assets Attributable To Unitholders		116,593,503	115,465,051

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

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**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE HALF YEAR ENDED 30 JUNE 2019**

30 June 2019 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Comprehensive Income For Six Months		-	2,384,746	-	2,384,746
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 31 December 2018		94,527,205	237,012	20,700,834	115,465,051
Foreign Currency Reserve		-	-	463,900	463,900
Distributions	7	-	(4,176,426)	-	(4,176,426)
Units Issued – Applications And Reinvestments		2,456,232	-	-	2,456,232
Total Transactions With Unitholders In Their Capacity As Unitholders		2,456,232	(4,176,426)	463,900	(1,256,294)
Balance As At 30 June 2019		96,983,437	(1,554,668)	21,164,734	116,593,503
30 June 2018 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Comprehensive Income For Six Months		-	506,192	-	506,192
Transactions With Unitholders In Their Capacity As Unitholders:					
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	7	-	(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
Balance As At 30 June 2018		88,384,986	1,053,362	15,129,089	104,567,437

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Six Months To 30 June 2019 \$	Six Months To 30 June 2018 \$
Cash Flows From		
Operating Activities		
Receipts From Customers	7,635,675	6,941,343
Payments To Suppliers	(3,344,532)	(2,921,652)
Management Fee	(1,398,902)	(1,254,885)
Interest Paid	(597,603)	(658,326)
Other Income	165,780	361,537
Net Cash Provided By Operating Activities	<u>2,460,418</u>	<u>2,468,017</u>
Cash Flows From		
Investing Activities		
Sale Of Investment Properties	-	961,970
Purchase Of Investment Properties	(4,657,708)	-
Net Cash Provided By/(Used In) Investing Activities	<u>(4,657,708)</u>	<u>961,970</u>
Cash Flows From		
Financing Activities		
Loan Repayments	(1,539,860)	(18,107)
Distributions Paid	(1,174,871)	(1,087,763)
Net Cash Provided By Financing Activities	<u>(2,714,731)</u>	<u>(1,105,870)</u>
Net Increase/(Decrease) In Cash And Cash Equivalents	(4,912,021)	2,324,117
Cash At Beginning Of The Financial Period	18,537,412	9,648,060
Effect Of Exchange Rate On Cash And Cash Equivalents	(860,288)	(564,056)
Cash At The End Of The Financial Period	<u>12,765,103</u>	<u>11,408,121</u>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019**

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.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (CONT'D)**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

AASB 16 Leases

This standard became effective and was implemented for the annual period beginning on 1 January 2019. Under AASB16, Lessees now bring to account a right-to-use asset and lease liability onto the Statement of Financial Position for all leases.

The current standard will impact the treatment of the Sunizo office lease. The lease liability of \$68,148 (current \$51,540, non-current \$16,608) and corresponding right of use asset of \$70,907 has been recognised on the balance sheet. Depreciation of right of use asset and interest on lease liability have been recognised in the income statement, the impact on income being \$2,759.

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.

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 were 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 there is no material impact on the financial position and/or financial performance of the Fund for the current period.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (CONT'D)**

NOTE 3: INVESTMENT PROPERTIES

	30 June 2019		31 December 2018	
	Fair Value		Fair Value	
	AUD	USD	AUD	USD
Texas Properties				
1671 Riverview Dve, Lewisville	6,299,216	4,432,759	6,244,690	4,410,000
1205 Texas Parkway, Euless	7,233,333	5,090,096	7,193,430	5,080,000
Total Texas Property	13,532,549	9,522,855	13,438,120	9,490,000
Georgia Properties				
6620 Tara Blvd, Jonesboro	6,565,443	4,620,102	6,527,896	4,610,000
6205 & 6215 Shiloh Crossing, Alpharetta	10,089,527	7,100,000	10,053,809	7,100,000
1461 HWY 20 W, McDonough	7,531,619	5,300,000	7,080,147	5,000,000
2081 Jonesboro Rd, McDonough	5,990,621	4,215,600	5,805,721	4,100,000
270 Scientific Drive, Norcross	7,247,407	5,100,000	7,108,468	5,020,000
358 McDonough Pkway, McDonough	1,662,640	1,170,000	1,656,754	1,170,000
2192 Eastview Parkway, Conyers	3,437,750	2,419,145	3,412,631	2,410,000
400 Tech Pkway, Peachtree Corners	11,392,295	8,016,758	11,328,236	8,000,000
350 Tech Pkway, Peachtree Corners	7,207,292	5,071,772	7,080,147	5,000,000
6564 Tara Blvd, Jonesboro	3,113,028	2,190,637	3,171,906	2,240,000
Total Georgia Property	64,237,622	45,204,014	63,225,715	44,650,000
Florida Properties				
3350 Hanson St, Fort Myers	1,947,103	1,370,176	1,939,960	1,370,000
13584 49th St Nth, Clearwater	5,513,713	3,880,000	5,451,713	3,850,000
4700 110th Ave Nth, Pinellas Park	2,347,849	1,652,181	2,336,449	1,650,000
2853 Work Dve, Fort Myers	4,989,679	3,511,237	4,941,943	3,490,000
2148 Fowler St, Fort Myers	1,905,642	1,341,001	1,883,319	1,330,000
1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud	4,151,688	2,921,543	4,106,485	2,900,000
1904 Oak Grove Blvd, Lutz	6,842,361	4,814,969	6,796,941	4,800,000
5250 Giron Circle, Kissimmee	3,515,636	2,473,953	3,483,432	2,460,000
720 S. Dixie Fwy, New Smyrna Beach	4,064,232	2,860,000	3,879,921	2,740,000
2634 N. Orange Blossom Trail, Kissimmee	3,460,068	2,434,850	3,440,952	2,430,000
5961 Northland Rd, Fort Myers	1,893,685	1,332,586	1,883,319	1,330,000
16151 Pine Ridge Rd, Fort Myers	1,885,642	1,326,927	1,869,159	1,320,000
830 NE 24th Lane, Cape Coral	2,564,108	1,804,363	2,548,853	1,800,000
12050 49th St Nth, Clearwater	7,299,132	5,136,399	7,136,788	5,040,000
2621 NE 9th Ave, Cape Coral	1,764,293	1,241,533	1,755,877	1,240,000
1221 SE 9th Ter, Cape Coral	1,492,113	1,050,000	1,486,831	1,050,000
1013 SE 12th Avenue, Cape Coral	1,373,917	966,825	1,359,388	960,000
932 NE 24th Lane, Cape Coral	1,676,851	1,180,000	1,585,953	1,120,000

**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 2019 (CONT'D)**

NOTE 3: INVESTMENT PROPERTIES (CONT'D)

	30 June 2019 Fair Value		31 December 2018 Fair Value	
	AUD	USD	AUD	USD
Florida Properties (Cont'd)				
5636 Youngquist Rd, Fort Myers	1,136,091	799,467	1,008,805	712,417
5760 Youngquist Rd, Fort Myers	1,602,548	1,127,713	1,585,953	1,120,000
3419 Westview Drive, Naples	3,120,450	2,195,861	3,086,944	2,180,000
2200 Kings Highway, Port Charlotte	2,730,257	1,921,282	-	-
Total Florida Property	67,277,058	47,342,866	63,568,985	44,892,417
Total Property	145,047,229	102,069,735	140,232,820	99,032,417
	30 June 2019		31 December 2018	
	\$		\$	

NOTE 4: TRADE AND OTHER PAYABLES

Trade Creditors	1,125,382	2,424,963
Accrued Property Taxes	842,889	150,773
Security Deposits Held	1,211,432	1,115,920
	<u>3,179,703</u>	<u>3,691,656</u>

NOTE 5: BORROWINGS

Current Borrowings

Borrowings due within the next 12 months	-	1,534,410
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Non-Current Borrowings

USA REIT Funding	131,448	130,983
Long Term Loans (excluding borrowings due within the next 12 months)	23,120,648	23,038,799
Total Borrowings	<u>23,252,096</u>	<u>24,704,192</u>

Borrowing costs totalling \$465,607 (2018: \$515,734) relating to the USD 15.11m refinance are being amortised over 10 years. The current portion is \$78,050 (2018: \$74,042) and the non-current portion is \$387,557 (2018: \$441,692).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (CONT'D)**

NOTE 5: BORROWINGS (CONT'D)

	30 June 2019 \$(‘000)		31 December 2018 \$(‘000)	
	Loan AUD	Loan USD	Loan AUD	Loan USD
<i>Owner Financing</i>				
2634 N. OBT, Kissimmee, FL 5.0% pa interest-only, repaid March 2019	-	-	1,110	784
830 NE 24th Lane, Cape Coral, FL 4.25% pa interest-only, repaid April 2019	-	-	425	300
13584 49th St Nth, Clearwater, FL 5.0% pa interest-only, due April 2023	1,648	1,160	1,642	1,160
There are no covenants attached to these loans.				
<i>Wells Fargo</i>				
2081 J'boro Rd, McDonough, GA 6205/15 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-only, due June 2025	16,357	11,510	16,298	11,510
<i>RGA</i>				
400 Technology Parkway, GA 4.5% pa interest-only, due January 2026	5,116	3,600	5,098	3,600
The Wells Fargo and RGA loans have covenants attached to them and are monitored and reported to comply with loan obligations.	23,121	16,270	24,573	17,354
<i>USA REIT Funding</i>				
12.5% pa interest. No maturity. No covenants.	131	92	131	92
	<u>23,252</u>	<u>16,362</u>	<u>24,704</u>	<u>17,446</u>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (CONT'D)**

NOTE 6: CONTROLLED ENTITIES

	As At 30 June 2019	
	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%
Ozinus Breckinridge, LLC (acquired 16 April 2013)	USA	100%
Ozinus Thornton, LLC (acquired 9 August 2013)	USA	100%
Ozinus Palmetto Grove, LLC (acquired 15 August 2013)	USA	100%
Ozinus Rams Plaza, LLC (acquired 9 September 2013)	USA	100%
Ozinus Hamlin, LLC (acquired 8 October 2013)	USA	100%
Ozinus Eagle Plaza, LLC (acquired 3 December 2013)	USA	100%
Ozinus Giron, LLC (acquired 13 December 2013)	USA	100%
Ozinus Riverview Drive, LLC (acquired 26 December 2013)	USA	100%
Ozinus Powerhouse, LLC (acquired 6 February 2014)	USA	100%
Ozinus NSB, LLC (acquired 14 February 2014)	USA	100%
Ozinus Orange Blossom, LLC (acquired 7 March 2014)	USA	100%
Ozinus Northland, LLC (acquired 4 April 2014)	USA	100%
Ozinus Pine Ridge, LLC (acquired 15 April 2014)	USA	100%
Ozinus Cape Coral 830CC, LLC (acquired 30 April 2014)	USA	100%
Ozinus Shops of Tara, LLC (acquired 1 May 2014)	USA	100%
Ozinus Pitney, LLC (acquired 23 June 2014)	USA	100%
Ozinus NE 9th CC, LLC (acquired 27 June 2014)	USA	100%
Ozinus SE 9-CC, LLC (acquired 11 July 2014)	USA	100%

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (CONT'D)**

NOTE 6: CONTROLLED ENTITIES (CONT'D)

	As At 30 June 2019	
	Country of Incorporation	% Owned
Ozinus Texas Star, LLC <i>(acquired 16 July 2014)</i>	USA	100%
Ozinus Shiloh, LLC <i>(acquired 23 July 2014)</i>	USA	100%
Ozinus 1013SE12-CC, LLC <i>(acquired 24 September 2014)</i>	USA	100%
Ozinus US 19N, LLC <i>(acquired 29 September 2014)</i>	USA	100%
Ozinus 932NE24-CC, LLC <i>(acquired 30 September 2014)</i>	USA	100%
Ozinus McDonough, LLC <i>(acquired 30 December 2014)</i>	USA	100%
Sunizo, LLC <i>(acquired 31 March 2015)</i>	USA	100%
Ozinus Jonesboro Towne Cr, LLC <i>(acquired 18 May 2015)</i>	USA	100%
Ozinus Scientific, LLC <i>(acquired 12 June 2015)</i>	USA	100%
Ozinus 5636 Youngquist, LLC <i>(acquired 15 July 2015)</i>	USA	100%
Ozinus 5760 Youngquist, LLC <i>(acquired 15 July 2015)</i>	USA	100%
Ozinus 358 McDonough, LLC <i>(acquired 24 July 2015)</i>	USA	100%
Ozinus Westview, LLC <i>(acquired 31 August 2015)</i>	USA	100%
Ozinus 2192 Parkway, LLC <i>(acquired 1 October 2015)</i>	USA	100%
Ozinus Westlake, LLC <i>(acquired 18 December 2015)</i>	USA	100%
Ozinus 350 Tech, LLC <i>(acquired 6 January 2017)</i>	USA	100%
Ozinus 6564 Tara, LLC <i>(acquired 18 April 2017)</i>	USA	100%
Ozinus Maple, LLC <i>(acquired 31 January 2019)</i>	USA	100%

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (CONT'D)**

	Six Months To 30 June 2019 \$	Six Months To 30 June 2018 \$
	<hr/>	<hr/>
NOTE 7: DISTRIBUTIONS PAID		
Final	\$4,176,426	\$3,895,413
	<hr/>	<hr/>
	30 June 2019 \$	31 December 2018 \$
	<hr/>	<hr/>
Payable At Period End	\$3,982,516	\$3,631,102
	<hr/>	<hr/>

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

NOTE 8: RELATED PARTY TRANSACTIONS

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

Key Management Personnel

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

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

Stephen McKnight
Paul Harper
Keith Woodhead

Key management personnel also included Mr. Davendra Prasad, Chief Financial Officer. Remuneration of the key personnel is paid directly by the Responsible Entity. Key personnel are not provided with any remuneration by the Fund itself.

Directors are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, as a result of the remuneration provided by the Responsible Entity. One Director, as Compliance committee member was paid \$11,628 for providing compliance services for the six months to 30 June 2019 (30 June 2018: \$11,139).

The Chairman and CEO of the Fund's Responsible Entity, Plantation Capital Limited, engaged Sunizo, LLC, the Fund's wholly-owned in-house property manager, to manage one of his properties on an arm's length basis. This conflict and related party transaction has been recorded in the appropriate registers and is being managed by the Board.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (CONT'D)**

NOTE 8: RELATED PARTY TRANSACTIONS (CONT'D)

	Six Months To 30 June 2019 \$	Six Months To 30 June 2018 \$
Fees Paid To And Interests Held By The Responsible Entity		
The following fees were paid to the Responsible Entity out of Fund property during the financial period:		
Management Fees	1,434,008	1,283,448
Other Expense Reimbursements	62,865	40,178
Total Fees & Reimbursements	1,496,873	1,323,626

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:

Stephen McKnight (Director)
& Associated Parties
Plantation Capital Limited

# Units Held At 30 June 2019	# Units Held At 31 December 2018
1,928,206	1,881,635
1,312,827	1,276,377
3,241,033	3,158,012
Value of Units Held At 30 June 2019	Value of Units Held At 31 December 2018
\$2,975,607	2,922,179
\$2,025,955	1,982,213
\$5,001,562	4,904,392

Stephen McKnight (Director)
& Associated Parties
Plantation Capital Limited

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019 (CONT'D)**

NOTE 9: SUBSEQUENT EVENTS

Subsequent Events

After finalising construction of a dual retail building at 6564 Tara Blvd, Jonesboro, GA 30326, Starbucks began occupancy in July 2019.

An offer of US\$5.8m was accepted for the Fund's property at 1461 Hwy 20 W, McDonough, GA and an offer of US\$1.07m was accepted for 1013 SE 12th Avenue, Cape Coral. Both offers are presently still conditional upon passing due diligence.

The AUD:USD exchange rate fell to 10-year lows. If it stays at, or below, that level then it will provide a substantial boost the Fund's performance in the second half of the year.

There were no other subsequent events after 30 June 2019.

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

Suite 4, 210 Canterbury Rd
Canterbury, VIC 3126
AUSTRALIA

Postal Address

PO Box 532
Canterbury, VIC 3126
AUSTRALIA

Other Details

Phone: 03 8592 0270
www.passiveincomefund.com
admin@passiveincomefund.com

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

DIRECTOR'S OF RESPONSIBLE ENTITY DECLARATION

The Directors of Plantation Capital Limited, the Responsible Entity of Passive Income Fund declare that:

1. In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity (The Fund); and
2. In the Directors' opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Stephen McKnight
Director

Melbourne: 12 September 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Passive Income (USA Commercial Property) Fund (**the fund**), which comprises the condensed statement of financial position as at 30 June 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, 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.

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 the company is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Fund's financial position as at 30 June 2019 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*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 company's financial position as at 30 June 2019 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.

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 company, would be in the same terms if provided to the directors as at the time of this auditor's review report.



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

12 September 2019